

17 April 2026



The Treasury
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via email: financialadvice@treasury.gov.au

RE: Consultation Paper on Education Reform for Financial Advisers

The Financial Services Council (FSC) welcomes the opportunity to provide a submission to Treasury's Consultation Paper on *Education Reform for Financial Advisers*. The reforms aim to expand the availability of high quality, safe and trusted financial advice for Australians while creating a more sustainable pathway for new advisers to enter the profession.

The FSC, along with the Joint Associations Working Group (JAWG), has long advocated for reform to streamline education standards to attract more new entrants into the financial advice profession and attract other professionals into the field. By expanding the supply of professional advice available in the market these reforms can underscore important consumer protections by leaving consumers less vulnerable to guidance and advice from unregulated sources.

The proposed changes to the education requirements detailed in the consultation are broadly in line with the framework proposed by the JAWG and therefore we are strongly supportive of the package overall.

Importantly, these reforms would create a more flexible pathway into the profession while maintaining strong professional safeguards. Prospective advisers would still be required to hold a bachelor's degree or higher, complete core financial advice subjects, undertake a professional year, pass the financial adviser exam and maintain ongoing professional development.

In this submission the FSC raises certain points for technical clarity and issues which will require further work to deliver certainty from an implementation perspective. As we move towards implementation the role of the advice profession and engagement with Higher Education Providers (HEPs) will be critical to ensure new courses can be delivered efficiently onto the market, accredited against the new curriculum.

To address the demand for affordable, quality financial advice in Australia there is a growing need to inject more capacity into the system. The FSC encourages government to expedite the passage of relevant legislative amendments attached to the reforms.

About the Financial Services Council

The FSC is a peak body which sets mandatory Standards and develops policy for more than 130 member companies in one of Australia's largest industry sectors, financial services. Our Full

Members represent Australia's retail and wholesale funds management businesses, superannuation funds, and financial advice licensees. 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 more than \$4 trillion on behalf of over 16.9 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is one of the largest pools of managed funds in the world.

Summary of Recommendations

1. The FSC strongly supports the introduction of the proposed new qualification standard. In finalising the curriculum for accredited subjects, greater emphasis could be considered in demonstrating an understanding of advice on retirement income, and specifically on the role and application of the Statement of Advice.
2. Subjects that meet Requirement 2 and Requirement 3 should be able to be studied at an AQF level 8 either separately or as part of a Graduate Certificate or Graduate Diploma qualification.
3. As the reforms progress to legislation and guidance, Treasury should include greater clarity that existing providers who have qualified under the existing standard already meet the proposed new standard.
4. The FSC supports the proposed accreditation process for the four core subjects, which are to be approved by the Minister, delegated to Treasury. Treasury, in conjunction with HEPs and the advice profession should develop and provide guidance for licensees to ensure certainty and efficiency in assessing whether the standard has been met through completion of the four financial concepts subjects.
5. The FSC supports the new standard commencing from Royal Assent, allowing for the existing standards to apply concurrently during a set period so that existing students and HEPs can transition to new course structures. This could be 24 months, subject to further discussion with HEPs.
6. Treasury should undertake a periodic review of the curriculum to ensure learning outcomes remain current. This could be done every three to five years.
7. The FSC understands that the intention is for new entrants to commence the Professional Year (PY) upon holding a bachelor degree and having completed four financial concepts subjects, allowing them to complete the four accredited financial advice subjects during the PY. This is not stated explicitly in the consultation paper and should be clarified as part of the legislative process.
8. The FSC encourages government to expedite the passage of necessary legislative amendments attached to the reforms. The reforms will need to evolve over time, responsive to developments in the advice profession and the needs of consumers. The

FSC considers that legislation enacting the reforms should be structured primarily as principles-based instructions to inform delegated legislation or regulations containing the necessary details of the reforms. This should extend to cover any future changes to modernise the Professional Year framework that may be implemented following the introduction of the new education standard.

