



## **Financial Adviser Standards and Ethics Authority**

### **Consultation Paper 5: Professional Work & Training Requirement (Professional Year)**

#### **CONSULTATION OPEN**

FASEA invites submissions on the guidance contained in this document in relation to the Professional Work & Training Requirement (Professional Year) as per s921B(4) of the Corporations Amendment (Professional Standards of Financial Advisers) Act 2017.

We invite you to provide written submissions and/or comments to FASEA through our dedicated consultations address ([consultation@fasea.gov.au](mailto:consultation@fasea.gov.au)) by 17 August 2018.

FASEA also intends to run forums with representatives of different stakeholder groups.

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## 1. Introduction and Background

The Financial Adviser Standards and Ethics Authority (FASEA) was established on April 11, 2017 under the Corporations Amendment (Professional Standards of Financial Advisers) Act 2017 to set the education, training and ethical standards for financial advisers. FASEA is established as a Commonwealth Company under clause 8 of the constitution and operates on a not for profit basis.

On 13 June 2017, FASEA was declared as the standards body under the Corporations Act 2001.

FASEA is responsible for setting the education, training and ethical standards of financial advisers, licensed under Australian law.

The Board of FASEA Ltd was appointed by the Minister for Revenue and Financial Services, the Hon Kelly O'Dwyer MP on 10 April 2017. Further information on the Board membership can be found on the [FASEA Website – about us](#).

## 2. Purpose of the Professional Year

The Professional Year is an essential component of the educational qualifications and standards that all New Entrants are required by law to undertake before they can provide personal financial advice to retail clients. The requirement is intended to ensure consistent, minimum professional standards of education and competence apply to financial advisers nationally.

The Provisional Relevant Provider will have participated in work activities (including providing personal financial advice to retail clients in relation to relevant financial products under supervision) and collected evidence of their work and training throughout the experience period of at least one (1) year.

The Professional Year refers to workplace and other activities that are relevant to developing professional competence to perform the role of providing personal financial advice to retail clients.

The Professional Year is expected to build on education and professional qualifying programs approved by FASEA. The public expects relevant providers to apply their experience and knowledge in carrying out their roles.

In satisfying the Professional Year requirements, supervisors, licensees and employers have important roles in planning and monitoring the work and training required of aspiring professional financial advisers.

Financial services and financial advice are wide and complex fields and becoming sufficiently expert to provide personal financial advice to retail clients requires considerable training. It may be that the training requirements stipulated in the policy will be supported by formal programs of education (including specialist

training or professional designations) and able to be recorded as completed through formal assessment processes in those programs.

### 3. Responsibilities for approving work and training in the Professional Year

The Act provides that a range of parties are responsible for ensuring that the work and training standard has been met in practice.

#### **Individual (Provisional Relevant Provider)**

S921B(4) requires that the individual has undertaken at least 1 year of work and training that meets the requirements set by the standards body.

S910A (definitions) confirms that an individual who is undertaking work and training in accordance with s921B(4) is defined in the legislation as a provisional relevant provider (although the term that will be used is yet to be determined by FASEA).

An individual who has not yet met the work and training standard (s921B(4)) is unable to be granted an Australian financial services licence for the provision of personal advice to retail clients in relation to relevant financial products (s921C(1)(b)).

#### **Financial Services Licensee**

A Financial Services Licensee is unable to authorise an individual to provide personal financial advice to retail clients if they have not satisfied the requirements of the Education and Training standards (s921B), which includes the work and training standard (s921C(2)(b)(ii)).

A Financial Services Licensee needs to identify an individual with relevant qualifications to be the supervisor of responsibility for the provisional relevant provider (s921F(2)).

A Financial Services Licensee has an obligation to notify ASIC (for the purposes of the Register of Relevant Providers) that an individual who is a provisional relevant provider:

- is appointed by the Licensee as a provisional relevant provider (s922F(1)(f)) once they have satisfied the education qualification (s921B(2) and passed the exam (s921B(3); and
- the date (day) that the provisional relevant provider began undertaking their work and training (s922F(1)(g)) and that they are under supervision (s922Q(2)(j)(iii)).

### **Supervisor of the provisional relevant provider**

A Supervisor of the provisional relevant provider must ensure that appropriate supervision is provided to the provisional relevant provider (s921F(3)).

It is proposed that the Supervisor must have at least 2 years of experience operating as a relevant provider.

### **All parties have responsibility**

The Standards Authority expects that the provisional relevant provider will participate diligently in the work and training process, not hinder the supervisor (s921F(7)), and will record all appropriate evidence of relevant activities undertaken during the PY.

