



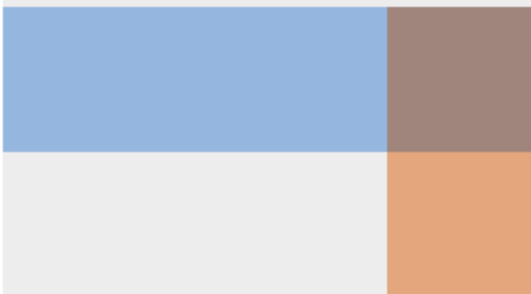
Australian Government
The Treasury



Regulation Impact Statement

Education Standards for Experienced Financial Advisers

April 2023



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Introduction

In the past decade there have been significant developments in the educational requirements for financial advisers aimed at professionalising the industry. A defining feature of a profession is that members share common knowledge, skills and expertise in a specialised field. Prior to the current requirements, the education and training of financial advisers relied upon the Australian financial service licensee (licensee) obligation 912A in the *Corporations Act 2001*. Under this obligation, licensees are required to ensure that their representatives are ‘adequately trained [...] and competent to provide those financial services’. The Australian Securities and Investments Commission (ASIC) provided guidance for the minimum education standards for financial advisers in *Regulatory Guide 146: Licencing: Training of Financial Product Advisers* (RG 146). RG 146 required:

- Australian Qualifications Framework level 5 (diploma level) courses
- specialist knowledge about the specific products on which an adviser provides advice, and their markets
- generic knowledge requirements, including training on the economic environment, the operation of financial markets and financial products.

Evidence provided to the *2014 Parliamentary Joint Committee inquiry into proposals to lift the professional, ethical and education standards in the financial services industry* (PJC Inquiry) indicated that the previous education requirements set under RG 146 did not deliver appropriate standards. ASIC’s evidence to the PJC Inquiry outlined that there were numerous and fragmented approaches to interpreting and implementing the requirements in RG 146, and that training courses varied significantly in terms of content and quality.

In response to evidence provided, the PJC Inquiry recommended that at a minimum financial advisers hold a degree qualification at AQF level 7 (bachelor’s degree level), complete a structured professional year, pass an exam, and comply with ongoing professional development requirements.

The Financial Adviser Standards and Ethics Authority (FASEA) was the standard setting body established by the *Corporations Amendment (Professional Standards of Financial Advisers) Act 2017*. FASEA was charged with setting the education, training and ethical standards for licensed financial advisers including

- approving bachelor’s degrees or equivalent qualifications and determining the bridging courses requirements for existing advisers
- approving and administering the financial adviser exam
- determining the professional year requirements
- approval of foreign qualifications
- setting continuing professional development requirements
- making the code of ethics.

Over its lifespan, FASEA was heavily criticised for the framework it both developed and implemented. Stakeholders were critical that the standards did not better recognise prior learning and experience.¹ The Financial Planning Association said FASEA ‘got it wrong with its one size fits all framework.

¹ SIAA, September 4

Financial planners have entered with a variety of degrees and prior career experience, and they shouldn't have to restudy what they already know.²

FASEA's function was transferred to ASIC and Treasury on 1 January 2022. Treasury assumed control of the standard-setting obligations.

During the 2022 election, the government committed to addressing concerns about the education requirements for existing providers and better recognise their on-the-job experience. Specifically, by removing the tertiary education requirements for financial advisers with 10 years' experience and a clean disciplinary record.

Currently, the relevant legislation and regulations provide transitional arrangements for 'existing providers' – those financial advisers who were authorised to provide financial advice between 1 January 2016 and 1 January 2019. This cohort must also not have been banned, disqualified, or subject of a court enforceable undertaking as of 1 January 2019 to be considered an existing provider.

Existing providers are currently required to comply with the following education requirements to continue providing personal financial advice:

- hold, at most, an approved 8 unit graduate diploma by 1 January 2026³
- passed the Financial Adviser Exam (exam) by 30 September 2022, if eligible for the extension, otherwise by 31 December 2021
- undertake 40 hours of continuing professional development per year.