Introduction

Australians continue to suffer from a lack of access to quality, affordable, professional financial advice. Demand for advice, especially in relation to retirement planning, remains high.

However, the cost of advice is also high, now reaching more than \$5,000 in some cases. This puts it out of reach for millions of consumers, many of whom expect to pay much less than this amount for professional advice.

Compliance cost inputs have continued to contribute to driving up this cost and the FSC understands the Government remains committed to reducing costs involved in the delivery of advice through the deregulation elements of its current advice reform package.

However, there is an obvious supply side element to this trend. The number of financial advisers in the Australian financial services sector remains at historic lows having reduced from around 28,000 in 2018 to just over 15,000 today. New entrants to the profession have declined from almost 5,000 in 2018 to just over 550 in 2025.¹

The current education standard has contributed to the decline in numbers and the lack of new entrants. It is unnecessarily restrictive, creating high barriers to entry for both aspiring advisers and existing professionals trying to meet the requirements. The FSC agrees with the conclusions reached by Treasury in the Consultation paper surrounding the issues with the current standard. Aside from high barriers to entry, the paper argues the curriculum is overly prescriptive, lacking flexibility and with a high administrative burden to add or adjust courses. The rigidity of the standard has led to low take up with several HEPs discontinuing their financial advice courses due to low numbers. All of this points to a need to reinvigorate the standard by injecting flexibility of access and making the requirements more attractive to both students and HEPs.

To ensure prospective advisers have certainty about their pathway into the profession, whether directly through the tertiary education system (entry level into the workforce) or transitioning from another profession or industry, they will need a level of certainty as to how and when the new qualifications standard is online and ready to serve their needs. Given the urgent need to bring more advisers into the profession the FSC supports these new requirements being introduced and passed by Parliament as soon as possible to allow prospective advisers to begin meeting the new standard following Royal Assent. We also appreciate the need to finalise appropriate implementation and transition arrangements. Beyond this consultation process it will be critical for the advice profession (including through JAWG) to be involved in, and provide

¹ Padua Wealth data

input into, discussions with HEPs and government on these finer details.

Proposed new qualifications standard

The FSC supports the proposed new qualifications standard consisting of the following:

- Requirement 1 - new entrants must hold a completed Bachelor degree (AQF Level 7 or higher) in any discipline from an Australian HEP;
- Requirement 2 - new entrants must complete at least four subjects at an AQF level 7 or higher in financial concepts (the proposed list in the consultation paper); and
- Requirement 3 – new entrants must complete four prescribed and accredited financial advice subjects approved by the Minister at AQF level 7 or higher.

These requirements provide the flexibility necessary to increase the attractiveness of financial advice study to a broader range of participants. This can create the foundations for a more sustainable pathway for new entrants provided there is sufficient initial support from higher education institutions to make available the requisite study content.

In relation to the proposed curriculum for the four accredited subjects FSC members observe a couple of areas to flag for further consideration. Given the increasing regulatory focus on the provision of retirement income through the Retirement Income Covenant (RIC) and best practice principles for superannuation retirement income solutions, and the growing need for advice in relation to the retirement phase, we suggest there could be a greater (or more deliberate) emphasis on ensuring advisers have a foundational understanding of providing advice on retirement income.

Separately, a direct reference to demonstrating an understanding of the role and application of the Statement of Advice (or its successor document) in the advice process.

The consultation paper notes that Requirement 1 excludes the Graduate Certificate (AQF level 8) as it is not equivalent to a bachelor degree in dept and breadth. The FSC does not oppose this setting, however, we would like to confirm that subjects that meet Requirement 2 and Requirement 3 can be studied at an AQF level 8 either separately or as part of a Graduate Certificate or Graduate Diploma qualification.

FSC members also consider that it would be helpful for the requirements to explicitly state the intent of the framework where a subject may cover more than one content area. For example - if a financial concepts subject covered Business and Commercial Law as well as Trust Law we understand this would only count as one of the four required subjects. Or are there circumstances where this would count as two?

