

The Forum releases its submission to the FASEA CPD proposal

Graham Rich | Portfolio Construction Forum | 12 September 2018

Portfolio Construction Forum delivered a [23-page submission](#) to the Financial Adviser Standards and Ethics Authority (FASEA) on 31 August, in response to FASEA's proposed guidance on future continuing professional development (CPD). The Forum's submission was driven by a considered view that the FASEA CPD proposal is fundamentally flawed, and falls well short of any reasonable community expectation of FASEA and what drove its formation.

The Forum has long believed that education standards for the entire Australian financial services community, including CPD standards, should be increased from the current minimum requirements set out in ASIC Regulatory Guide (RG) 146 – and that professional CPD standards should extend beyond the industry's current preoccupation with financial product sales and financial product advice. In the Forum's view, the FASEA CPD proposal achieves neither objective.

In its submission, the Forum raised its concern that, in its current form, the proposed FASEA CPD regime will create conflicts of interest for licensees, while failing to lift standards of continuing education required of an entire emerging profession. By adopting the Forum's recommendations, we believe that FASEA will be better positioned to meet its responsibility for building a framework for best practice continuing education directly aligned with professional financial advice.

Consequently, the Forum's submission is built around three central recommendations:

1. That responsibility for the CPD regime should be more closely aligned with initial education requirements – specifically, in the sense that CPD should be a shared responsibility between advisers and licensees, rather than the majority of responsibility resting with licensees.

The benefit of doing this: Adopting the shared responsibility approach, and independent accreditation, will remove the potential for conflicts of interest, and increase the chances that continuing education standards will be met. Further, a mutual agreement approach supports Standard 10 of the proposed FASEA code of ethics, which states: "a relevant provider (financial adviser) must develop and maintain a high level of relevant knowledge and skills."

If we don't do this: Conflicts of interest arise, whereby licensees enforce regimes which focus CPD activity on their own in-house products.

2. That CPD should provide AQF Level 7 equivalent continuing education – in contrast to a narrow, product-focused education (which has been the case, and is proposed to be the case in future). Further, that the range of competencies should address the weaknesses and specialities of the individual adviser.

The benefit of doing this: By benchmarking continuing education against AQF Level 7, the professional, ethical and education standards of financial advisers will be maintained and extended.

If we don't do this: Continuing education standards remain at the RG146 level.

3. That the CPD regime should lift standards beyond what is currently practised and considered acceptable.

The benefit of doing this: maintaining and extending the professional, ethical and education standards of financial advisers will support the evolution and provision of financial advice, into a profession.

If we don't do this: Continuing education standards remain at current levels, meaning a continued focus on products.

Understanding and appreciating the history to RG 146 is essential to understanding the current CPD environment, and planning what the next generation of continuing education should look like. For that reason, the Forum has included in its submission a detailed background to the process, purpose and objectives that gave rise to the Financial Services Reform Act and ASIC Regulatory Guide 146, in order to unpack the rationale for what has become a product training-centric framework, and today's CPD regime.

FASEA's proposal is fundamentally flawed because it is based on the old and inappropriate Regulatory Guide 146 foundations. The Forum proposes a new contemporary foundation. The current CPD regime is focused on financial products. FASEA has a golden opportunity to adopt a more holistic continuing education framework, which supports the evolution of financial advice into a profession. Those who argue for lower standards are simply failing to appreciate what professionalism really means.

The Forum believes the Corporations Amendment (Professional Standards of Financial Advisers) Act 2017 is the basis for FASEA to do far more than simply lift professionalism in financial product sales. Indeed, FASEA has an opportunity to build a framework for best practice continuing education (as well as best practice initial education), which aligns with professional financial advice. Such a shift would represent a significant raising of the bar for the sector, which is the overall objective.

If the objective of FASEA is to lift trust and confidence in financial advice, and raise professionalism, then financial adviser CPD activity is obviously a critical piece of the solution. As the FASEA proposal stands at the moment, it will not achieve this. Their CPD proposals fail at every level to show how they will lift CPD standards and outcomes, and meet community expectations. This is because the proposed CPD regime only addresses the 'Continuing' aspect of CPD, but ignores the crucial 'Professional' and 'Development' elements. As such, it is only doing – at best – one-third of the job. This shows FASEA's lack of understanding of the core issues.

The Forum submission notes that the standards it proposes have already been embraced by a substantial cohort of competent and professional financial advisers including Australia's Certified Investment Management Analyst® (CIMA®) certificants which each already have an obligatory ongoing CPD requirement to retain their certification.

A survey of the Forum's 10,000 members shows 86% who responded are actively supportive of the Forum's proposals:

50% agree with the Forum's proposal – "this is already my policy"

36% are convinced by the Forum's proposal – "I'll implement this as policy"



7% are not convinced by the Forum's proposal – "I'll research it further"

7% disagree with the Forum's proposal – "my mind is made up"

[Download the Forum's submission to FASEA in response to FASEA Consultation Paper 6: Continuing Professional Development \(CPD\)](#)



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