As stated in the Explanatory Memorandum to the *Corporations Amendment (Professional Standards of Financial Advisers) Act 2017*, these provisions were designed to allow flexibility for existing advisers and to ensure they 'undertake adequate study to bring their qualifications in line with the new standard'.⁴

Timeline of legislation

Table 1 Timeline of Legislation

Date	Description
23 November 2016	Corporations Amendment (Professional Standards of Financial Advisers) Bill 2016 introduced into Parliament.
07 February 2017	Corporations Amendment (Professional Standards of Financial Advisers) Bill 2016 passed House of Representatives.
09 February 2017	Corporations Amendment (Professional Standards of Financial Advisers) Bill 2016 passed Senate.
22 February 2017	Corporations Amendment (Professional Standards of Financial Advisers) Bill 2016 commenced.

² IFA, February 2022.

³ Recognition of prior learning can reduce the number of required subjects, including if the adviser holds an Advanced Diploma of Financial Planning or has completed coursework to obtain a professional designation (e.g. Certified Financial Planner).

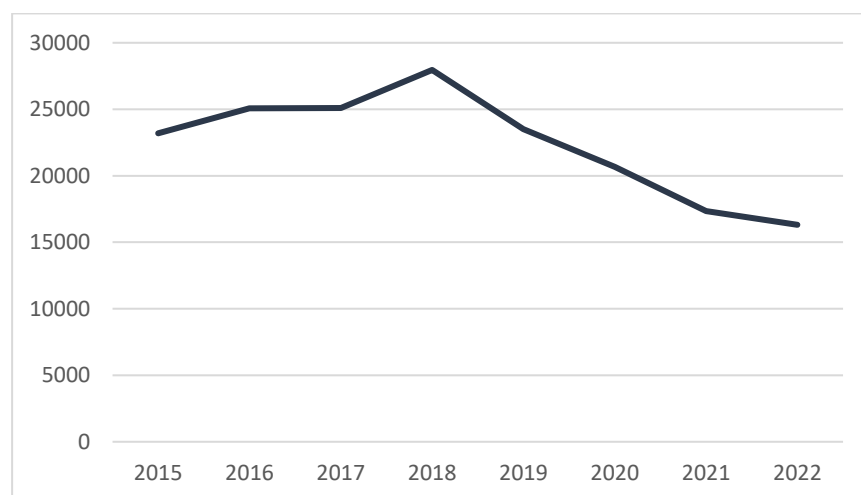
⁴ Explanatory Memorandum, Corporations Amendment (Professional Standards of Financial Advisers) Bill 2017 [6.8]

24 June 2021	The Financial Sector Reform (Hayne Royal Commission Response – Better Advice) Bill 2021 introduced into Parliament
04 August 2021	The Financial Sector Reform (Hayne Royal Commission Response – Better Advice) Bill 2021 passed the House of Representatives
21 October 2021	The Financial Sector Reform (Hayne Royal Commission Response – Better Advice) Bill 2021 passed the Senate
01 December 2021	The Corporations (Relevant Providers—Education and Training Standards) Determination 2021 was registered
01 January 2022	The Financial Sector Reform (Hayne Royal Commission Response – Better Advice) Act 2021

The problem

Since the introduction of the education requirements, there has been a decline in adviser numbers. Between 2018 and 2022 the pool of advisers has reduced by more than 11 646. The prescriptive nature of the education requirements has been frequently cited as a key contributing factor. This has been widely reported, with an August 2022 article from *Independent Financial Adviser* stating that the ‘current requirements have been criticised by a number of groups within the sector, including the Financial Planning Association, Association of Financial Advisers and The Advisers Association, with CEO Neil Macdonald saying the industry will experience a “mass exodus” by 2026 if changes are not made.’⁵ Figure 1 below shows this decline in adviser numbers, using data from the Financial Advice Register. There has been a 29.63 per cent decline in the number of financial advisers between 2015 and 2023 and a 41.65 per cent decline from the height of 2018.

Figure 1 Number of active financial advisers



⁵ IFA, August 2022.

It was not the intention of the education requirements to force advisers out of the industry. Rather the requirements were intended to professionalise the industry by ensuring that advisers had a common base level of knowledge.