The Standards Authority expects that the Supervisor will support the provisional relevant provider and will ensure that evidence of the work and training standard has been collected, reviewed and is available to the Provisional Relevant Provider and other relevant entities such as ASIC, a Code Monitoring Body and FASEA.

The Standards Authority expects that the Licensee will provide the appropriate resources and opportunity to ensure that the work and training standard has been met, demonstrated through the collection and recording of evidence.

#### **Consultation Question:**

3.1. Do you agree with the requirement for supervisors to have a minimum of 2 years' experience as a relevant provider?

## **4. Requirements – work and training**

Individuals need to gain a minimum of full time equivalent 12 months (1 year) of relevant experience before they can be registered as a relevant provider.

The relevant experience refers to workplace experience and other activities that are relevant to developing professional competence to perform the role of providing professional personal financial advice to retail clients. Experience will be gained during the initial phase of employment (i.e. first continuous full time equivalent 12 months of employment as a Provisional Relevant Provider) with standard leave arrangements performed as full-time or part-time employment.

In exceptional circumstances where the employment has changed within the first 12 months, a Licensee will need to assess PY activities undertaken to date and the activities that remain to be completed to satisfy the work and training standard.

Where relevant providers take a career break, the following standard will apply to the relevant provider. For periods of leave of less than 2 years, Relevant Providers are able to return without additional requirements

over and above the FASEA professional and education standards for existing advisers. For periods of 2 years or more, they will need to undertake appropriate CPD to ensure they are equipped with the latest regulatory and licensee requirements.

## Amount of time spent in work and training

The Standards Authority proposes that the statutory requirement of 1 year FTE to be spent meeting work and training requirements is approximately equivalent to 1800 hours split between:

- 800 hours of education and training
- 1000 hours of work and supervised experience

This is based on an approximate 1800 hour working year (48 weeks at 37.5 hours per week) and recognises that typical completion of an AQF 8 unit of study is 120 hours of part-time study.

## Formal education as a contribution to the Professional Year requirement

The Standards Authority recognises that relevant study may contribute to meeting the work and training requirements of this standard.

For instance, completion of one or more of the FASEA bridging course units would be considered relevant formal study.

Other relevant study options might include:

- Education for the purposes of achieving a professional designation.
- Education for the purposes of accreditation in specific forms of financial products relevant to licensing arrangements.
- Education for the purposes of meeting more detailed requirements in specific financial advice provision (eg. SMSF, stock broking, aged care, etc.).

Therefore, the Standards Authority proposes that a range of study options should be allowable for the satisfaction of work and training requirements. However, education that is measurable, appropriately assessed and leads to further 'qualification' (formal and informal) outcomes for participants is preferred.

## Work and Training requirements and CPD

The Act provides that a provisional relevant provider is not required to meet the statutory requirement to meet the continuing professional development standard (s 921D(2)(a)).

The Standards Authority recognises that this is because provisional relevant providers will be actively engaged in work, training and education as part of achieving relevant provider status.

Consultation Questions:

- 4.1. Do you agree with the requirement for individuals that return after a career break?
- 4.2. Do you agree with the proposed amount of time and split between work and training required for the proposed Professional Year?
- 4.3. Do you agree that formal education should contribute to the training requirement of the proposed Professional Year?

## 5. Competencies required for satisfaction of work and training standard

The competencies expected to be demonstrated before conclusion of the work and experience period to ensure the individual has transitioned from a Provisional Relevant Provider to a practicing Relevant Provider are:

1. **Technical competence:** the financial services graduate as a technically proficient professional and with the ability to ensure that advice strategies are suitability aligned to different consumer groups.
2. **Client care and practice:** the financial services graduate as a client centric practitioner advising both new and review clients
3. **Regulatory compliance and consumer protection:** the financial services graduate as a legally compliant practitioner
4. **Professionalism and Ethics:** the financial services graduate as an ethical professional.

These competencies are similar to graduate outcomes expected from an approved degree program and will therefore allow Provisional Relevant Providers to build on these competencies through work and training.

The Standards Authority has detailed a proposal for the competence components in each of these areas as quarterly activities, which will aggregate through key milestones to form the Professional Year Program in consistently developing a competent practitioner in the industry.

Outcomes sought are:

- Independently applying, comparing, and analysing underlying principles and theories from relevant areas of technical competence to complete work assignments and make decisions;
- Combining technical competence and professional skills to complete work assignments;
- Applying professional values, ethics, and attitudes to work assignments;
- Presenting information and explaining ideas in a clear manner, using oral and written communications, to financial advice and non-financial stakeholders;

- Integrating technical competence and professional skills to manage work across the end to end advice process;
- Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;
- Assessing, researching, and resolving complex problems with limited supervision;
- Anticipating, consulting appropriately, and developing solutions for complex business or client problems and issues; and
- Consistently presenting and explaining relevant information in a confident and professional manner to a wide-range of stakeholders.

