The Association of Superannuation Funds of Australia Limited
ABN 29 002 786 290
ASFA Secretariat
PO Box 1485, Sydney NSW 2001
p: 02 9264 9300 (1800 812 798 outside Sydney)
f: 02 9264 8824
w: www.superannuation.asn.au

File Name: 2011/18

1 June 2011

Helen Carroll
Senior Manager
Consumers, Advisers, Retail Investors
Australian Securities and Investment Commission
GPO Box 9827
Sydney NSW 2001

Email: helen.carroll@asic.gov.au

CONSULTATION PAPER 153 – LICENSING: ASSESSMENT AND DEVELOPMENT FRAMEWORK FOR FINANCIAL ADVISERS

The Association of Superannuation Funds of Australia (ASFA) would like to provide this submission to ASIC in relation to Consultation Paper (CP) 153 – Licensing: Assessment and development framework for financial advisers.

About ASFA

ASFA is a non-profit, non-political national organisation whose mission is to protect, promote and advance the interests of Australia's superannuation funds, their trustees and their members. We focus on the issues that affect the entire superannuation industry. Our membership, which includes corporate, public sector, industry and retail superannuation funds, plus self-managed superannuation funds and small APRA funds through its service provider membership, represent over 90% of the 12 million Australians with superannuation.

ASFA's top five issues

1. Strengthened adviser education. ASFA supports strengthened financial adviser education. ASFA recognises that a rigorous, uniform exam can provide an objective measure of adviser competence. However, ASFA acknowledges the limitations of standardised testing as a tool to assess and predict adviser competence. In ASFA's view, the exam will be one component of a robust system of adviser training, accreditation, supervision, CPD and ongoing knowledge review. To this end, ASFA supports a standardised exam as part of a fuller, more rigorous system of skills development, maintenance and assessment.

2. Greater ethics focus. ASFA recommends broadening the adviser ethics component of the accreditation process. Ethical adviser conduct underpins the consumer protection objective of the financial advice regulatory regime and will support the introduction of a statutory fiduciary duty under the FoFA reforms.

3. Realistic, rigorous exams. ASFA supports exam results reported as a 'pass' or 'fail' grade. ASFA believes that fine distinctions between grade thresholds reveal little about candidates' innate ability and are not a meaningful comparator of adviser competence. ASFA also recommends a high pass mark of 80% and an open book exam, which provides a more realistic simulation of workplace environment. We oppose a closed book exam that privileges a candidate's ability to memorise information over application of the knowledge and skills that indicate genuine advisor competence. We expect that the outcomes of ASIC's Cognitive Task Analysis will provide a sound basis to develop assessment tools that accurately measure candidates against best practice adviser behaviours.

4. Higher standards for Tier 1 training providers. ASFA supports the retention of VET competency-based training for delivery of initial compliance training for financial advisers. We anticipate that a standardised exam will result in technical rigour becoming a key differentiator between training providers, which will drive improvements in training standards. We expect that intensive Tier 1 training courses will no longer provide adequate preparation for a standardised exam and will no longer be viable. We believe that this disruption of the current Tier 1 training market is necessary and desirable.

5. Practical supervision rules and genuine transfer of knowledge. ASFA supports the proposals for monitoring and supervision of new advisers. ASFA believes that a mandatory supervision regime will facilitate the transfer of applied financial advice knowledge, while overseeing the development of skills required to successfully engage with clients. However, ASFA also believes that the proposed monitoring period of 12 months (full-time or equivalent) to be cost-prohibitive and unreasonable. ASFA instead recommends an initial vetting period where the first 20 financial plans are vetted, followed by a training and coaching plan to identify and remedy any gaps in skills, with three to five pieces of written advice vetted each month. We believe this process can be completed within six months.

ASFA's detailed responses to the questions posed in CP 153 can be found on the following pages.

We thank you for providing us with the opportunity to make this submission and to participate in the consultation process.

If you have any queries or comments regarding the contents of our submission, please contact Tony Keir, Senior Policy Adviser on (02) 8079 0815 or by email tkeir@superannuation.asn.au or Adam Williams, ASFA Learning Course Developer on 02 8079 0837 or by e-mail awilliams@superannuation.asn.au.