Overall, however, we support the shift from accrediting entire degrees to accrediting individual subjects, with a publicly accessible list. This will allow HEPs to develop micro-credentials or short forms and pathways appropriate for career changers.

RECOMMENDATION 1

The FSC strongly supports the introduction of the proposed new qualification standard.

In finalising the curriculum for accredited subjects, greater emphasis could be considered in demonstrating an understanding of advice on retirement income, and specifically on the role and application of the Statement of Advice.

RECOMMENDATION 2

Subjects that meet Requirement 2 and Requirement 3 should be able to be studied at an AQF level 8 either separately or as part of a Graduate Certificate or Graduate Diploma qualification.

Impact on different cohorts

The consultation paper details at a high level the impact of the new qualification standard on experienced and existing providers who may have already qualified as relevant providers through top-up study or completing an approved degree (who had until 31 December 2025 to qualify). Our assumption is that these providers would not be impacted by the new requirements, however, FSC members observed that the treatment of existing advisers who have met the Qualification Standard could be clearer. In particular, the table on page 11 could potentially mislead stakeholders into thinking there are different pathways for each cohort to meet the new standard.

Treasury has since separately clarified that this is not the intent and that existing providers already meet the standard. We would encourage the Government to make this explicit in future materials and as the standard progresses into law.

RECOMMENDATION 3

As the reforms progress to legislation and guidance, Treasury should include greater clarity that existing providers who have qualified under the existing standard, already meet the proposed new standard.

Implementation

Accreditation of financial advice subjects

The four proposed core (accredited) subjects provide the appropriate baseline knowledge needed for new advisers. The proposed content also reinforces the consumer protection

foundations which are central to the advice professional standards as a whole. The FSC supports the intention that these four subjects cannot also count as financial concepts subjects, ensuring a consistent baseline for all new advisers.

It is intended that the Minister will have the power to approve these subjects. FSC members are comfortable with the approach suggested that this accreditation process would be delegated to Treasury from an operational perspective, following receipt of submissions from HEPs for specific accreditations.

As discussed above, given the financial advice profession's interest in ensuring sufficient availability of relevant study pathways for prospective advisers, it will be important for the profession to be engaged on the process of finalising the curriculum as well as how the subject accreditation process will operate.

The assessment of qualifications with respect to the financial concepts subjects is less clear. The FSC notes that AFS licensees already undertake this work under the current regime by assessing transcripts against the list of approved courses with prescribed units.

Role of AFS licensees in assessment of qualifications

The reform will require licensees to review academic transcripts and make a judgement that the units studied by a potential new entrant, or transferring professional, appropriately reflect the relevant area(s) of study without a prescribed list of approved subjects. AFS licensees currently have in place processes for reviewing academic transcripts although, as FSC members note, the granularity of applying this process to the new standard may prove to be similarly resource intensive.

FSC members have suggested that the profession will benefit greatly from guidance on how licensees can undertake these assessments. This can ensure a greater level of certainty for licensees when applying judgement to specific circumstances. For example:

- there are various accounting subjects that a candidate might study as part of a degree. Will any of these be sufficient to count as an accounting subject, or will this require an additional assessment based on the specific course outcomes achieved through studying the subject?; and
- if a subject is studied as a component of another (consolidated) subject (e.g. Trust Law component studied under a Commercial and Trust Law subject), how will the licensee be able to confidently make the determination in relation to Trust Law?

We welcome further consideration of how this guidance could be developed and introduced, whether through Treasury or HEPs themselves, or a combination of these bodies. It will be important for the advice profession (including through JAWG) to have a prominent role in helping to develop and maintain any guidance or assistance in the transcript assessment process. This will also be important to ensure consistency across advice businesses.