## Practical Proficiency will be assessed based on outcomes achieved

A quarterly approach to key supervised activities is proposed as follows:

**Quarter 1:** Client Observations and support Supervisor/Experienced Adviser (PY 1)

### Key activities proposed:

- Shadow Supervisor/Experienced Advisers in client meetings with a range of clients
- Be able to complete post meeting documentation as required and follow up actions
- Discuss with Supervisor appropriate advice strategies suitable to client needs
- Actively participate in administration/back office activities
- Assessment/Checkpoint:
  - Self-reflection presentation of key learnings, opportunities for improvement
  - Assessment of readiness to progress to PY2

**Quarter 2:** Supervised Client Engagement and Advice Preparation (PY 2)

### Key activities proposed:

- Preparation for client meetings
- Undertake client meetings under supervision
- Drafting of advice strategies relevant to client needs, preparation of SOA and other relevant client documentation
- Completion of relevant administration/back office activities
- Assessment/Checkpoint:
  - Self-reflection presentation of key learnings, opportunities for improvement
  - Assessment of readiness to progress to PY3

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Quarter 3 (PY 3) and 4 (PY 4): Indirect Supervision of Client Engagement and Advice Preparation

Key activities proposed:

- Transition from direct to indirect supervision of client engagements
- Modelling of appropriate strategies and research appropriate products
- Determination and preparation of appropriate client documentation (e.g. SOA, ROA)
- Completion of relevant administration/back office activities
- PY 3/4 Assessment/Checkpoints:
  - Supervisor to engage at key client engagement points with review at end of PY 3 (month 9) to review and affirm progress
  - Provisional Relevant Provider to present 2-3 ethical dilemmas, how they approach them and what outcomes were achieved
  - Self-reflection presentation of key learnings, opportunities for improvement
  - Assessment of readiness for being a Relevant Provider.

Consultation Questions:

- 5.1. Do you agree with the competencies expected to be demonstrated before conclusion of the work and training period?
- 5.2. Do you agree with the proposed quarterly supervised approach and indicative key activities aligned to each quarter?

## 6. Evidence collection

The Standards Authority expects that generally, the:

- **Provisional Relevant Provider** will collect evidence of having satisfied the work and training standard
- The **Supervisor** will review and validate evidence of the Provisional Relevant Provider having satisfied the work and training standard
- The **Licensee** will confirm, record and maintain the evidence of the individual having satisfied the work and training standard

The Standards Authority encourages a combination of approaches for the measurement of competence and the collection of evidence, however this should be established for each Provisional Relevant Provider at the commencement of their PY in the form of a 'program of PY activities' and include a minimum of a PY Logbook and a supervisor attestation of completion of the PY program and accuracy of the logbook.

Progress towards competence should be periodically reviewed between the individual and the Supervisor, so as to ensure that the work and training standard will be met in the appropriate time frame.



### Consultation Questions:

- 6.1. Do you agree with the combination of approaches for the measurement of competence and the collection of evidence?
- 6.2. Do you agree with the proposed periodic review between the Provisional Relevant Provider and the Supervisor?

## 7. Exit Criteria

To ensure a consistent approach in assessing that the Provisional Relevant Provider has completed the required level of competence to qualify as having completed the Professional Year Program, the Standards Authority provides the following criteria as guidance to Licensees, Supervisors and employers:

- **Provisional Relevant Provider** will evidence that they have met all the requirements as specified in the Professional Year Program across the four quarters. In addition, they will have:
  - Completed PY logbook;
  - Presented 2-3 Ethical dilemmas, how they approached them and what outcomes were achieved;
  - Career Development Plan – progressed and planned for agreed development areas; and
  - Evidenced the training programs undertaken, which will include at a minimum 800 hours of accredited education or training.
- The **Supervisor** will review and validate evidence of the Provisional Relevant Provider having satisfied the Professional Year Program, with a key focus on the following:
  - Hours completed;
  - Assessment of key competencies;
  - Assessment and attestation of outcomes to confirm completion of PY and competence to move to full Relevant Provider status or, alternatively, extend the period of the PY.
- The **Licensee** will conduct an audit on 5 client files to assess compliance of regulatory and legal requirements. It is recommended that the **Licensee** also reviews, as part of the Supervision and Monitoring Program, that the Provisional Provider has completed all relevant work and training requirements.