However, in their current form, the education requirements have failed to strike the right balance between ensuring consumers are receiving professional advice and encouraging experienced advisers to stay in the industry. It is a reasonable consideration for an experienced adviser, in deciding whether to undertake additional study to consider the associated costs both financial and time expended, and the expected return, including based on how long the adviser has before retirement. Experienced advisers make a valuable contribution to the financial advice industry. They play an integral role supervising new entrants during their professional year and sharing their knowledge and experience more broadly. Experienced advisers have worked during complicated economic periods such as the Global Financial Crisis and the impacts of the COVID-19 pandemic.

As the number of new entrants has not matched the number of exiting advisers, a decline in the number of advisers, given there has been no change in demand for advice, is also likely to put upward pressure on the price of advice. Members of industry have drawn links between the professional standards and costs of advice. For example, the Financial Services Council's *White Paper on Financial Advice* says the 'regulatory framework designed to professionalise the industry... is an unprecedented driver of costs for financial advisers and consumers.'⁶ While that paper pointed to multiple aspects of the professionalisation framework as impacting the increases cost of advice, the education requirements were identified as a contributing feature.⁷

Cost represents a barrier to consumers seeking advice. Research by ASIC suggests that cost of advice was the most identified reason for participants not seeking financial advice. 64 per cent of participants agreed that financial advisers were too expensive.⁸ The Quality of Advice Review also noted that declining number of advisers has meant advice is increasingly only provided to high-net-worth individuals.⁹

Case for government action

As outlined above, the decline in adviser numbers, and the subsequent rise in advice prices, could be, at least partially attributed to government intervention. As implemented, the education requirements failed to appropriately recognise the lived experience of certain financial advisers, meaning the requirements did not properly balance the desire to professionalise the industry, with the benefits of retaining an experienced skilled workforce. The government can address this issue by amending the existing regulation.

As outlined above anecdotal evidence has indicated that the requirements create a significant barrier to remain in the industry. Government action to change the education requirements is not likely to reverse the decline of advisers but it can play a part in stabilising the numbers. It is likely to ensure there is no significant exit of advisers on 1 January 2026, meaning that new entrants can benefit from mentoring from experienced advisers who may exit in a more orderly fashion.

Review or reform of the professional standards for financial advisers was outside the Terms of Reference for the independent Quality of Advice Review. While evidence gathered by the Review is useful for informing this policy, it did not make recommendations on the education standards.

⁶ FSC, 2021. *White Paper on financial advice*

⁷ FSC, 2021. *White Paper on financial advice*

⁸ ASIC, 2019. *Financial Advice: What consumers really think*

⁹ Quality of Advice Review, 2022.

Policy options

As the proposed policy intervention is an election commitment, the only policy options that will be considered are the commitment itself and the status quo. This is consistent with guidance from the Office of Impact Analysis.

Status quo

The status quo is that financial advisers who were authorised on the Financial Adviser Register between 2016 and 2019 (existing advisers) are currently required to, at most, complete an 8 subject graduate diploma. Prior learning, such as an Advanced Diploma of Financial Planning or a professional designation such as a Certified Financial Planner, can reduce the required subject load. This arrangement already provides reduced transition arrangements for existing advisers in meeting the education requirement of a bachelor's degree.

Election commitment – the 'experienced pathway'

The election commitment was to remove the tertiary education requirements for financial advisers with 10 or more years' experience and a clean disciplinary record. This commitment was made on 8 December 2021 in an address to the Association of Independently Owned Financial Professionals by the now Assistant Treasurer and Minister for Financial Services, the Hon Stephen Jones MP. This speech outlined 'that an Albanese Labor government will properly recognise [advisers'] experience. If you've been working for a decade as a financial advisor with a good record, a Labor government will not ask you take that bachelor's degree to keep your qualifications.'¹⁰

Of the providers currently registered on the Financial Adviser Register, 10 030 were first registered in 2011 or earlier, which is essential for meeting the 10 years of experience. This is the upper bound for who would be affected by this policy, noting that some of this cohort have already met the education requirements or have not provided advice for 10 years. More detail on the effect cohorts is included in the cost-benefit analysis section.

Under this option, advisers are still required to pass the financial adviser exam, ensuring that all advisers have the same base level of knowledge.