Yours sincerely

D. Graus

David Graus
General Manager, Policy and Industry Practice

C: Financial adviser competence certification requirement

C1Q1 *Do you agree that a national exam is an objective and efficient method of ensuring all advisers have the requisite competence to perform their duties (assuming examinations would be tailored specifically to occupations in the industry—for example, financial planners, stockbrokers and insurance brokers)? If not, are there any alternative methods of assessment that could be used to assess advisers' competence that would help to ensure advisers are adequately trained?*

C1Q1 ASFA supports strengthened financial adviser education standards.

We agree that a rigorous, uniform national exam is required to raise education standards, restore public confidence in financial advisers and reduce adverse investment outcomes for clients. However, we acknowledge the limitations of standardised exams as a tool to predict adviser competence and see the exam as one component of a robust system of adviser training, accreditation, CPD and ongoing review.

ASFA supports a suite of exams tailored to suit industry-specific roles, such as: stockbrokers; insurance brokers; single-issue advice providers; retirement advice providers; and providers of holistic financial advice.

C1Q2 *Do you think advisers who only give advice to wholesale clients should also be required to sit an exam?*

C1Q2 ASFA understands that the fact that an advice client is classified as 'wholesale' under Corporations Act s761G(6), and that a heavier onus on the client to manage their investment risk therefore exists, will be clearly set out in the contractual arrangements between wholesale investors and their financial advisers. We therefore do not support an exam for advisers of wholesale clients.

C1Q3 *What impact will the proposal have on the current training industry?*

C1Q3 ASFA expects that a standardised exam will result in technical rigour becoming a key differentiator between training providers. Candidates will no longer be able to compare different providers according to how quickly they can complete a qualification and how easy it is to complete their assessment tasks, because all candidates will be required to meet the same knowledge benchmark for accreditation.

We expect that some of the more intensive, less rigorous Tier 1 training courses would not provide adequate preparation for a standardised exam and that some intensive delivery modes will therefore no longer be viable. This disruption of the current Tier 1 training market is necessary and desirable.

C1Q4 *Do you think advisers should still be required to complete courses on the ASIC Training Register if they are also required to complete an exam?*

C1Q4 ASFA believes that a robust adviser accreditation system should be supported by retaining the RG 146 advice competencies, delivered through the VET system within the AQF. We continue to support competency-based training as a framework to deliver initial compliance knowledge and skills training to candidates.

The purpose of the ASIC Training Register is to provide an ASIC-approved list of Tier 1 accreditation courses; however, registration has not proven to be an indicator of the quality of the RTO. The standard currently applied for a course to be registered has neither met the needs of financial advice clients nor prevented the substantial variation in course quality between providers.

ASFA therefore feels that a standardised exam of adviser competency will make the Training Register redundant and that registration should no longer be required. We suggest that the existing Tier 1 advice competencies should remain within the VET framework with more detailed performance criteria, supplemented by a detailed guide or syllabus for each exam module so that the VET courses can be tailored to prepare candidates for the national exam.

C1Q5 *For advisers who only provide general advice to retail clients on Tier 1 products, do you think there are scenarios where an adviser should not be subject to an exam?*

C1Q5 ASFA recognises that providers of advice within the industry operate under different advice models. At this time ASFA is not convinced that accreditation should be mandatory for providers of general advice. ASFA appreciates the importance of raising standards of adviser competency and feels that those providers who presently train all advisers to be competent to provide personal advice should be applauded. However, other models of advice require customer service representatives to give limited information in volume and we support the continuing ability of these staff to continue operating under the RG 146.22 exemption.

C1Q6 *What costs would you expect to be involved in the setup and administration of a national exam? What costs would you expect to be incurred by industry (both advisers and licensees) in being required to sit such an exam?*

C1Q6 ASFA expects that the exam and records will be administered by ASIC or an ASIC-appointed contractor. The costs involved may be partially offset by cost savings from the closure of the ASIC Training Register.

As is currently the case with the costs of initial compliance training, the ability of candidates to recover their exam costs will depend on their individual arrangements with their employer. We expect that the exam costs would be a relatively small component of the overall cost of initial compliance training, and that for most licensees, the business benefits realised through higher training standards would offset the required investment. We also expect that where a candidate bears the cost and there is a nexus between the exam and the candidate’s employment income, exam fees would be tax deductible.