### Consultation Questions:

- 7.1. Do you agree with the proposed exit criteria and the requirements of the Provisional Relevant Provider?
- 7.2. Do you agree with the proposed exit criteria and the requirements of the Supervisor?

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## 8. Potential resources and templates

FASEA may provide resources and templates in relation to the PY including

- A Quarterly Activity Guide
- A PY Logbook
- Supervisor Attestation Form/Report

### Consultation Questions:

8.1. Do you believe that templates may be useful and could be used as a guide only?

8.2. Are there templates in respect of any other matters that would be useful?

## MAKE YOUR SUBMISSION

Your feedback and submissions on this consultation paper will assist the Standards Authority to finalise the development of the examination for financial advisers.

Submissions must be provided in writing to our dedicated consultation address ([consultation@fasea.gov.au](mailto:consultation@fasea.gov.au)).

**Due date for submission: 5pm 17 August, 2018**

### Consultation interests of FASEA

We encourage you to provide feedback on any aspect of the proposed examination.

The Standards Authority is interested in your specific feedback on:

#### S3 Responsibilities for approving work and training in the Professional Year

Question: S3.1 Do you agree with the requirement for supervisors to have a minimum of 2 years' experience as a relevant provider?

#### S4 Requirements – work and training

Proposal: FASEA Proposes the Provisional Relevant Providers who take a career break must meet the existing adviser education and additionally CPD for those that have been away for more than 2 years. That the amount of time spent in work and training is 1800 hours split between 800 hours of education and training, 1000 hours of work. Further details in Section 4.

Questions: S4.1 Do you agree with what is required of those individuals that return after a career break? If not, why not?

S4.2 Do you agree with the proposed amount of time and split between work and training required of the proposed Professional Year? If not, why not?

S4.3 Do you agree that formal education should contribute to the training requirement of the proposed Professional Year? If not, why not?

#### S5 Competencies required for satisfaction of work and training standard

Proposal: FASEA proposes the following competencies expected to be demonstrated before conclusion of the work and training period:

- Technical competence
- Client care and practice
- Regulatory compliance and consumer protection

- Professionalism and Ethics:

A quarterly supervised approach is proposed to ensure a structured approach, this includes the following quarterly milestones:

- **Quarter 1:** Client Observations and support Supervisor/Experienced Adviser
- **Quarter 2:** Supervised Client Engagement and Advice Preparation
- **Quarter 3 and 4:** Indirect Supervision of Client Engagement and Advice Preparation

Further details in Section 5.

Questions: S5.1 Do you agree with the competencies expected to be demonstrated before conclusion of the work and training period?

S5.2 Do you agree with the proposed quarterly supervised approach and indicative key activities aligned to each quarter?

## S6 Evidence collection

Proposal: FASEA proposes that evidence is collected using output and input based approaches to measure competence. Further details in Section 6.

Questions: S6.1 Do you agree with the combination of approaches for the measurement of competence and the collection of evidence?

S6.2 Do you agree with the proposed periodic review between the Provisional Relevant Provider and the Supervisor?

## S7 Exit Criteria

Proposal: FASEA proposes that a Provisional Relevant Provider and the Supervisor meet certain exit criteria requirements before the Professional Year can be declared complete. Further details in Section 7.

Question: S7.1 Do you agree with the proposed exit criteria and the requirements of the Provisional Relevant Provider?

S7.2 Do you agree with the proposed exit criteria and the requirements of the Supervisor?

## S8 Potential resources and templates

Proposal: FASEA proposes a number of resources and templates to guide Provisional Relevant Providers, Supervisors and licensees, these include:

- Quarterly Activity Guide
- PY Logbook
- Supervisor Attestation Template

Further details in Section 8.

Questions: S8.1 Do you believe that templates may be useful and could be used as a guide only?

S8.2 Are there templates in respect of any other matters that would be useful?

### Information about you

It will assist FASEA to understand who has provided submissions and the type of environment you might work in.

Please provide: your name, your role (job title), your role in making the submission (e.g. financial adviser, licensee, client etc).

You may also advise if you want your submission (or parts of it) to be treated as confidential. FASEA intends to publish all non-confidential submissions on its website and the names of those who submit confidential submissions (but not their submission).

We understand that you may have specific questions from the proposed guidance. We invite you to provide your submission and feedback through this process and advise that we will not be able to respond to individual questions and queries. All feedback received to [consultation@fasea.gov.au](mailto:consultation@fasea.gov.au) will be collated for consultation and may also assist FASEA in the development of FAQs that will be progressively updated on our website – [www.fasea.gov.au](http://www.fasea.gov.au).