

31 August 2018

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Dear Mr Brimble,

**RE: FASEA's CONSULTATION PAPER 6 – CONTINUING PROFESSIONAL DEVELOPMENT (CPD)**

The Financial Services Council (FSC) is a leading peak body which sets mandatory Standards and develops policy for more than 100 member companies in Australia's largest industry sector, financial services.

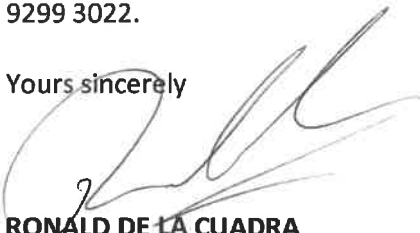
Our Full Members represent Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies. Our Supporting Members represent the professional services firms such as ICT, consulting, accounting, legal, recruitment, actuarial and research houses.

The financial services industry is responsible for investing almost \$3 trillion on behalf of more than 14.8 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange, and is the fourth largest pool of managed funds in the world.

We welcome the opportunity to make a submission to the Financial Adviser Standards and Ethics Authority (FASEA).

Should you wish to discuss this submission further please do not hesitate to contact me on (02) 9299 3022.

Yours sincerely



**RONALD DE LA CUADRA**  
Policy Manager

**FASEA CONSULTATION PAPER 6: CONTINUING PROFESSIONAL DEVELOPMENT  
(CPD)**

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## EXECUTIVE SUMMARY

The FSC and its members agree with the general propositions of the FASEA consultation paper on Continuing Professional Development (CPD). CPD is necessary to ensure professionals in the financial advice industry maintain a high level of up-to-date expertise.

We believe the proposed 50 hours (or 1 hour per week) of CPD activity in each year is an appropriate amount of professional development for Relevant Providers to maintain their knowledge and skills. However, FSC members question the proposed 10 hours covering ethics, when contrasted with the proposal to complete only 5 hours of technical competence. This is because technical matters are likely to change significantly within a CPD year, while ethical considerations should remain consistent.

Further, ASIC's Consultation Paper 300 proposes that code monitoring bodies should develop their financial adviser member's ethical decision making skills by, for example, face-to-face seminars. These activities should count towards the Professionalism and Ethics CPD requirements.

### *Required Yearly Hours for CPD*

The proposed 50 hours of CPD activity in each CPD year is appropriate for new entrants or Relevant Providers to maintain their knowledge and skills. It is unlikely to impede the ability of advisers to continue their ordinary tasks and service their clients.

However, the proposed requirement to complete a minimum number of CPD hours per year within each of the stated categories may be problematic. This is because CPD needs in each category may change each year, depending on regulatory change, new technical developments and changing best practice. In addition, it may be difficult to achieve the required number of hours in some categories, such as Professionalism and Ethics - particularly at the commencement of the new requirements, as CPD courses are still being developed.

Licensees should have flexibility to design a program that focuses on CPD categories that are most relevant in a particular year, as long as each category is addressed.

FASEA should also have regard for other CPD requirements, including the Tax Practitioner's Board CPE requirement of 20 hours per year for tax (financial) advisers. FASEA should ensure its CPD requirements allow for the TPB obligation to be met concurrently rather than in addition.

Transitional arrangements will also be required for those organisations that do not currently align their CPD years with calendar years. To assist those licensees that operate their CPD years based on the financial year, we suggest FASEA allow for transitional arrangements from 1 January 2019 to 30 June 2019.

**Recommendation:** That FASEA allow licensees to design their own CPD program, rather than mandating an arbitrary number of hours on particular topics.

### *Categories*

The consultation paper lists four CPD categories. However, there appears to be significant crossover between these categories. We recommend reducing the number of categories to three:

- Technical and other;
- Client and Practice Management; and
- Regulatory compliance, consumer protection, professionalism and ethics.

A more precise set of categories will allow FASEA and licensees to avoid crossover issues and design a program of education to better meet the required CPD hours.

**Recommendation:** That FASEA refine CPD categories to simplify compliance.

### ***Record Keeping***

The proposed standard suggests the maintenance of CPD records is the responsibility of the individual adviser. Under s912A(1) of the Corporations Act, licensees are required to ensure their representatives are adequately trained and maintain their competence. The obligation to maintain CPD records should sit with the licensee.

Licensees should be allowed to continue the common practice of accepting an electronic extract from the previous licensee's records to evidence ongoing CPD where an adviser changes licensees.

**Recommendation:** That CPD records sit at the licensee level and that electronic extracts of a CPD record be accepted from a prior licensee where relevant providers move to a new licensee.

### ***Provision of a Guide with Principles***

The FSC agrees that FASEA should not accredit/approve CPD activities or providers. We support the ability for licensees to assess and approve CPD. However, education providers should also be permitted to assess CPD activities they provide to licensees, and these activities should be regarded as approved without additional assessment.

We also agree that it would be useful if FASEA were to provide a guide with principles to ensure consistency in the licensee self-assessment approach. The proposed guidance should provide minimum expectations of what a CPD policy should contain.

FSC members support the proposal for FASEA to provide CPD activity reports and Professional Development templates as guides. FSC members believe templates for a technical reading diary/log would also be beneficial.

**Recommendation:** That any guide/s provided contain sufficient information to allow licensees across the industry to consistently assess CPD.