10 years' experience

To fulfil this requirement, advisers will be required to have had 10 years of full-time equivalent experience in the 15 years between 1 January 2007 and 31 December 2021 in Australia. The 10 years do not have to be consecutive. 10 years of full-time equivalent experience out of a 15-year window allows consideration for time out of the industry and part-time work. Importantly, the period between 1 January 2007 and 31 December 2021 covers significant economic events, such as the global financial crisis and COVID-19, ensuring eligible experienced advisers have lived experience in volatile economic conditions. Additionally, this ensures that the 10 years' experience is contemporary, meaning advisers will have experience operating in and understanding the current regulatory environment.

Clean record

To access the experienced pathway, advisers would be required to have a clean disciplinary record. This criterion is intended to act as a quality assurance mechanism to prevent advisers who have

¹⁰ Steven Jones, December 2021. *Address to AOIFP conference dinner.*

demonstrated misconduct from accessing favourable arrangements, thereby protecting the integrity of the financial advice profession, and ensuring consumer protection. The clean record criterion requires an adviser to have no disciplinary actions or enforceable undertakings recorded against them on the Financial Advisers Register.

Proof of eligibility

Advisers will be required to make a declaration of their eligibility for the pathway but will not be required to attach evidence of their eligibility.

ASIC will have the capacity, at its discretion, to audit for compliance with the eligibility criteria. As such, ASIC can decide to scrutinise a specific declaration from an adviser where ASIC is aware that an adviser may be ineligible.

Cost-benefit analysis

In this section we will outline our data sources, the cohorts we used for our analysis and the estimated costs the education requirements place on advisers. We analyse the effects the election commitment would have on each stakeholder group.

Data sources

We have used 2 main data sources: the registration records of advisers on the Financial Advisers Register maintained by ASIC, and survey data collected from 2 professional organisations, the Association of Financial Advisers and the Financial Planning Association. The Financial Advisers Register is the best source for understanding the total number of practising advisers, but it does not have detailed and consistent information on the education undertaken by an adviser or the education required to be undertaken. The survey data was used to supplement the Financial Advisers Register.

The Financial Advisers Register is a publicly accessible register of people authorised to provide personal advice to retail clients about financial products. The register records where a financial adviser has worked, their training, memberships of professional bodies and what products they are authorised to provide advice on. However, while the Financial Advisers Register records the year in which an adviser first provided advice, it does not provide an indication of full-time equivalent experience between that initial date and the present date. In addition, while the Financial Advisers Register records details of an adviser's current and previous appointments, this data only goes back to March 2010. Further, while there is an obligation for licensees to update the Financial Advisers Register when a financial adviser's details change, including obtaining qualifications, it does not record how much study an adviser must still complete. As such, our ability to identify a cohort that may be eligible to access the experienced adviser pathway and how much additional study they are required to complete is limited.

The Association of Financial Advisers and Financial Planning Association used surveys to collect data on their members' education status, including whether they had already met the education standard, and if not, whether they intend to meet it. Being survey data, these sources present their own limitations, such as sample size and response bias.

Determining affected cohorts

We must know the number of advisers with 10 years' experience, clean records, and unmet education requirements to analyse the impact of each policy option. We also need to know what proportion of

these eligible advisers would take up a pathway if it were introduced. We have constructed 3 different cohorts to estimate the size of the effect group.

Number of Advisers with 10 or more years' experience

Analysis of the Financial Advisers Register indicates that 10 030 practising advisers were first authorised in 2011 or earlier. All advisers eligible for the election commitment are in this pool. This cohort is accurate as of March 2023.

However, this group could also include ineligible advisers because they have not actively been providing advice through this period. Former advisers who were authorised by their licensee over 10 years ago but who have not been providing advice since then would be included in this group but would not be eligible for the election commitment. Similarly, some advisers in this cohort may have already met the education requirements which have been in place since 2017 and so while eligible for the proposed experience pathway, they will not benefit from it.

