



Financial Adviser Standards and Ethics Authority

**Consultation Paper 6: Continuing Professional
Development (CPD)**

CONSULTATION OPEN

FASEA invites submissions on the guidance contained in this document in relation to the Continuing Professional Development requirements as per s921U(2)(iv) 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) by 31 August 2018.

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

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 (the Act) 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 Continuing Professional Development

Continuing Professional Development (CPD) is an essential component of all professions and mandated by the Act and evidence of its completion is required by section 922HC to be retained by the license and Relevant Provider.

The summary expectation of the CPD requirement is that all relevant providers will participate in development programs and activities that ensure they maintain and extend their professional capabilities, knowledge and skills including keeping up to date with all regulatory, technical and other developments relevant to professional practice.

Professional proficiency might also be seen in outcomes that focus on:

- 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;
- Integrating technical competence and professional skills to manage work assignments;
- Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;

3. Responsibilities for Continuing Professional Development

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

Individual (Relevant Provider)

An individual relevant provider must undertake sufficient continuing professional training to maintain competence at a level appropriate for the professional services (including financial product advice) that the relevant provider provides, or intends to provide, and keep up to date with developments relevant to their practice.

In achieving this Standard, the relevant provider:

1. May develop and maintain a Professional Development Plan (PDP) on a continuing basis, that identifies areas for improvement in competence, knowledge and skills and the professional development proposals for making those improvements;
2. Must complete at least 50 hours of CPD activity in each CPD Year, 70% of which must be approved by their licensee;
3. Must maintain a continuous, up-to-date and accurate record of their CPD activities, including evidence of completion of any CPD activity that is intended to be relied on to meet this Standard and keep records for 6 years from the end of each CPD year; and.
4. Must provide those records to the Licensee in order for the Licensee to meet their compliance with the CPD Year requirements.

Financial Services Licensee

A Financial Services Licensee is required to support its authorised representatives, employees and relevant providers in their undertaking of continuing professional training to maintain competence at a level appropriate for the professional services (including financial product advice) that the relevant provider provides.

Licensees must maintain and publish a CPD policy that the Relevant Providers authorised by them adhere to including their:

- Overall approach to CPD;
- Process for approving CPD activities and the mechanism for allocating hours to these;
- Approach to any professional development plans for Relevant Providers;
- Process for ensuring CPD activities are provided by persons and/or entities that are appropriate (with sufficient standing, expertise and qualifications);
- Approach to evidencing outcomes of CPD;

- Approach to record keeping; and
- Approach to auditing compliance with the policy.

Consultation Questions:

- 3.1. Do you agree with the proposed requirement for 50 hours of CPD per year, 70% of which should be approved by the licensee? If not, why not?
- 3.2. Do you agree with the proposed Licensee approved CPD approach and the proposal for a published CPD policy? If not, why not?
- 3.3. Do you agree with the proposal to develop and maintain a Professional Development Plan? If not, why not?

4. CPD Requirements

Hours based system of CPD calculation

An hours based system of CPD calculation has been adopted by the Standards Authority to encourage a wide variety of education activities within the required competencies and professionalism.

The quality of CPD hours is critical and to be assessed through principles to ensure the time, complexity and required effort by the relevant provider.

CPD Categories

The competencies expected to be demonstrated for ongoing professional practice are:

1. **Technical competence:** acting as a technically proficient professional
2. **Client care and practice:** acting as a client centric practitioner
3. **Regulatory compliance and consumer protection:** acting as a legally compliant practitioner
4. **Professionalism and Ethics:** acting as an ethical professional.

These competencies broadly align with the graduate outcomes expected of qualifying practitioners and the work and training requirements for provisional relevant providers. These outcomes are offered as a framework because they are sufficiently broad to cover the full range of developing and expert practice in financial advice.

In addition to the high level competencies such as demonstrating capabilities in critical thinking, critical self-reflection and ensuring professional behaviours are vital skills, resulting in the following list of CPD categories with minimum hours per year for each category.

CPD Category		Minimum Hours Per Year	Minimum Approved Hours Per Year
1	Technical Competence	5 CPD hours minimum	3 CPD hours minimum
2	Client Care and Practice	5 CPD hours minimum	3 CPD hours minimum
3	Regulatory compliance and consumer protection	10 CPD hours minimum	10 CPD hours minimum
4	Professionalism and Ethics	10 CPD hours minimum	10 CPD hours minimum
5	Other Advisers/Licensee selected CPD	20 CPD hours minimum	4 CPD hours minimum

CPD Planning:

To support outcomes from and the appropriateness of CPD activities undertaken, a relevant provider and their licensee may wish to develop and maintain a Professional Development Plan. Allocation of activities to proposed CPD Category 5 (Other advise/licensee selected CPD), may address the particular practice needs of the provider.

