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Australia: Financial Advisers Will Soon Require a University Degree

Posted By *Alicia Pevely* On December 7, 2015 @ 9:05 pm In Bloggers,Brokers,Regulation | [No Comments](#)

The Australian Government released their response to the Financial Systems Inquiry in late October this year. Of the 44 recommendations made by the Financial Systems Inquiry, the Government has accepted almost all.

One of these recommendations relates to the training and competence of financial advisers across the industry. This will see the end of FX brokers hiring junior sales staff without any financial knowledge or experience. The recommendation states that the minimum standards for advisers providing financial product advice on Tier 1 products should include:

A tertiary degree;

Competence in specialised areas, where relevant; and

Ongoing professional development, including technical skills, relationship skills, compliance and ethical requirements.

The Government has indicated that legislation will be introduced in mid-2016 which will deal with the issue of raising the professional standards of advisers.

At present, financial advisers must meet the requirements outlined in ASIC's Regulatory Guide 146. This includes holding a Diploma (for Tier 1 products) listed on the ASIC Training Register that meets the relevant training standards. Advisers providing personal advice must complete a course which covers three components:

Generic knowledge;

Specialist knowledge about the specific products they advise on; and

Relevant skills requirements.

Advisers who provide general advice only are not required to complete the skills requirement.

Since September 2012 RG146 has been under review, however issues such as FOFA and high-profile financial planning scandals by the majority banks (e.g. CBA, Macquarie) have been at the forefront. The approved training courses and the process by which ASIC assesses a course are also still being reviewed. ASIC has released two consultation papers

which relate to these changes, however an updated version of RG146 is yet to be released.

The Government's response to the Financial Systems Inquiry will see the educational standards of financial advisers rise significantly. Given that the current training requirements do not include a university degree, there are many in the industry who will not satisfy this new demand. The Government has advised they will consult on the appropriate transitional arrangements for existing advisers, however it seems likely that existing advisers who do not hold a university degree will be required to undergo additional training in order to ensure consistency across the industry.

Existing advisers and their employers will need to consider the relevant cost to meet any transitional requirements and also the time required to complete any additional training.

In addition, existing advisers will need to review their details on ASIC's Financial Advisers Register to ensure that they are correct and accurately disclose whether they comply with the new requirements. These changes have the potential to result in significant cost for advisers and employers and are likely to impact the majority of the industry.

The requirement to hold a university degree signals a move towards the professionalisation of the industry and is in line with the changes introduced by the Future of Financial Advice legislation in 2013 which introduced a ban on conflicted remuneration in an attempt to move the industry towards a fee for service model.

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