We also caution that, ideally, a balance should be struck between leaving the judgement completely to licensees and issuing prescriptive rules as to how assessments must be made. It would be a poor outcome if the complexity of the current determination process was repeated where licensees have faced issues in assessing if someone has met the building blocks for an

equivalent to an approved degree. This has required ASIC going to great lengths to build case studies and run webinars to assist licensees with these assessments in relation to the current Determination, and we are aware there are still many points of confusion.

Guidance could also help clarify certain technical points such as in relation to timing of completion of the requirements. For example, will the requirements be met if someone completed the subjects some time ago e.g. 10, 20, 30 years?

RECOMMENDATION 4

The FSC supports the proposed accreditation process for the four core subjects, which are to be approved by the Minister, delegated to Treasury.

Treasury, in conjunction with HEPs and the advice profession should develop and provide guidance for licensees to ensure certainty and efficiency in assessing whether the standard has been met through completion of the four financial concepts subjects.

Transition

The FSC agrees with the views expressed in the paper that transitional arrangements should consider affording stakeholders time to adjust existing processes, support existing students enrolled in approved degrees, allowing HEPs time to transition courses and signal a clear timeline to delineate the commencement of the new standard as the sole qualification requirement.

In considering the transition framework, we reiterate the urgent need to solve the advice supply issue through introducing capacity in the system. Aside from passage of the operative legislative provisions to introduce the new standard (and therefore commencement of the proposed transition period), the advice profession is eager to ensure HEPs are supported to bring the four accredited subjects online as soon as possible.

Financial advice businesses support ongoing training through additional study and training, continuing professional development and of course through the Professional Year (PY) process. Under the proposed standard, for many new entrants holding a bachelor degree and having completed four financial concepts subjects, completing the four accredited financial advice subjects should be possible concurrently with the PY. This would mean passing through the first gate of their professional pathway in the most efficient manner possible. For many financial advice businesses, including FSC member firms, this represents one of the real benefits of education reform as it may help to accelerate the provision of professional advice to more Australians.

Transition timeframe and application

The FSC does not object to the indicative transition framework presented at Figure 5 of the Consultation Paper. However, we observe that it is both reliant on the instructive legislative provisions to enliven commencement and clarity that the transition period is designed, as we

believe is the intention, for the new standard to commence from Royal Assent. This would mean accredited subjects could be available for study as soon as possible following that date. This is not abundantly clear from the consultation paper. The availability of new subjects and defined pathways within existing degrees will be determined by the readiness of interested HEPs when designing the subjects and then having them accredited. However, this should not be frustrated by an overly cautious transition framework where HEPs might have to wait until the transition period has concluded to introduce new subjects.

We agree that students currently studying approved degrees under the existing standard will need support as they choose whether to complete that qualification or transfer to the more flexible standard. This decision will no doubt be influenced by a number of factors, which may include how far progressed the student is into their studies, as well as how quickly and easily a transfer can be made within their particular institution. Flexibility is important here, to ensure students can make the right choice for their particular circumstances.

Assuming the transition period means the new standard can commence from the date of Royal Assent (as we recommend), the FSC does not have a fixed view at present on the appropriate duration of this period. Given HEPs and students will require the flexibility to 'teach out' existing courses and develop transitional pathways, it may be that 24 months from royal assent is required for the new and existing standards to apply concurrently before the new standard applies in isolation. This is likely to be sufficient to allow those students who wish to complete approved degrees under the existing system by the 'final date'. Alternatively, there may be merit in permitting the new standard and the existing pathway, via study of an approved degree, to co-exist indefinitely following Royal Assent. The FSC is open to further discussion on this point and we would be happy to be involved in consultation with HEPs to finalise this matter.

RECOMMENDATION 5

The FSC supports the new standard commencing from Royal Assent, allowing for the existing standards to apply concurrently during a set period, so that existing students and HEPs can transition to new course structures. This could be 24 months, subject to further discussion with HEPs.

RECOMMENDATION 6

Treasury should undertake a periodic review of the curriculum to ensure learning outcomes remain current. This could be done every three to five years.

