

The Assistant Secretary  
Advice and Investment Branch  
Treasury  
Government of Australia

By email to [FAStandards@treasury.gov.au](mailto:FAStandards@treasury.gov.au) on 31 January 2021

## CFA Societies Australia comments on proposed amendments to the Education Standard

CFA Institute is a global, mission driven, not for profit association of investment professionals. CFA Societies Australia represents over 3000 CFA Charterholders and 6500 CFA Program candidates in Australia. Further information about CFA Institute and CFA Societies is included in Appendix 1 below.

### Comments on proposed amendments to the Education Standard for Financial Advisors

#### Experience pathway

**1. CFA Societies Australia recommends requiring reasonable education requirements for financial advisors. Relying on experience alone may compromise quality and provides inadequate protection for advisees.**

#### Quality of advice

CFA Societies Australia recognises the value and importance of experience (along with passing all three levels of the CFA Program, CFA Institute requires 4000 hours of relevant work experience for candidates to earn the CFA Charter).

We note that the quality of experience that employees obtain varies not only between firms, but within them too. It is reasonable to conclude that the learning which stems from experience is therefore also varied. Relying on experience alone as qualification therefore seems contrary to the intention of an Education Standard. In addition, the outcome of purely experiential learning is rarely assessed or is only subjectively assessed through workplace-specific outcomes. These outcomes do not necessarily align with the interests of advisees.

#### Availability of advice

CFA Societies Australia notes that the existing Education Standard provides adequate time for financial advisors to remedy any outstanding education requirements. We believe that maintaining the 2026 deadline for meeting education requirements is adequate to ensure the availability of advice. We note further that many experienced advisors have already completed formal education requirements under the existing Education Standard.

Developed market jurisdictions, such as the UK, Canada and the USA, all have formal education requirements for financial advisors.

### **Stakeholder impact – public expectation**

Our view is that the maintenance of relevant education requirements meets reasonable public expectation, practically supports professionalism which builds trust<sup>1</sup> in financial advice, as well as augmenting the investor protection intent of industry regulation in Australia.

We support continuing the requirement of formal education or established equivalent covering

1. relevant competencies relied on by the clients of financial advisors globally
2. financial ethics (required for the development and maintenance of trust)
3. relevant Australian laws and regulation pertinent to financial advice (e.g. Australian tax and companies law).

In addition, our view is that ongoing professional education requirements (continuing professional education) should be maintained.

### Qualification Pathway

#### **2. CFA Societies Australia supports the recognition of a broader range of study options for Financial Advisors than are contained in the current standard.**

#### **Quality and Availability of Advice**

Our view is that broader recognition (and therefore availability of advisors) will balance the dual needs that the investing public has in relation to

1. the quality of advice
2. the availability of affordable advice.

With regard to the recognition of a broader range of study options, Financial Advisors and Licensed Entities would benefit from clear guidance regarding their selection of appropriate degrees as well as equivalent professional credentials to meet education requirements. We believe therefore that a revised Education Standard should include such guidance, as opposed to relying solely on the discretion of Financial Advisors and Licensed Entities, or maintaining an approved list of qualifications.

#### **3. CFA Societies Australia is of the view that broadening available study options requires appropriate recognition of key professional qualifications relevant to financial advice.**

To facilitate the availability of a broader range of study options, CFA Societies Australia supports the cap on the contribution from relevant professional qualifications being raised to more than a single unit of RPL when they meet two or more of the following requirements:

1. They cover content applicable to financial advice and are nationally or internationally recognised as pertinent to providing financial advice.
2. They are formally and credibly assessed.

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<sup>1</sup> See Appendix 2, Greenwich Data Analytics, Greenwich Associates, December 2019

3. They are recognised as degree or higher degree equivalents by an appropriate comparable qualification framework (e.g. EQF, AQF) or recognised third party education benchmarking agency (e.g. UK Naric).

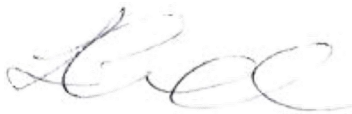
**Stakeholder impact – barriers to entry for appropriately credentialed professionals negatively impact the availability of quality advice**

Where an education standard under-recognises, part-recognises or undervalues high quality, relevant professional credentials it compromises the contribution that professional associations can make to ensuring both the quality and availability of advice.

