

The Assistant Secretary
Advice and Investment Branch
Treasury
Government of Australia

By email to FinancialAdvice@treasury.gov.au on 16 September 2022

[CFA Societies Australia comments on proposed amendments to the Education Standard](#)

CFA Institute is a global, mission driven, not for profit organisation, and the largest association of investment professionals worldwide. In Australia, CFA Societies Australia represents over 3300 CFA Charterholders and 6500 CFA Program candidates in Australia.

CFA Societies Australia appreciates the opportunity to provide additional response to the consultation on the education requirements for financial advisers in Australia. Our additional comments focus on the consultation questions related to *new entrants*, in support of The Treasury's objectives of ensuring high quality, accessible financial advice.

[Responses to 10 questions posed by Treasury in relation to the formal education and exam for new entrants](#)

1. Are the proposed core knowledge areas appropriate for the financial advice profession? If not, what is missing and why is that area important?

The streamlined core knowledge areas are appropriate for the financial advice profession.

2. Are there any specific areas under each core knowledge area that should be prioritised or emphasised? For example, a particular element of taxation or commercial law?

CFA Societies Australia views the streamlined core knowledge areas as appropriate, interrelated, and necessary in order to achieve of the objective of high quality advice. As such no particular knowledge area should be prioritised over others.

3. Would proposed changes to core knowledge areas necessitate changes to the exam content? Why/why not?

Typically, material changes to core knowledge areas necessitate changes to relevant examination content to ensure that the examination is both reliable and valid as a summative assessment.

4. Is it practical and appropriate to allow education providers to self-declare that their degrees teach the core knowledge areas? Why/why not?

CFA Societies Australia regards it as both practical and appropriate for education providers to self-declare that their degrees teach the core knowledge areas for the following reasons:

- a) Australian tertiary education providers are registered, regulated (and therefore quality assured) by the Tertiary Education Quality and Standards Agency. This includes the periodic (every 7 years) re-registration of tertiary education providers.
- b) Registered education providers have the expertise and staffing to review and declare that their programs teach and assess the core knowledge areas.

5. What form should education providers' assurance to Government take?

An annual attestation of compliance submitted by education providers to the Australian Treasury.

6. If self-declaration is not appropriate, what alternatives could be adopted to streamline the degree approval process?

CFA Societies Australia believes that self-declaration is appropriate in the case of regulated education providers.

7. Is it practical and appropriate for education providers or licensees to evaluate a new entrants' completed tertiary courses against the new core knowledge areas to assess whether they have met the education standard or what additional study may be required? Why/why not? What oversight of education providers or licensees making this assessment, if any, is necessary?

CFA Societies Australia believes it is appropriate for education providers, but not licensees, to evaluate a new entrants' completed tertiary courses against the new core knowledge areas to assess whether those meet the education standard because:

- a) Australian tertiary education providers are registered, regulated (and therefore quality assured) by the Tertiary Education Quality and Standards Agency. This includes the periodic (every 7 years) re-registration of tertiary education providers.
- b) Registered education providers have the expertise and staffing to review and evaluate completed tertiary courses, whereas licensees are financial professionals and have different skills.

- c) Oversight of education providers is provided by Tertiary Education Quality and Standards Agency.
 - d) Licensees are potentially conflicted (it seems likely that licensees would be evaluating new entrants to their own businesses, and would therefore be conflicted).
8. Is it practical and appropriate for education providers or licensees to also evaluate foreign qualifications against the new core knowledge areas and assess what additional study may be required, rather than the Minister? Why/why not?

CFA Societies Australia is of the opinion that education providers should evaluate foreign qualifications against the new core knowledge areas because they (and not the Minister) have the expertise and capacity to do so and are already evaluating foreign qualifications for the purpose of admission to Australian Universities. In addition, registered education providers are familiar with tools and processes which support comparative evaluation of foreign qualifications (for example ECCTIS).

9. Should new entrants whose existing qualifications don't fully meet the education standard be able to 'top-up' their qualification by completing individual units, rather than a full qualification? Why/why not?

Yes, new entrants should be able to top-up their qualifications by completing individual units.

Allowing new entrants to top up supports the dual goals of:

- a. quality of advice (topping up in areas not covered by an existing qualification ensures currency of knowledge)
 - b. accessibility of advice (removes non-value-adding barriers to entry by professionals whose qualifications are relevant but incomplete, for example foreign qualifications).
10. What other changes should be made to the education requirements for new entrants? How do your proposed changes support the professionalisation of the financial advice industry and ensure consumer protection?

CFA Societies Australia is of the view that the appropriate recognition of key professional qualifications relevant to financial advice would support both the quality and accessibility of advice.

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.

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 ECCTIS).

We note that the mechanism for the evaluation of foreign qualifications by education providers being discussed in this consultation process would also serve to allow for the evaluation of relevant professional qualifications which would further support the dual goals of enhancing both the quality and accessibility of financial advice.

Yours sincerely



Ms Lisa Carroll
Chief Executive Officer
CFA Societies Australia

Yours sincerely



Mr Nick Pollard
Managing Director, APAC
CFA Institute

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

Region	Americas	Asia Pacific	EMEA
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