C2Q1 *Do you agree that an exam should assess a person according to the authorisation they wish to obtain?*

C2Q1 Yes. ASFA supports a modular exam regime that provides for flexibility, allows staged increases in adviser competence, and avoids unnecessary training overheads. We support the continuing alignment of accreditation with financial products and believe there is a need for additional specialist accreditations.

C2Q2 *Do you agree there should be a core module for all financial advisers that includes the economic and regulatory environment and ethics? What else should be included in a core module?*

C2Q2 ASFA supports in-depth coverage of basic economic, market and regulatory knowledge, as in the current generic knowledge requirements.

We recommend broadening the adviser ethics component of the accreditation process, which will support the introduction of a statutory fiduciary duty to clients. Ethical adviser conduct underpins the consumer protection objective of the financial advice regulatory regime.

Provision of ethics frameworks should not be provided only by industry associations and must be embedded in adviser accreditation. Because of the voluntary nature of industry association membership, many advisers do not operate subject to a code of ethics or conduct. This is a gap that can be filled by expanded ethics training that aligns ethical conduct with the adviser’s ongoing accreditation.

C2Q3 *What would your preferred method of examining advisers be? For example:*

(a) multiple examinations (with or without a core module) at different times depending on the authorisation the person wishes to obtain; or

(b) a single examination (with or without a core module) that includes all modules and the person undertakes only those modules relevant to their authorisation.

C2Q3 ASFA supports a single examination from which candidates can attempt any combination of the available modules. Alternatively, an online exam system could present a tailored selection of modules.

As a practical consideration, employers will desire regular and flexible exam sessions because of the continual intake of new staff and upskilling of existing staff. We support the ability to sit individual modules and regular availability of exam sessions.

C2Q4 *If a module-based examination system is used (i.e. using examples in paragraph 60 of this paper), what is your percentage estimate of advisers in the industry that would be subject to:*

(a) one module;

(b) between two and four modules; or

(c) more than four modules?

C2Q4 ASFA's membership indicates that:

(a) ~1% require a single authorisation;

(b) 10% of staff require two to four authorisations;

(c) 90% of staff require more than four authorisations.

All contact centre staff would require at least one general advice authorisation.

C2Q5 *Please provide details of any further modules you believe advisers should be certified for.*

C2Q5 Specialist accreditations might include: taxation, estate planning, retirement income strategies, and statement of advice drafting and systems. Self-managed superannuation funds should remain a separate module, given the client risks and issues specific to that structure.

C2Q6 *What costs would you expect to be involved in the creation of an appropriate multi-module examination, including the development and upkeep of an appropriately sized question bank?*

C2Q6 Costs will include: education designers to write and edit questions and technical experts to provide guidance on markets, the industry and the law. There will be initial costs to write, review and edit the question pool, then ongoing costs to ensure the questions in the pool remain up to date.

C3Q1 *Do you agree that a pass/fail grade or a graduated result (e.g. pass, credit, distinction) is an appropriate result for each module of the exam? If so, which is the preferred grading method?*

C3Q1 Exam results should be 'pass' or 'fail'. Although many candidates have a strong preference for graduated results that they can use to demonstrate proficiency to employers, we believe that the competency approach is more appropriate. We believe that fine distinctions between grade thresholds reveal little about candidates' innate ability and we do not see them as meaningful predictors of adviser competence.

We also suggest that candidates who fail a module should be excluded from another attempt for a nominal blackout period – say, one month – to prevent candidates from learning the exam through repeated attempts.

The level of difficulty of the exam should correspond to genuine workplace advisory problems. We suggest a high pass mark of 80% is appropriate.

We suggest that an open book exam provides a more realistic simulation of workplace competence than a closed book exam, which can be a memory test rather than a test of adviser competence. Advisers should be allowed to have access to materials – tax and super thresholds, reference books etc. – comparable to those used in the workplace.

C3Q2 *Do you agree a person should only be required to re-sit those modules that they fail?*

C3Q2 Yes.

