

Wednesday 10 January 2024

Retirement, Advice and Investment Division  
Treasury  
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Dear Treasury

### **Financial Adviser Exam – changes in exam delivery**

The FSC welcomes the Corporations (Relevant Providers—Education and Training Standards) Amendment (2023 Measures No. 1) Determination 2023 (**the Determination**).

With just 15,000 financial advisers in the industry, new entrants, and the Australian Financial Services licensees that authorise them, face considerable barriers and cost in meeting the current education requirements. The Determination's provisions<sup>1</sup> to reform the exam's administration and structure will make it easier for more advisers to enter the profession and reduce the cost of providing advice without diminishing education standards.

#### Multiple choice questions

Allowing more multiple-choice questions and the removal of short answer questions will:

- support industry to aggregate data on qualifying new entrants through multiple choice questions than subjective written responses.
- reduce the need to require paid staff to mark exams given the subjective nature of written responses, while potentially allowing automated marking of multiple-choice responses. This would significantly reduce the cost of on-boarding new entrants via the exam than is the case currently.

Arguments that multiple choice questions somewhat make it 'easier' for students to game the exam are without foundation. Multiple-choice exam can be appropriately set and rigorous. Given the proposal requires at least 70 questions we view this as adequate to test such knowledge rigorously without diminishing education standards.

#### Professional Year (PY) candidates

Allowing PY candidates to sit the exam prior to completing their qualifications by removing the current requirement only relevant providers can sit the exam, will offer prospective advisers much needed flexibility in their penultimate years of study.

Currently, a candidate can start the PY program if they are in the last semester of completing their qualification. They must also pass the exam before they can commence Quarter 3. Typically, PY candidates will sit the exam while they are going through Quarter 2.

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<sup>1</sup> *Principle 5: processes and procedures for taking the exam* set out in the Explanatory Statement (**ES**) reinforces the intent of the Determination to improve the administrative efficiency with which candidates can be supported to sit the exam.

Given there are four exam sittings in a calendar year this could potentially cause some delays, especially if a candidate fails an exam and has to re-sit. Most PY candidates pass the exam on their first attempt and seldom need to re-sit the exam. A benefit of the Determination's provisions is that it would allow candidates who are keen to sit the exam early to do so.

ASIC oversight of qualifications

ASIC should continue to check qualifications via the exam qualification number and the determination should expressly confirm that this will cover PY candidates.

Before getting the exam qualification number, a licensee will have to submit and confirm with ASIC all the qualifications of the individual. ASIC will then confirm the qualification requirements are met. This provides an independent way of verifying a candidate's qualifications.

There is also a question as to whether ASIC would undertake this in respect of professional year candidates as a result of added flexibility and the finalised determination should clarify this.

The FSC welcomes swift passage of the Determination in line with the feedback provided in this submission.

I would be happy to clarify any questions Treasury has about this submissions.

Yours faithfully



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Policy Director  
Advice and Platforms