Types of CPD:

The following are options that may be considered by a relevant provider and licensee in terms of the CPD that the relevant provider undertakes:

1. Formal relevant education (provided by an Education Provider) may contribute to the CPD requirement including degree equivalent study to meet legislative requirements (such as bridging courses and approved degree studies) and any formal study towards other qualifications and designations relevant to the practice of the Relevant Provider, to a maximum of 25 CPD hours per year.
2. Non-formal education including:
 - a. Education for the purposes of achieving a relevant professional designation (e.g. CFP, FCHFP, etc)
 - b. Education for the purposes of meeting requirements in specific financial advice provisions (e.g. Stock Broking, SMSF, Aged Care, etc.)
 - c. Education for the purposes of accreditation in specific forms of financial products relevant to licensing arrangements (e.g. Credit)
3. Other CPD:
 - a. Sessions/Workshops at conferences, PD days, update sessions, etc. (financial advice relevant) – approved CPD

- b. Sessions/Workshops at conferences, PD days, update sessions, etc. (non-financial advice relevant) – non approved CPD
- c. Professional or Technical Reading – to a maximum of 7.5 hours if approved by the licensee as relevant to advice provision.

Education that is measurable, appropriately assessed and leads to further qualification outcomes for participants is preferred as it more likely provide structured and independent results for the participant's work and training records.

CPD Approval:

FASEA proposes a Licensee self-assessment approach to CPD accreditation, potentially underpinned by a published Licensee policy.

FASEA does not propose that it will accredit/approve CPD activities or providers for CPD, however it will provide this principles based guide to optimise the consistency in the Licensee self-assessment approach.

FASEA expects as a mandatory requirement that 70% of CPD is approved by licensees potentially in accordance with the licensee's CPD Policy and based on FASEA guidelines.

CPD Evidence:

Evidence is required to be maintained by the relevant provider and/or Licensee for both approved and non-approved CPD. The appropriate evidence is to be determined at the time of accreditation of CPD and should include documentation of activities undertaken, evidence of completion and outcomes obtained.

FASEA encourages a digital solution that can track CPD activities, evidence and outcomes, while providing portability and accountability.

FASEA may provide, as a guide, a CPD Activity Record template that can be used to log CPD evidence.

Consultation Questions:

- 4.1 Do you agree with the proposal for an hours based system of CPD calculation? If not, why not?
- 4.2 Do you agree with the types of CPD activities proposed? If not, why not?
- 4.3 Do you agree with the proposed evidence and record keeping requirements? If not, why not?
- 4.4 Do you agree with formal education as a contribution to the CPD requirement? If not, why not?
- 4.5 Do you agree with the CPD framework which provides examples of the different categories of learning activity and the rules for hours accrual in each category? If not, why not?

4.6 Do you agree with the proposal that FASEA will not accredit CPD activities or providers, but will provide a guide with principles, to optimise the consistency in the Licensee self-assessment approach? If not, why not?

5. Proposed Templates as guidance only

FASEA may provide resources and templates as a guide to support the CPD policy.

CPD Activity Report

CPD Activity Report would be a guide for recording of evidence of CPD completed on an annual basis.

Professional Development Plan

Professional Development Plan may be completed between the individual and their Supervisor/Employer. Its intent is to identify the areas of development and the course of action to develop competence in these areas so as to optimise the CPD.

Consultation Questions:

- 5.1 Do you agree that templates are useful and should be used as a guide only?
- 5.2 Are there any other templates 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).

Due date for submission: 5pm 31 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 Responsibility for Continuous Professional Development

Proposal: FASEA Proposes that the relevant provider develop and maintain a PDP on a continuing basis, completes at least 50 hours of CPD activity in each CPD Year, maintain a continuous up-to-date and accurate record of their CPD activities, and provide their records to the Licensee in order for them to meet their CPD requirements. See section 3 for more details.

Questions: S3.1. Do you agree with the proposed requirement for 50 hours of CPD per year, 70% of which should be approved by the licensee? If not, why not?

S3.2. Do you agree with the proposed Licensee approved CPD approach and the proposal for a published CPD policy? If not, why not?

S3.3 Do you agree with the proposal to develop and maintain a Professional Development Plan? If not, why not?

S4 CPD Requirements

Proposal: FASEA proposes that an Hour system for calculating CPD and that formal education will contribute to the CPD requirement. FASEA also provides a framework for different categories of learning and the rules for accrual of hours for each category. FASEA will provide guidelines for Licensee's to provide a self-assessment approval of different types of non-formal CPD. FASEA requires CPD record keeping by the relevant provider and the Licensee and will provide a CPD Activity template for guidance. Further details in Section 4.

Questions: S4.1 Do you agree with the proposal for an hours based system of CPD calculation? If not, why not?

S4.2 Do you agree with the types of CPD activities proposed? If not, why not?

- S4.3 Do you agree with the proposed evidence and record keeping requirements? If not, why not?
- S4.4 Do you agree with formal education as a contribution to the CPD requirement? If not, why not?
- S4.5 Do you agree with the CPD framework which provides examples of the different categories of learning activity and the rules for hours accrual in each category? If not, why not?
- S4.6 Do you agree with the proposal that FASEA will not accredit CPD activities or providers, but will provide a guide with principles, to optimise consistency in the Licensee self-assessment approach? If not, why not?

S5 Proposed Templates as guidance only

Proposal: FASEA proposes that it will make available CPD Activity and Professional Development Plan templates as a guide only.

- Questions: S5.1 Do you agree that templates are useful and should be used as a guide only?
S5.2 Are there any other resources or templates 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 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.