C4Q1 *In what circumstances should a person be entitled to undertake an alternative to the exam?*

C4Q1 Lack of access to exam centres is a significant barrier to remote and regional candidates. For these candidates, exam supervision may need to take place locally, verified by statutory declaration.

ASFA conforms with AQTF requirements for assessment accessibility and reasonable adjustment. Alternative assessment conditions may be provided where: the candidate has impaired vision or inadequate computer skills to complete an online test; where medical issues induce difficulty writing; or where cultural or age factors impair a candidate's ability to be fairly assessed.

In general, where an impairment would not hinder a candidate's ability to work as a financial adviser to the required standard, it should not be allowed to impede their ability to become accredited.

C4Q2 *What alternative methods should be made available? Who would be in the best position to offer these alternative arrangements?*

C4Q2 Alternatives might include: an exam at the candidate's own office with a nominated supervisor providing a declaration; or oral questioning in person, via phone or by video conference.

Many training providers have experience running exams remotely using candidate-nominated supervisors in suitable venues, for example in a public library, monitored by a librarian, or at a public school. ASIC should provide rigorous but practical guidelines for external exam supervision.

C5Q1 *Do you agree that exam committees would be well placed to develop the pool of questions for the exam on an ongoing basis?*

C5Q1 Yes.

C5Q2 *If so, who do you think should be represented on the exam committees?*

C5Q2 ASFA concurs with the participants proposed in C5; however, we suggest that training providers should not gain access to the specific exam materials through the committee process.

Training providers will certainly make a market in exam preparation products. Access to specific questions would allow providers to 'teach the test'. Proximity to the development process would also enable providers to provide more explicit guidance on the exam question methodology. Exam prep products teach candidates to solve questions using logic and by parsing question structure. Multiple choice questions are especially vulnerable to this type of analysis and are a less reliable test of candidate knowledge than short- or long-answer questions. The ability to gain an advantage in this way has eroded confidence in the common standardised exams used in the United States. We therefore suggest that limiting training provider participation in the exam process will help maintain the reliability and validity of the exam.

C5Q3 *What level of interest would there be from industry experts to sit on the exam committees on a voluntary basis?*

C5Q3 ASFA's experience is that industry experts are generous with their time and knowledge for measures that improve the functioning and viability of their industry. If appropriate recognition (e.g. CPD points) were provided for their contribution, we believe that industry experts would be keen to participate in the process.

C6Q1 *What type of organisation do you think would be best placed to administer the exam?*

C6Q1 ASFA would prefer an online exam system that is flexibly available to support business needs, subject to the need for authentication of the candidate. Businesses sometimes need a particular person accredited and able to provide advice quickly.

If the exam delivery model requires supervised conditions and dedicated venues, we suggest that many Australian universities are experienced at administering standardised exams for international admissions, such as GMATs and MCATs, with logistics and trained invigilators available.

ASFA considers that a conflict of interest would exist if a Tier 1 training provider were to be appointed to administer the exams while carrying on a business preparing candidates for that exam at the same time. In this situation, perceptions of bias and an unfair commercial advantage for that provider because of privileged access to exam materials would be difficult to avoid. RTOs have little experience in implementing measures to manage internal conflicts of interest, such as Chinese walls, and we believe that potential for commercial exploitation of such an arrangement or the circulation of exams exists.

We believe that the all aspects of standardised exam administration should be conducted at arm's length from RTOs. The outsourcing of exam administration to an RTO with a commercial interest in candidates' outcomes may convey the perception that ASIC endorses the RTO's Tier 1 training products, or that the RTO's training products give a special advantage to that provider's candidates.

C7Q1 *Do you agree with this proposal?*

C7Q1 Yes (refer C1Q6). We expect that those AFSL licensees who manage their training needs centrally will have staff that need to book and pay for exams on behalf of other staff.

C8Q1 *Do you agree that all advisers (whether new or existing) should be required to pass the adviser certification? If not, what other options are there to ensure existing advisers are competent to provide advice at the requisite standard?*

C8Q1 Yes. ASFA supports the transitional arrangements proposed by ASIC.

D: Monitoring and supervision requirement

D1Q1 *Do you agree that a monitoring and supervision period would be useful for improving the skills and ethical decision making of advisers?*

D1Q1 Yes. Many advisers stress the value of their experience of managing client situations and market conditions over formal qualifications.