Cohort 1: 6 520 advisers

Estimate of existing advisers who need to complete education requirements

This cohort takes the 10 030 advisers with 10 years' experience and applies Association of Financial Advisers and Financial Planning Association survey data to exclude those who have already met the education requirements. These advisers will not benefit from the election commitment. 30.1 per cent of the Association of Financial Advisers respondents and 40 per cent of the Financial Planning Association respondents indicated they have already met the requirements¹¹. Using 35 per cent as the average, this would mean 3 510 existing advisers have already met the education requirements and will not benefit from the election commitment. The inverse of this is that an estimated 6 520 advisers will benefit from the requirement.

Cohort 2: 2 086 advisers

Estimate of advisers who would exit the industry on 1 January 2026 if required to undertake additional education

This cohort takes the 10 030 advisers with 10 years' experience and applies Association of Financial Advisers survey data to identify those advisers who have indicated they had no intention of meeting the education requirements and would instead exit the industry before 1 January 2026. 20.8 per cent of Association of Financial Advisers respondents indicated they would not seek to meet the education requirements. This would mean approximately 2 086 advisers were not intending to remain in the industry after 1 January 2026. These advisers would benefit from the election commitment as they would be able to continue working without the cost of additional study and earning an income.

Cohort 2 is a subset of cohort 1.

Cohort 3: 4 434 advisers

Estimate of advisers currently undertaking education requirements ahead of 1 January 2026 deadline

This cohort is estimated by taking the 6 520 advisers estimated to benefit from the proposal (cohort 1) and subtracting the 2 086 advisers who were not intending to undertake additional study (cohort 2) to determine those existing advisers who were part way through their studies. This cohort will benefit

¹¹ FPA, February 2022. *Submission*, and AFA, February 2022. *Submission*.

from the election commitment but the extent to which they will benefit will depend on the amount of education already undertaken and the amount of education left to complete.

Impact on advisers

In considering the impact of the election commitment and how it will benefit advisers, it is useful to understand the cost of the required courses. The compulsory ethics units from a Registered Training Organisation (RTO) and a university will be used as a proxy for the costs and time commitment of required units and are shown in table 2.

Table 2 indicative RTO and University course

	Indicative RTO	Indicative university
2022 fee	\$2 500	\$3 518
Course duration	12 weeks	11 weeks
Indicative hours	120 total indicative hours	150 total indicative hours

Based on the above information an estimate of the potential cost of meeting the education requirements for a financial adviser is set out in the table 3.

Table 3 Cost and time of study but number of courses to complete

Number of courses	Financial cost		Required time in hours	
	Indicative RTO fee	Indicative university fee	Indicative RTO duration	Indicative university duration
8	\$20 000	\$28 000	960	1 200
7	\$17 500	\$24 500	840	1 050
6	\$15 000	\$21 000	720	900
5	\$12 500	\$17 500	600	750
4	\$10 000	\$14 000	480	600
3	\$7 500	\$10 500	360	450
2	\$5 000	\$7 000	240	300
1	\$2 500	\$3 500	120	150

To consider the impact of the election commitment on advisers we use the status quo as the baseline and consider the impact against the identified cohorts who would be affected.

As set out above, cohort 2 represents those advisers who are eligible for the election commitment and who had indicated that they were not going to undertake any other study and would therefore have to leave the industry by 1 January 2026. Given the intention to leave, it could be assumed that the benefit of continuing to work in the industry was considered less than the cost (up to \$20 000 and 960 hours for 8 units of study). The benefit to these advisers is the remuneration they can continue to receive beyond 1 January 2026.

For cohort 3, those advisers who are eligible for the election commitment but who had begun to complete the education requirements, the benefit of the election commitment is the time and cost saving of not needing to do more education. However, the extent of the benefit depends on how many subjects the adviser has already completed and how many subjects are remaining. Assuming these advisers have at most 4 units of study to complete (from a maximum of 8) advisers would save up to \$10 000 and 480 hours. Advisers who have invested time and money into already meeting the education requirements may consider that a wasted expense as a result of the election commitment. However, undertaking additional education can refresh an adviser's skills and as the information can be recorded on the financial advisers register, could be seen by consumers selecting between advisers as a plus. Indeed, an education provider has observed that advisers are continuing their studies despite the election commitment.¹²

Impact on education providers

The cost to education providers will be the lost revenue from advisers no longer taking their courses. An upper estimate, assuming education providers pocket 100 per cent of their course fees, of this cost would be between \$44 and \$62 million, the inverse of the aggregate of cohort 3's savings. Education providers have operating costs, so the true cost will be lower than this.

