

18 May 2016

Financial System Division
The Treasury
By email: professionalstandards@treasury.gov.au

To the Professional Standards Team, Treasury,

Re: Corporations Amendment (Professional Standards of Financial Advisers) Bill 2016

CHOICE welcomes the opportunity to provide comment on the draft Corporations Amendment (Professional Standards of Financial Advisers) Bill 2016 (the Bill) and accompanying draft regulations (the regulations).

CHOICE is supportive of the aims of the Bill and hopes to continue to work constructively with Federal Government and industry representatives to implement higher standards for financial advisers.

However, the overly generous timelines for existing advisers to gain appropriate qualifications means consumers will be unable to trust that the financial advice sector has the skills required until 2024. In addition, exemptions provided by the Bill and regulations create loopholes that put consumers at risk and will affect consumer ability to trust that all financial advisers can genuinely assist with complex financial decisions.

Timing of education standards

CHOICE accepts that a number of the original deadlines need to be extended given the time it has taken to finalise the professional standards reforms. We accept most timelines put forward by Treasury but strongly oppose the proposal that existing advisers will have until 2024 to complete any required bridging courses.

The standards setting body will be incorporated in 2016. Although higher education standards for advisers won't commence until 1 January 2019, the standards setting body should and will provide guidance on education requirements for new and existing advisers well before this date. Assuming that the standards setting body doesn't confirm education requirements until late 2017, this gives

existing advisers more than seven years to gain any required qualification. Existing advisers should currently have qualifications at the Australian Qualification Framework (AQF) level 5 and will likely need to gain qualifications equivalent to AQF 7. This means most will not need to complete a full bachelor degree but a bridging course. Any adviser who needs to complete a full bachelor degree is seriously behind the rest of the industry and CHOICE questions whether they should be able to provide advice at all until appropriately qualified. CHOICE recommends that existing advisers need to meet new education standards by 2020.

Exam exemption

The proposed Bill and associated regulations also gives the standards setting body the power to exempt advisers from the exam requirement on a case-by-case basis. CHOICE does not support this change. This exemption is meant to provide flexibility for highly-qualified advisers. Highly qualified advisers should have no problem passing an exam that is meant to function as an entry-level requirement to the profession. It is vital that the exam acts as a benchmark that all advisers meet. CHOICE would support other incentives for highly-qualified advisers such as a reduction of any exam fee.

Standards body and governance arrangements

CHOICE has no opposition to the new proposed arrangements for the standards setting body. We welcome the proposed board structure as it has a balance of industry and consumer representatives. While the Minister will appoint all board members, CHOICE encourages the Treasury to consult consumer advocacy and industry groups prior to selecting board members.

Exemptions for time-shares and advice

CHOICE welcomes the new exemptions at section 923C of the Bill which will prevent a limited-service time-sharing adviser from using the term 'financial adviser' or 'financial planner.' However, this does not address the underlying problem.

Timeshare salespeople will still be able to provide financial advice without meeting basic education requirements. The timeshare industry argues that their products are different to all others on the market to justify the exemption. CHOICE seriously questions this justification for an exemption to education standards. Timeshare products could still be sold without providing personal financial

advice. The industry would just have to drop the aggressive and highly personalised sales tactics. And, should timeshare organisations wish to continue to sell products through these aggressive tactics, they should meet the minimum requirements designed to protect consumers.

CHOICE recommends that further consideration is given to the treatment of timeshare products under the Corporations Act. This process should consider the harm to consumers and the financial advice industry as a whole caused by broad exemptions to professional standards and conflicted remuneration requirements.

For further information, please contact eturner@choice.com.au

Yours sincerely,



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