ASFA members' experience is that training a best practice adviser requires an initial induction program with a focus on transferring knowledge into practical application, while monitoring the development of the soft skills required to successfully engage with clients.

We feel that an awareness of the mistakes of previous economic cycles is valuable for financial advisers. We therefore see the formalised transfer of industry experience as an important part of the adviser education process and a way for advisory firms to preserve institutional knowledge.

ASFA believes there are substantial benefits in formalising the supervision process by making it mandatory, providing guidance to supervisors on effective knowledge transfer, encouraging supervisors to give quality feedback and encouraging effective on-the-job learning.

D1Q2 *Do you agree that the monitoring and supervision period should be managed predominantly by industry? Why?*

D1Q2 Yes. Centralised monitoring of supervision by ASIC is impractical; however, we suggest that all first-time supervisors should undergo a short online accreditation process, giving them guidelines on how to supervise, the importance of supervision and the skills for the effective transfer of knowledge (e.g. how adults learn). The exam administrator should maintain a record of supervisors and candidates for reporting and audit purposes.

Robust ongoing monitoring programs are required within advisory businesses to maintain best practice standards. The practical implementation of supervision requires on-the-job coaching, daily feedback and a formal training program, which most businesses will tailor to their business model.

We believe that supervisor reporting should be required to acknowledge that the supervision period has been completed and its objectives have been met.

D1Q3 *What is the estimated cost of supervision per adviser, including the supervisor's time away from productive work?*

D1Q3 ASFA's membership indicates that supervision and performance management already take place in many advisory firms. While we support a mandatory formal supervision process, the requirement to review every piece of advice for 12 months is cost prohibitive.

We estimate that an accredited industry supervisor (with three years' experience in advice delivery) could supervise up to seven advisers. A supervisor could reasonably be expected to complete seven reviews per day.

An accredited supervisor role would align to a senior manager's salary level (plus on costs). We estimate this salary cost to add approximately $130 per piece of advice.

In light of the above, the added cost of $130 to deliver a piece of low cost advice is prohibitive.

D1Q4 *What arrangements would you suggest (e.g. in extremely small licensees or isolated offices) to cater for when a supervisor may not be available at all times?*

D1Q4 As with other practice management issues, the responsibility for practice compliance should rest with the AFS licensee. We would question any situation in which a newly qualified adviser was providing client advice without regular supervision.

However, supervision does not necessarily need to take place in person or in real time – it may involve only final document review and periodic meetings. ASIC can encourage supervision by providing best practice guidance for supervisors, such as sample procedures, checklists or review processes. Many advisory firms already have appropriate procedures in place.

D2Q1 *Do you agree that a 12-month (full-time or equivalent) monitoring and supervision period is reasonable? Why or why not?*

D2Q1 ASFA believes that 12 months is cost-prohibitive, and that most potentially adverse adviser behaviours can be observed and corrected well inside 12 months.

As a model for best practice, we recommend:

1. A national examination;
2. A business-specific induction program;
3. Quality skills testing;

4. Technical skills testing related to individual business model;

5. An initial vetting period – checking the first 20 financial plans; and

6. An ongoing training and coaching plan to identify and remedy any gaps in skills, including checking three to five pieces of advice per month for six months.

***D2Q2** Do you agree that new advisers should only start their monitoring and supervision period after having passed all relevant adviser certification modules? If not, do you think advisers should be able to count any practical experience (e.g. internships) undertaken during their studies, but before completing the exam, towards their monitoring and supervision period?*

D2Q2 ASFA believes that supervision should commence when an adviser begins working in an advisory role. How many modules they are required to complete to do so will vary depending on their position. They should be able to give advice and be supervised for those products they are accredited to while preparing other modules.

Advisers often gain their accreditation incrementally, leading to ongoing and overlapping supervision periods for different financial products. A solution might be for each supervision period to include any new advice accreditations added within the first half of the supervision period, with subsequent accreditations triggering a new, overlapping supervision period. The exam administration system could automatically calculate and report current supervision obligations, providing reports or real-time information to licensees as advisers pass their exams.

