



**Confidential  
Submission to:**

**Australian Securities and Investments  
Commission,**

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Dear Mr. Vermiglio,

**Re: Consultation Paper 88 – Reviewing and updating RG146**

The AFA has had a long history in education. Since the foundation of the Life Underwriters Association (LUA) in 1946, education & professional standards has been the key platform that has ensured the long term success & sustainability of the AFA we therefore feel compelled to comment on the consultation paper and thank you for the opportunity to do so.

The AFA is a member of the Asia Pacific Financial Services Association (APFinSA) which represents financial services professionals from 11 financial services associations. One of the combined objectives of the AFA and APFinSA is to encourage the enhancement of educational and professional standards of financial advisers. The review and updating of RG146 is vital to this process.

As a general comment we feel that RG 146 was created with the greatest of intentions but attempted to be a panacea for too many of the training requirements across the industry. It has however firmly established a training culture within the industry that has been somewhat lacking in the past. Having achieved this goal we feel a review is appropriate in order to more specifically address the ongoing training needs of the different sectors of the industry. We support the review and make the following responses to the issues raised:

**B – Appropriateness of current training standards**

*B1Q1 Do you think that the training requirements for simpler products are too onerous?*

We agree with this proposal due to the fact that many areas covered under generic knowledge are not applicable to those solely involved with Tier 2 products.

Personnel are often resistant to training that is not directly related to their role and struggle with some of the concepts. For example: Why does a person advising on house and contents insurance need to be trained in the economic environment and financial markets?

*B1Q2 Which approach would you choose to address the problem? Please give reasons.*

We believe Option (a) to be the better approach in order to maintain the integrity of the training. This approach ensures participants have a broader knowledge of the area than simply their current employer's approach. It also allows for the portability of the training.

*B1Q3 What costs and benefits do you think result from your preferred approach? If possible, please quantify these costs and benefits.*

This could relieve some of the training burden on employers as the full generic knowledge course would not be required.

*B1Q4 What do you think would be the risks to consumers from your preferred approach? Do you think the benefits outweigh these risks? If so, why?*

We don't believe there would be risks to the consumers where the training becomes more focused and relevant.

*B1Q5 Should we consider any other changes to the training requirements to address concerns about the burdens imposed by the training requirements (e.g. removing the generic knowledge requirement for all general advice)?*

We strongly disagree with your example. There needs to be a clear distinction between Tier 2 product advice only and general advice. In the market place there are currently business development personnel who are authorised to provide general advice that in our view require a strong and broad knowledge of all areas.

For example: Personnel who are promoting a particular managed investment product through general advice should be aware of the product's potential position in a portfolio, how it is affected by changes in the economy and Government policy, how it is assessed by Centrelink, what happens to the product upon an investor's death, which compliance documents and warnings are required etc. etc.

Only the completion of both generic and specialist knowledge areas will cover these important issues.

The removal of generic knowledge requirements should be removed for Tier 2 products only.

*B2Q1 Which approach do you prefer? Please give reasons.*

We prefer Option (b) for Tier 2 products only. As previously stated, if the training burden is to be relaxed for Tier 2 products this should not apply to 'general advice' across the board. There should be two distinct categories. If not, this will allow industry personnel that are authorised for general advice, but are not actually financial advisers, to get away with minimal training based on their employer's products only.

This restricts opportunities for the employee's involved due to the fact their training is so narrow and focused.

It also affects the employee's credibility in front of advisers and investors when their knowledge is limited to the range of products offered by the employer. The training would also most likely lack portability further restricting an employee's opportunities.

*B2Q2 What costs and benefits do you think result from your preferred approach? If possible, please quantify these costs and benefits.*

Option (b) for Tier 2 products could reduce the training burden for the relevant employers but could also ultimately increase costs due to potentially having to retrain all new employees. Maintaining Option (a) for those providing general advice would not change the current cost.

*B2Q3 What do you think would be the risks to consumers from your preferred approach?*

For Tier 2 products we don't believe there would be risks to the consumers where the training becomes more focused and relevant.

If the standards were relaxed for general advice across the board we believe there would be considerable risk to consumers due to the potentially internally (employer) focused nature of the training.

*B2Q4 Should we consider any other changes to the training requirements to address the issue (e.g. narrowing specialist knowledge categories for Tier 2 level products only)?*

Yes – as mentioned in B2Q1

#### C – Recognition of prior study and learning

*C1Q1 Do you think that our policy on the recognition of prior study and training requires revision? If so, why?*

We agree that the current RG146 standards for RPL should not be diluted. A course undertaken prior to the advent of RG 146 may be recognised provided the adviser proves they have maintained their knowledge by way of ongoing PD training, a portfolio, gap training etc. as is currently stated.

*C1Q2 Do you think that prior study and training undertaken by accountants warrants specific recognition in RG 146? If so, please provide details on how accounting qualifications meet some or all of the knowledge and skills requirements necessary for RG 146 compliance.*

This is a difficult issue as not all accounting qualifications are the same. A deeper analysis of the various qualifications would need to be conducted to determine whether exemptions for the various knowledge areas could apply.

There is scope for accountants to be provided with exemptions from ‘tax’ studies however this is not a specific (singular) requirement to be RG 146 compliant but is part of other broader knowledge areas thus would be difficult to isolate.

There is also scope for some accountants to receive an exemption for the economic environment and the operation of financial markets if these areas have been covered in their existing qualifications.

Superannuation, insurance, preparation of advice documents, managed funds etc, are all very different knowledge/skill sets that require separate training. Whilst there is some overlap there is much more to each of these areas than simply tax, as the current wording of RG146 clearly indicates.