For example, there are currently 3000 CFA Charterholders in Australia. Only 5% work as Financial Advisors. In other developed markets, typically 10% of CFA Charterholders work as Financial Advisors. The CFA Program is globally recognised as the “gold standard”<sup>2</sup> of financial qualifications, and is benchmarked by UK NARIC as a master’s level equivalent (AQF Level 9). With the exclusive focus on university qualifications in the current Education Standard, CFA Charterholders qualify for only one RPL unit. (Interestingly, 22 Australian Universities currently benchmark finance degrees against the CFA Program).

CFA Societies Australia believes that in its current form, the Education Standard creates unintended barriers to entry to Financial Advice for appropriately credentialed professionals like CFA Charterholders and others.

Yours sincerely



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Ms Lisa Carroll  
Chief Executive Officer  
CFA Societies Australia

Yours sincerely



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Mr Nick Pollard  
Managing Director, APAC  
CFA Institute

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<sup>2</sup> “Whereas there are tens of thousands of finance degrees available around the world, ranging from the excellent to the worthless, there is only one CFA; [it is] “the gold standard” (The Economist, February 2005)

## Appendix 1 – Summary Information about CFA Institute and the CFA Program

CFA Institute is a global not-for-profit organisation, and the world’s largest association of investment professionals. CFA Institute is a global community of investment professionals working to build and investment industry where investors’ interests come first, markets function at their best, and economies grow. CFA Institute aims to promote the highest standards of ethics, education and professional excellence, as reflected in our mission statement:

*To lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society.*

CFA Institute consists of:

- More than 165,000 CFA Charterholders worldwide
- Over 200,000 CFA Program candidates
- Over 160 CFA Societies globally
- Over 700 affiliated universities

<b>Region</b>	<b>Americas</b>	<b>Asia Pacific</b>	<b>EMEA</b>
Percentage of CFA charterholders:			
- serve individual clients in a financial adviser role	10%	5%	4%
- serve/manage individual investors assets	40%	24%	25%

*Data from 2017 global CFA charterholders survey*

### Australia

CFA Societies Australia is a non-profit organisation that represents the local member societies of Sydney, Melbourne and Perth, which are member societies of CFA Institute. Our members hold professional positions that span the investment management industry, and include some of the most highly regarded members of the financial services industry.

CFA Societies Australia promotes fairness and integrity across the investment industry, and advocates on issues of importance to our members, industry, and for the ultimate benefit of society.

Consists of:

- More than 3000 CFA Charterholders
- Over 6500 CFA Program Candidates
- 22 affiliated universities

### The CFA Program

The CFA Program consists of 3 Levels. The program is offered and examined consistently in all markets. Each of the program levels contain an embedded ethics component. On average candidates take 4 years to complete the CFA Program. Earning the CFA Charter requires a candidate to pass all three levels of the CFA Program and complete 4000 hours of relevant work experience. The curriculum covers both

behavioural finance and private wealth management alongside broad technical coverage of investment management.

A full curriculum breakdown, and mapping to the financial adviser core knowledge areas can be provided if required. The full CFA Program curriculum is approximately 9000 pages.

#### Financial Market Regulator recognition

Over 60 Financial Market Regulators around the world, including the Australian Securities and Investments Commission (ASIC) have recognised the CFA Program as one of the options for investment professionals and financial advisors to demonstrate competency and commitments to the highest ethical and professional standards.

#### University equivalence and recognition

Through CFA Institute's University Affiliation Program, 719 Universities globally use the CFA Program curriculum as a content framework for over 1000 finance degrees. Affiliation requires 70% coverage of CFA Level 1 for an undergraduate degree, and 70% coverage of all three levels of the CFA Program for a Masters degree. 22 of these 719 Universities are Australian.

## Appendix 2. *The Future of Trust*. Why recognised qualifications remain important

Greenwich Associates conducted research for CFA Institute which included the Australian market, titled *The Future of Trust*.

The most recent survey was released in early 2020, and included data from 250 retail and 60 institutional investors in Australia. The previous survey was released in 2018. Relative to the 2018 research, the Australian data shows an increase in the perceived importance of Financial Advisors employing professionals with recognised qualifications, and a decrease in the levels of satisfaction that Financial Advisors are indeed doing so:

*How important are each of the following factors in creating a trusted relationship with an investment advisor?*

- *Employs investment professionals with credentials from respected industry organisations.*

In 2018, respondents choosing *Very Important* = 39%

In 2020, respondents choosing *Very Important* = 45% - a 15% increase

*How well do you think investment advisers, in general, are delivering on each of the statements today?*

- *Employs investment professionals with credentials from respected industry organisations.*

In 2018, respondents choosing *Very well or well* = 44%

In 2020, respondents choosing *Very well or well* = 32% - a 27% decrease in satisfaction