Role of professional standards, licensees and further training

The combination of the new education requirement and the existing professional standards and training requirements (in the form of the PY, exam and Continuing Professional Development (CPD)) provide the appropriate flexibility to attract new entrants into the profession whilst maintaining a very high standard of competency requirements for the advice provision. As the

consultation paper indicates, AFS licensees will continue to have the flexibility to determine the type and level of additional training required to ensure their financial advisers have demonstrated competency to be authorised to provide advice in specific product areas. In a professional environment, where licensee entities are ultimately responsible for ensuring appropriate training and competence, this is entirely appropriate. The FSC is pleased the Government has chosen to support this next step towards the maturing of the profession under the licensee model.

In time, and once the transition framework has been confirmed and is in place, it may be appropriate to review the structure and application of the financial adviser exam, given the change in curriculum and overall framework for the qualification standard.

The Professional Year (PY)

As discussed above the FSC understands that the intention is for new entrants to commence the PY upon holding a bachelor degree and having completed four financial concepts subjects, allowing them to complete the four accredited financial advice subjects during the PY. This is not stated explicitly and should be clarified as part of the legislative process.

FSC members have also raised a preference to consider redesigning some of the elements and structure of the PY to ensure it meets the needs of both the new entrants of today, and current financial advice businesses and practices. The PY was conceived at a time when a different advice market existed, where large conglomerate businesses could largely sustain the cost of training entry level employees for a period of 12 months. The more fragmented advice market which exists today includes many small businesses. These firms do not have the same capacity to carry the costs and shoulder the resource intense nature of the PY as it is currently designed. This presents as an additional barrier to increasing total adviser numbers.

Any potential changes to evolve the PY framework should not delay measures to streamline the new education standard outlined in the consultation paper. However, to ensure any adjustments to redesign the scheme can be effected over time in a flexible manner it is suggested this could be done by ensuring the Minister has the ability to make improvements to the PY framework through regulation (see our recommendation on legislative approach below).

The FSC would welcome the opportunity to discuss the potential for targeted modifications to the existing PY framework to suit the needs of the profession as it stands today.

RECOMMENDATION 7

The FSC understands that the intention is for new entrants to commence the PY upon holding a bachelor degree and having completed four financial concepts subjects, allowing them to complete the four accredited financial advice subjects during the PY. This is not stated explicitly in the consultation paper and should be clarified as part of the legislative process.

Legislative approach

Through JAWG, and in its own capacity, the FSC has been pursuing progress on these reforms for a number of years. We are very encouraged by the Government's commitment to progress this consultation with the prospect of making the changes a reality in the short to medium term.

The FSC encourages government to expedite the passage of relevant legislative amendments attached to the reforms.

Given the reforms will need to evolve over time, respond to developments in the advice profession and the needs of consumers, we suggest that legislation enacting the reforms be structured primarily as principles-based instructions to inform delegated legislation or regulations that contain the necessary details of the reforms. This may help ensure flexibility for the profession, Treasury and HEPs as they move to finalise the appropriate details regarding the curriculum, course pathways and guidance. This should also provide the Government with the flexibility to respond to changes to the PY flexibly and without unnecessary delay following the finalisation of the current changes outlined in the consultation paper.

RECOMMENDATION 8

The FSC encourages government to expedite the passage of necessary legislative amendments attached to the reforms.

The reforms will need to evolve over time, responsive to developments in the advice profession and the needs of consumers. The FSC considers that legislation enacting the reforms should be structured primarily as principles-based instructions to inform delegated legislation or regulations containing the necessary details of the reforms. This should extend to cover any future changes to modernise the Professional Year framework that may be implemented following the introduction of the new education standard.

The FSC welcomes the opportunity to further discuss the matters outlined in this submission. To arrange a meeting, please contact me on 0450 630 247 or email [hrussell@fsc.org.au](mailto:h russell@fsc.org.au)

Yours sincerely

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