*C1Q3 What benefits do you think would result from providing specific recognition in RG 146 of prior study and training? If possible, please quantify these benefits.*

It would of course provide benefits to accountants attempting to enter the financial planning industry decreasing their training burden.

It could create a burden for training providers in having to isolate overlapping areas in order to provide these exemptions.

*C1Q4 Do you think recognition of prior study or training would create risks for consumers.*

We believe that dilution of the current standards would create risks for consumers.

## D – Quality of course on the ASIC Training Register

*D1Q1 What are your experiences of RG 146 training courses? Have you experienced a substandard RG 146 course?*

It would seem there are some training providers on the ASIC register that provide 'quick fixes' to RG146 compliance.

*D1Q2 Do you agree with the proposal to amend RG 146 to explicitly specify that ASIC may: (a) conduct initial and ongoing assessment of courses; and (b) not register, or deregister, any non-compliant courses? If not, why not?*

Yes, we agree with both parts of this proposal. However if a course is deregistered thought needs to be given to how this will affect those who have already undertaken these courses i.e. those courses that are deregistered. We believe these people should not be disadvantaged as they accepted in good faith that the training would be adequate due to the fact that it was on the register.

Potential solutions may be to:

- Continue to recognise the qualification regardless; or
- The RTO involved should be required to provide specific gap training to participants at the RTO's cost; or
- Contact the current licensee for an audit to be undertaken of current client files to check the standard of advice.

*D1Q3 Do you agree with our proposal to require course providers to either periodically re-register their courses or self-certify that their courses are current and comply with RG 146? If not, why not? Should re-registration or self-certification occur every three years? If not, what alternative period would you choose? If possible, please quantify the costs and benefits of our proposal.*

We also prefer to see re-registration as opposed to self-certification. Self-certification relies on the integrity of the RTO which it would seem is in question in some cases due to the issue itself being raised.

Re-registration every three years should be the minimum requirement ensuring each one is checked for technical accuracy, currency etc.

Audits should also be conducted based on participant feedback and random audits particularly for those promoting 'quick fixes' to RG146 compliance.

*D1Q4 Are there any other proposals you can suggest to improve the quality of courses on the ASIC Training Register (e.g. requiring RTOs and SAOs that develop and deliver their own courses to have these courses independently assessed)?*

Shadow 'students' could be used to evaluate the quality of courses from time to time, particularly those (again) that offer quick fixes.

### **Other comments**

In addition to the direct feedback above we would like to add the following comments:

RG146 and the DFS/ADFS (Financial Planning)

Despite RG146 the quality of advice provided by authorised representatives is constantly in question. Even now there is technically no formal qualification required to be a financial adviser. An adviser must simply be RG146 compliant. Most AFS license holders do hold the view however that their authorised representatives and employee representatives must attain the Diploma of Financial Services (Financial Planning) to be RG 146 compliant.

We believe the DFS(FP) should be the minimum requirement for those authorised to provide general advice **only** (excluding Tier 2 advice). It should be recognised that those personnel offering general advice require a thorough understanding of the industry and the position of the products they offer within the differing fields of financial planning that affect clients. It is only through education and the upholding of high standards of ethics and compliance that the industry can hope to avoid pure 'product flog'.

Authorised representatives who wish to provide personal advice to retail clients should be required to complete the DFS (FP) and the ADFS(FP) or a tertiary equivalent qualification. This would clearly differentiate the level of knowledge and skills required to provide personal advice.

This should be phased in over a set period just as the initial RG146 requirement was for existing authorised representatives but be a minimum requirement for new entrants from a given date in the future.

This will substantially lift the skills and knowledge of those involved in the provision of personal advice. Whilst it may also increase training costs to licensees we believe the benefits will outweigh the cost disadvantage.

The extra study requirement will filter out many who are out to make a 'quick buck' from the industry and are not in it for the long term or for the right reasons which can only lift the reputation and professionalism of the industry overall. This will benefit retail investors, licensees and advisers over the long term.

#### Self Managed Superannuation Funds

Due to the increasing complexity of this area we believe that the provision of advice relating to SMSFs should be listed as a separate knowledge area requiring specific training through a course appropriately listed on the ASIC register.

The current RG146 requirements for superannuation do not adequately cover this specialised area.

#### RG146 and Skills

We believe that RG146 does not recognise certain skills crucial to the success of a long term competent adviser such as:

- Time management
- Conflict management
- Negotiation skills
- Business communication skills
- Interpersonal communication skills
- Interviewing and questioning skills
- Leadership skills
- Public speaking and presentation skills

We believe that Appendix B: should be reviewed and extended to include these areas.

## Summary

The AFA believe that RG146 has achieved a great deal in advancing education in the industry however it is time to review and upgrade training across industry to ensure its continued growth and good reputation. A summary of our comments are as follows:

- Relax the training for Tier 2 products only in removing some of the generic knowledge requirements and introduce a more focused and relevant approach
- Maintain the current RPL requirements
- Provide recognition to prior learning for accountants only in specific areas that have been covered by existing qualifications
- Introduce the requirement for re-registration of courses on the ASIC register, audits and 'shadow' students
- Introduce Tier 2 as a separate category of advice requiring the specific training as proposed
- Introduce DFS(FP) as the minimum requirement for all providers general advice (Tier 1 only)
- Introduce DFS(FP) & ADFS(FP) as the minimum requirement for all providers of personal advice (Tier 1 only)
- Include SMSFs as a specific knowledge area
- Extend Appendix B to include additional skills

Yours faithfully,

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