Association of Financial Advisers Ltd
ACN: 008 619 921
ABN: 29 008 619 921
PO Box Q279
Queen Victoria Building NSW 1230
T 02 9267 4003 F 02 9267 5003
Member Freecall: 1800 656 009
www.afa.asn.au

1 July 2020

Mr Stephen Glenfield
Chief Executive Officer
Financial Advice Standards and Ethics Authority

By email: consultation@fasea.gov.au

Dear Mr Glenfield,

AFA Submission: Three Month Continuing Professional Development Relief

The Association of Financial Advisers Limited (**AFA**) has served the financial advice industry for over 70 years. Our objective is to achieve *Great Advice for More Australians* and we do this through:

- advocating for appropriate policy settings for financial advice
- enforcing a Code of Ethical Conduct
- investing in consumer-based research
- developing professional development pathways for financial advisers
- connecting key stakeholders within the financial advice community
- educating consumers around the importance of financial advice

The Board of the AFA is elected by the Membership and all Directors are currently practicing financial advisers. This ensures that the policy positions taken by the AFA are framed with practical, workable outcomes in mind, but are also aligned to achieving our vision of having the quality of relationships shared between advisers and their clients understood and valued throughout society. This will play a vital role in helping Australians reach their potential through building, managing and protecting wealth.

AFA's Response

The AFA supports the provision of relief with respect to CPD, which we have sought since the FASEA media release on CPD during COVID 19 on 19 March 2020, where FASEA called on licensees to demonstrate flexibility, yet provided no powers for this to occur.

The legislative instrument provides CPD relief to relevant providers in the form of an additional three months to satisfy their CPD requirements, however it is only available to relevant providers who had a CPD plan that was in effect on 18 March 2020. The fact that a breach of the CPD standard will be recorded on the publicly available Financial Adviser Register, makes this relief both important and reasonable in the context of the impact of the COVID 19 crisis and the additional workload that it has placed on the financial advice community.

The Commencement of a Material Impact from COVID 19

We note the selection of the Australian Government's pandemic declaration on 18 March 2020, as the key trigger date. In reality, the impact of COVID 19 started much earlier, and this measure will not address some advisers who were impacted prior to this date. From our analysis, the impact on advisers became material in the last week of February 2020, which saw a 9.8% weekly decline in the ASX 200 market index, and on an international basis, an 11.5% weekly decline in the US S&P 500 index. Such a large movement in the equity markets in such a short period of time signalled the onset of elevated client concerns about market volatility and this caused a lot of client enquiries and requests for assistance and advice in that last week of February 2020. Completion of CPD in that week would have been much more difficult.

Across the financial advice sector, there are licensees with CPD years that end on a range of different dates. We believe that even the financial adviser with those licensees with a CPD year end of 28 February 2020, have been impacted by COVID 19. Whilst we do not feel that it is reasonable to delay the completion of CPD until the last week, we are conscious of the issues and confusion in the first year of the new CPD regime, with new categories of CPD activity and pro-rata targets.

An analysis of the Financial Adviser Register indicates that at least 200 financial advisers have already been reported to FASEA for a breach of the CPD standard. It is possible that some of these breaches might be able to be removed now, as a result of this FASEA CPD relief measure. It is not clear how many might have been impacted by COVID 19 in the period between the start of the market correction on 24 February 2020 and the effective date for this measure of 18 March 2020, however we ask FASEA to consider, and possibly discuss with ASIC, how greater leniency can be provided to this relatively small group of advisers who have been caught as a result of the selection of a later date for the commencement of this measure.

The Opportunity to Leverage the FASEA CPD Relief Measure

As we understand it, the largest group of advisers operate on a 30 June 2020 CPD year-end date, and will now have good opportunity to take advantage of the FASEA CPD Relief Measure. They have received timely notice and will be able to use the three months to catch up. Any advisers who have a CPD year-end date in the first few weeks after 18 March 2020, under this relief, will not have any opportunity to fix any outstanding CPD gaps, as they had no notice of this measure. These advisers are disadvantaged, when compared with those with a later year end date of May or June, who have a greater opportunity to leverage the extension. Without an awareness of the opportunity to catch-up missing hours, these advisers may not have sought to address any gap. This could include advisers who had achieved their overall target, however had small gaps in one or more of the nominated CPD categories. If they had known that they would have the chance to address this gap in the first three months of the new CPD year, then they would have taken action to do this. We ask FASEA to consider this issue, and how leniency might be possible for this group.

Impact of this Measure on Licensees

We are very conscious that this relief measure will create complications for licensees, and they will need to either make system changes to cater for this or undertake manual adjustments.

We are also conscious that this measure will impact licensees who have a CPD year-end date up until 17 March 2021. Hopefully, the impact of COVID 19 will have been largely overcome by that time and this measure might not be necessary. It should be recognised that this might therefore create complexity for licensees, in being forced to provide the opportunity for this three month extension, at a time when it is no longer necessary.

Concluding Remarks

We are not aware of any issues with the draft legislative Instrument in terms of the intent and have no specific feedback on the drafting of the Legislative Instrument.

In summary, we support this Legislative Instrument to provide CPD relief, however we ask FASEA to consider what options are available to assist advisers in the following two groups:

- Those with CPD year-end dates between 24 February 2020 (which was the start of the COVID 19 share market correction) and 17 March 2020.
- Those advisers with a CPD year end date of 18 March 2020 or shortly afterwards, who have not had the notice or opportunity to take advantage of the three month extension, as the three month extension for them would have already concluded.

The AFA welcomes further consultation with FASEA should it require clarification of any points raised in this submission. If required, please contact us on (02) 9267 4003.

Yours faithfully,

Philip Kewin
Chief Executive Officer
Association of Financial Advisers Ltd