Internships and clerkships should not be counted towards the supervision period. There is often a substantial delay between student clerkships and formal commencement of employment, and they rarely involve the level of engagement with clients, products and senior staff required for effective knowledge transfer.

***D3Q1** Do you think a supervisor should have at least five years experience in the provision of financial services? What other requirements could be imposed on a supervisor?*

D3Q1 Ideally a supervisor should have five years' experience. However, the practical application of this requirement will be difficult given the shortage of experienced advisers in the market. Mandating five years of experience will also increase costs.

ASFA recommends a minimum of three years' experience at the same or higher level as the role being supervised, including experience as a financial adviser (not as a paraplanner). To genuinely assist and support advisers, supervisors must have the ability transfer technical knowledge into practical application.

***D3Q2** What should be the maximum number of advisers a supervisor could supervise at any given time? Should there be any maximum limit or should this be left to the individual licensee.*

D3Q2 Licensees are experienced at managing staff induction and monitoring. ASFA sees no need for a limit if minimum items of advice for vetting are specified and audits ensure compliance.

***D4Q1** Do you agree that a supervisor should review and sign off all advice provided by a new adviser (i.e. SOA) before it is given to a client?*

D4Q1 Yes, for a limited number of initial advice pieces. See D2Q1 for ASFA's suggested structure.

***D4Q2** Do you agree oral advice should be post-vetted? If not, what other ways could oral advice be vetted?*

D4Q2 Yes. Telephone advice can be post-vetted successfully when the written advice is checked by the paraplanner and the delivery of the SoA meets the requirement of five day turnaround to the client. This timeframe allows for any correction and coaching by the supervisor.

We note that post-vetting of general advice would be impractical due to the high number of calls involved. We suggest that general advice should be excluded from any vetting requirements.

D4Q3 *What consequences should apply if post-vetted advice is found to be inadequate?*

D4Q3 Licensees already implement practical measures to manage risk around post-vetted advice. An adverse client outcomes arising in this way would normally be unwound at no cost to the client. Consequences for an adviser might include extending the vetting period, a period of probation, corrective coaching around any training inadequacy or redeployment in a non-advice capacity.

ASFA believes that management of this problem should remain with the licensee. We do not see any benefits arising from codifying or mandating these processes.

D4Q4 *What costs would pre-vetting of advice likely impose on industry?*

D4Q4 ASFA does not foresee substantial extra costs as licensees generally have substantial risk and process controls in place.

E: Knowledge update review requirement

E1Q1 *Do you agree that a knowledge update review would improve advisers' knowledge and therefore improve the quality of their services?*

E1Q1 Yes.

E1Q2 *Based on the above model, what costs would you expect to be incurred in developing the training material and questions for the knowledge update review? What costs would likely be incurred by industry in having advisers sit the review?*

E1Q2 ASFA believes that improved CPD standards need not involve substantial extra costs, as industry already invests heavily in CPD. We believe that the improvements need to be around the effectiveness and rigour of CPD requirements, rather than the amount of time or cost involved. The replacement of conferences and meetings with more targeted, formal learning and assessment tasks may even result in net time and cost savings.

E2Q1 *Do you agree with the need for both CPD and knowledge update review requirements? If not, which do you think would be a more effective way of ensuring advisers keep updating their knowledge of changes to the regulatory environment and financial products and markets?*

E2Q1 Yes. The time period between knowledge update reviews is too great to forego CPD in the interim.

E3Q1 *Do you agree that a triennial requirement is a reasonable period of time after which advisers should undertake a knowledge update review? If not, what would be a suitable timeframe?*

E3Q1 As a supplement to CPD, ASFA believes that three years provides reasonable balance between adviser competence and compliance burden.

E4Q1 *Do you agree that a knowledge update review should be limited to changes to the regulatory environment, the market and ethics? If not, what else do you think should be included?*

E4Q1 Yes.

E5Q1 *Do you agree that there should be consequences for failing to complete the knowledge update review? Do you agree with options (a) and/or (b) in paragraph 92? What other consequences (if any) should there be for a person who does not complete the review?*

E5Q1 ASFA supports a pyramidal system of consequences that incentivises adviser compliance. If failure to complete a review can lead to supervision or suspension, this should be preceded by a fair process of notification and opportunities to remedy non-compliance.