Education providers might lose revenue, but this policy is unlikely to place a large cost on them. The existing adviser cohort was finite so this as a revenue source was time limited, even without the election commitment. Additionally, the courses experienced advisers and new entrants must complete have overlap, so no upfront cost would have been spent developing courses specifically for experienced advisers.

Impact on consumers

Research from Adviser Ratings illustrates that from 2018 to 2021 the median fee for advice has increased from \$2 510 to \$3 528.¹³ Adjusting for inflation, the increase was from \$2 820.15 to \$3 760.64 in 2022 dollars.¹⁴ Further information on this trend is shown in figure 2. The increasing cost of advice has been acknowledged by other reviews of financial advice.¹⁵ The Quality of Advice Review highlighted that the regulatory burdens imposed on financial advisers is a 'significant factor' in the cost of advice.¹⁶ Since the introduction of increased requirements in 2019, the cost of advice has continued to rise.

The factors that contribute to the cost of financial advice to consumers are varied and it is not possible to quantify the exact impact that this policy will have on advice costs. But by retaining more advisers and increasing supply, this policy is likely to stabilise advice fees in the short to medium term, benefiting consumers who acquire advice.

This election commitment has several safeguards built into the policy design that will provide ongoing consumer protections. The clean record requirement ensures that advisers cannot access the pathway if disciplinary action has been taken against them. The requirement to make a declaration ensures that advisers are honest in their assessment of eligibility. An adviser who is dishonest would contravene the law and face penalties. There are other requirements that ensure that an adviser has a consistent base level of knowledge, including the requirement to complete 40 hours of continuing professional

¹² Kaplan, February 2023. *Kaplan Professional sees record enrolment numbers as advisers just getting on with it*

¹³ Adviser Ratings, 2022. *Australian Financial Adviser Landscape*.

¹⁴ Reserve Bank of Australia, 2023. *Inflation Calculator*.

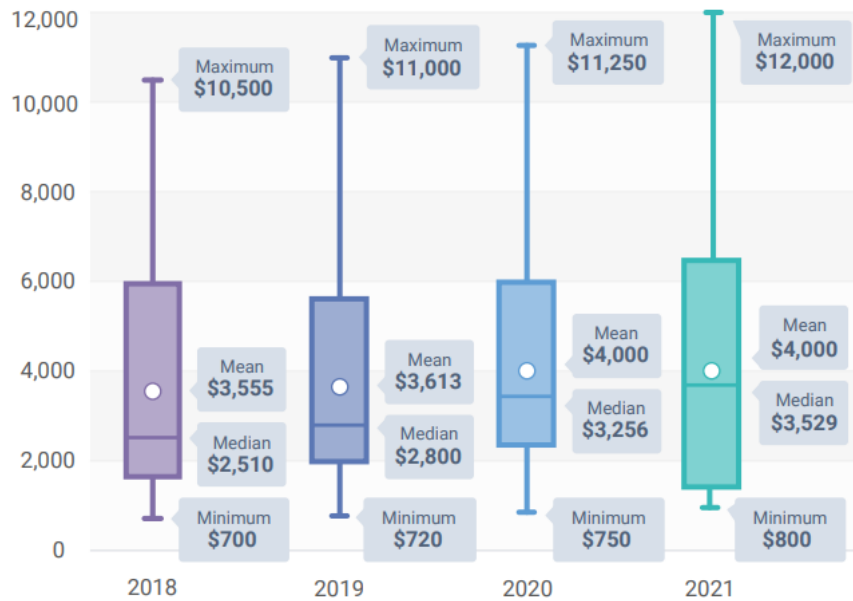
¹⁵ KPMG, 2021. *Cost Profile of Australia's Financial Advice Industry*.

¹⁶ Quality of Advice Review, December 2022.

development and pass the exam. These safeguards are in addition to the broader regulatory requirements which provide consumers with certainty knowing that they have access to quality advice.