E6Q1 *Do you agree that the same committees should be used to prepare the questions and case studies for the knowledge update review?*

E6Q1 Yes.

E7Q1 *Do you agree that independent testing centres should administer the knowledge update review?*

E7Q1 Yes. We reiterate our views about exam administration independence given at C6Q1.

E7Q2 *Which organisation should administer the knowledge update review?*

E7Q2 ASFA believes it would be most efficient for this process to be administered by the same testing that administers initial accreditation exams.

E8Q1 *Do you agree with this proposal?*

E8Q1 Yes. See C1Q6.

E9Q1 *Do you agree that CPD is a useful mechanism for helping financial advisers maintain the competence to provide financial services?*

E9Q1 Yes. ASFA believes that the efficacy of CPD training will be supported by the knowledge update review process.

E9Q2 *Do you agree that CPD should continue to be managed by industry? If not, who should manage CPD?*

E9Q2 ASFA agrees that CPD should continue to be managed by industry.

E9Q3 *Do you think ASIC should provide any further guidance concerning CPD requirements? If so, what additional guidance is needed?*

E9Q3 The existing ongoing training requirements in RG 146 are vague. There is acknowledgement within the industry that CPD obligations can be too easily satisfied by activities that may not offer genuine development opportunities. ASFA believes that more explicit definitions of the minimum standards for CPD assessment, or verification that genuine professional development has taken place, would be beneficial to industry.

F: Centralised record of adviser certification

F1Q1 *Do you agree that the adviser certification and knowledge update review results should be recorded? If not, why not?*

F1Q1 Yes.

F2Q1 *Do you agree with this proposal?*

F2Q1 Yes. Licensees should have access to information on the current certification and supervision status of advisers for authorised purposes, such as internal monitoring or recruitment.

F2Q2 *Who else should be allowed access to these records (e.g. members of the public or other licensees) to allow for reference checking of new advisers?*

F2Q2 We foresee a record system that allows licensees to access records, with an employment candidate's express consent, over the internet using a minimal amount of identifying information (e.g. name and date of birth).

We also suggest that RG 146 training providers be given access to non-identifying statistics on their cohort pass rates. This would require information to be collected from candidates on how they prepared for their exams. We support a formal system of provider success rate reporting, just as there are publicly available performance metrics for secondary and higher education providers.

Training clients expect to be able to make meaningful comparisons among providers and need reliable data to do so. Performance transparency will drive improvement and competition within the training industry, which can only improve candidate outcomes. Reporting would also provide an opportunity to distinguish genuine quality providers and provide information to consumers that allows them to make an informed decision on who the quality providers in the market are.

F2Q3 *If records were not accessible, how would you propose that interested parties check the certification status of an adviser?*

F2Q3 Interested parties might rely on formal documentation issued by the record keeper; however we suggest this would be a cumbersome and expensive system.

F2Q4 *What costs would you expect in regards to the operation of a central training register? Would you expect any cost savings as a result of having a central point for certification checking?*

F2Q4 A central register would supersede the current system of training providers providing statements of attainment to candidates. Putting the system online would substantially reduce the printing and record retention overheads of training providers, candidates and licensees.

We expect these cost savings would offset the cost of maintaining a central database, with the record holder needing some way to recoup costs from users. ASIC could also combine this facility with the proposed register for SMSF auditors to control costs.

F2Q5 *Should the record holder be permitted to charge a fee for access to information on the record?*

F2Q5 Providing automatic access in this manner should not pose a substantial cost burden on the record holder so only a nominal fee should be necessary.

G: Transition period

G1Q1 *Do you agree with the proposed transition period? If not, do you think it should be longer or shorter?*

G1Q1 We feel that given the substantial superannuation reforms underway via FoFA and Stronger Super, a longer implementation period is required. There should be legislative certainty around these reforms before revised adviser education standards are introduced, not least so that new and existing advisers can be examined on the new regulatory regime when undertaking initial compliance.

***G1Q2** Do you think a 1 July 2012 start date is reasonable?*

G1Q2 No. We suggest a further twelve months, to coincide with the full implementation of FOFA on 1 July 2013.