All new entrants to the industry must meet prescribed education requirements ensuring that, in time, the number of experienced advisers will reduce as they retire. This means that in due course all financial advisers will be similarly qualified.

Figure 2 Average and median client fees¹⁷



Consultation

Treasury consulted on the specifics of implementing this election commitment over a 4 week period from 23 August to 16 September 2022. 7 stakeholder roundtables were held with industry groups representing financial planners, stockbrokers, accountants, superannuation funds, licensees, and higher education providers. 77 written submissions were also received for the consultation paper, with 30 from individuals, 22 from professional associations, 17 from businesses, 3 from government agencies or not-for-profit entities and 4 from higher education providers. This is a broad group of stakeholders that captures the diversity of financial planner specialties, the licensees, educators and the government.

Stakeholders were presented with a proposed ‘experienced adviser’ pathway, which would be available to advisers with 10 years equivalent full-time experience between 1 January 2004 and 1 January 2019 and a clean disciplinary record. The pathway is detailed in the table 4.

The purpose of the consultation was to gauge stakeholders’ opinion on how best to implement the government’s election commitment; what constituted 10 years’ experience and a clean record; and how to an adviser could demonstrate their eligibility.

¹⁷ Adviser Ratings, 2022. *Australian Financial Adviser Landscape*.

Table 4 Pathway presented in consultation period

	Existing adviser	Experienced adviser	New entrant
Who they are	Registered on the Financial Advisers Register between 1 January 2016 and 1 January 2019. Do not meet the experienced advisers' criteria.	Advisers with 10 years full-time equivalent experience in Australia between 1 January 2004 and 1 January 2019. Holds a clean disciplinary record.	Individuals who are not Existing Advisers or Experienced Advisers.
Education requirement	At most, approved 8 unit graduate diploma (or equivalent) by 1 January 2026.	No tertiary education requirements.	Hold an approved bachelor's degree (or higher qualification). Undertake a professional year.

Reception from industry on the election commitment was mixed. 60 per cent of submissions that engaged with the election commitment were supportive of the approach, either unconditionally or with the inclusion of some additional requirements or limitations. Professional associations, businesses and government agencies gave mixed support. Higher education providers did not support the proposal.

Conditional support was usually caveated with the desire to ensure the inclusion of a 'sunset' date to only allow the experienced pathway to be available until a set time in the future. The primary justification for this position was to ensure that advisers currently in their 30s and 40s, who qualify for the experienced adviser pathway, were precluded from being able to practise for decades without meeting any further education requirements. Upon analysis of the data, a sunset date is not considered necessary, and it would complicate the legislation. Data from the Financial Advice Register shows that an estimated 5 800 advisers are in their late 40s or older and will form the majority of advisers eligible for the experienced pathway. The proposed sunset date was 15 to 20 years, when a majority of advisers would be retiring. There was a trade-off between including this additional limitation and the complexity it added to the system and legislation and any perceived protection it provided.

Consultation on the 10 years' experience

The 10 years' experience condition was widely supported. 46 submissions favoured the 10 years period, whilst 18 opposed it. Most concerns on this element indicated the imperative for more contemporary experience to be recognised. An adjusted period of experience from 2007 to 2021 was generally preferred. Stakeholders considered that this aligned with the announcement of the commitment and captured more contemporary experience, including of the impact of COVID-19. Because of this consultation, the more contemporary period of experience from 1 January 2007 to 31 December 2021 was adopted.

Consultation on the clean record

There was strong in principle support for the clean record requirement. 45 submissions supported a clean record requirement and 9 opposed it. But the only widely supported metric to determine a clean record was using the Financial Advisers Register.

Other options tabled included whether an adviser's conduct has resulted in adverse findings being made against their licensees at the Australian Financial Complaints Authority, continuing professional

development compliance, and disciplinary action taken by professional associations against their member. But these methods received mixed support.

Due to the consultation, a more stringent definition of a clean record, using only action on the Financial Advisers Register, was adopted. This is considered to be an easily identifiable and consistent metric.

Consultation on the assessment of eligibility

Finally, the assessment of eligibility was examined, with the option of a self-assessment and declaration of eligibility being presented. There was support for self-declaration with 33 submissions in support and 17 in opposition.

The stakeholders generally agreed that a formal mechanism should be used to indicate an adviser's eligibility for the pathway, but no consensus could be reached on which mechanism. Proposals ranged from an adviser making a statutory declaration, to a licensee assessing a portfolio of evidence, to ASIC assessing each adviser's eligibility on an application basis. ASIC as the regulator was presented as having the ability to randomly audit applications as it saw fit to ensure compliance but there would not be a person-by-person assessment.

Without a clear alternative being presented, the originally presented option of self-assessment was maintained. This option does not place a large burden on ASIC or the licensee, and with the more stringent definition of a clean record, the risks associated with this method are reduced.

Conclusion

The declining number of financial advisers, in the face of sustained demand for financial advice, will contribute to rising cost of financial advice in the absence of government action. Addressing the increasing cost of financial advice will likely require multiple policy responses.

However, the proposed option will remove a significant disincentive for experienced advisers to stay in the industry, assisting to stabilise adviser numbers and ensure a pool of advisers to mentor, supervise and upskill new entrants. This will support efforts to increase the supply of advisers making advice more affordable and more accessible.

The pathway will achieve these goals without reducing consumer protection. The experienced adviser maintains a high standard for advisers by requiring a clean record and continues the professionalisation of the industry by testing a base level knowledge through the financial adviser exam. For the above reasons the election commitment is the preferred policy response compared to maintaining the status quo.

Consultation helped refine this pathway. A more contemporary period for the 10 years' experience and a more relaxed definition of clean record were adopted due to industry feedback.

Implementation and evaluation

Delivery of the election commitment requires changes to the primary legislation and subordinate legislation.

Implementation will leverage existing processes and systems within industry. For example, an Australian financial services licensee is already required to inform ASIC on the education status of their authorised representatives. There are forms and IT systems in place to support this requirement. This

mechanism will be the avenue through which a licensee will notify ASIC of an adviser's eligibility for the experience pathway.

Licensees will be able to set up their own internal systems and processes as to the form in which an adviser will declare that they are eligible for the election commitment. Licensees and advisers will have until 1 January 2026 to establish eligibility for this election commitment. This is the current date by which an existing adviser must meet the education requirements while continuing to provide advice. An adviser who meets the criteria will still be able to enter the industry at any time without needing to complete additional education requirements as long as they have passed the exam.

ASIC would continue to monitor and enforce compliance with the education standards consistent with existing practice. ASIC has guidance available on its website setting out how it prioritises and identifies its regulatory activity. As outlined above, ASIC will be able to scrutinise an adviser who uses the experienced pathway where they are aware that an adviser may be ineligible.

ASIC currently maintains the Financial Advisers Register. Advisers are required to update ASIC when their circumstances change. Further, ASIC will have the ability to audit an adviser who has identified as eligible for the experienced pathway, ensuring that their declaration of eligibility matches their data on the Financial Advisers Register.

Further information on professional standards for financial advisers can be found at the following address.

www.asic.gov.au/for-finance-professionals/afs-licensees/professional-standards-for-financial-advisers/

Further information on how ASIC prioritises its regulatory activity can be found at the following address.

www.asic.gov.au/about-asic/asic-investigations-and-enforcement/asic-enforcement-priorities/

Success will be measured on the number of active advisers. A stabilisation of adviser numbers will reflect that existing advisers remain in the industry, mentoring and supervising new entrants. This will be observable in the number of advisers listed on the Financial Adviser Register.

Glossary

ASIC – Australian Securities and Investments Commission

FASEA – Financial Adviser Standards and Ethics Authority

RTO – Registered Training Organisation

Licensee – Australian financial service licensee

New Entrant – A financial adviser who has entered the industry after 2019.

Existing Adviser – A financial adviser who was on the financial adviser's register between 2016 and 2019.

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Appendix A – Status of the RIS at each major decision point

The government committed to this policy during the 2022 election.

The Department engaged with the Office of Impact Analysis (formerly the Office of Best Practice Regulation) throughout the policy development process. The regulatory impact statement was in draft form during the education standards consultation which ran from 23 August to 16 September 2022. This RIS was finalised following this consultation.