



**ASIC**

Australian Securities & Investments Commission

## REGULATORY GUIDE 146

# Licensing: Training of financial product advisers

December 2009

### About this guide

This is a guide for:

- advisers (i.e. Australian financial services (AFS) licensees and representatives who provide financial product advice to retail clients); and
- providers of training and education for advisers.

This guide sets out minimum training standards that apply to advisers and how advisers can meet these training standards.

### About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

**Consultation papers:** seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

**Regulatory guides:** give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

**Information sheets:** provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

**Reports:** describe ASIC compliance or relief activity or the results of a research project.

### Document history

This version was issued on 7 December 2009 and is based on legislation and regulations as at 7 December 2009.

Previous versions:

- Superseded Regulatory Guide 146, issued 22 November 2007, reissued 20 August 2008
- Superseded Policy Statement 146, issued 28 November 2001, updated 22 January 2003 and 31 August 2005, rebadged as a regulatory guide 5 July 2007
- Superseded Interim Policy Statement 146, issued 6 September 1999, updated 4 October 2000

### Disclaimer

This guide does not constitute legal advice. We encourage you to seek your own professional advice to find out how the Corporations Act and other applicable laws apply to you, as it is your responsibility to determine your obligations.

Examples in this guide are purely for illustration; they are not exhaustive and are not intended to impose or imply particular rules or requirements.

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## A Overview

### Key points

ASIC has set minimum standards for the training of financial product advisers (training standards): see RG 146.1–RG 146.3.

The training standards are sets of knowledge and skill requirements that vary depending on the adviser's activities: see RG 146.6–RG 146.7 and Section C.

All natural persons who provide financial product advice to retail clients must meet the training standards, unless they fall within certain limited exemption categories: see RG 146.4–RG 146.5 and Section B.

In general, advisers will meet the relevant training standards by satisfactorily completing training courses assessed as meeting the training standards by an authorised assessor and listed on the ASIC Training Register. As an alternative, experienced advisers can demonstrate their competence through individual assessment by an authorised assessor: see RG 146.8–RG 146.13 and Sections D–E.

Licensees must implement policies and procedures to ensure that they and their advisers undertake continuing training: see RG 146.14–RG 146.15 and Section F.

## Our approach to the training of advisers

- RG 146.1 We have set minimum standards for the training of advisers. By setting and enforcing these training standards, we aim to:
- (a) protect consumers of financial advice by ensuring that those who provide the advice are competent to do so. Retail clients generally do not have the resources or expertise to assess whether their adviser has an appropriate level of competence to provide financial advice. It is important for ASIC to set training standards that ensure a level of competence;
  - (b) help licensees comply with their legal obligations to ensure that they and their representatives are adequately trained and competent to provide the services covered by their AFS licence. Under the Corporations Act, licensees must adequately train and supervise their representatives, and must themselves be competent; and
  - (c) help training and education providers and professional and industry associations understand our regulatory requirements, so that they can develop appropriate training courses and standards.

- RG 146.2 The training standards in this regulatory guide should be read with the Financial Services Training Package (FSTP). The FSTP is an integrated set of nationally endorsed competency standards, assessment guidelines and Australian Qualifications Framework qualifications for the financial services industry developed and endorsed under the National Training Framework.
- RG 146.3 We have set minimum training standards only and encourage industry and professional associations to build on the training standards. We recognise industry's important role in the development and promotion of best practice relating to training and competence.

## Who must meet the training standards?

- RG 146.4 All natural persons who provide financial product advice to retail clients must meet the training standards, unless they fall within certain limited exemptions.
- RG 146.5 We have exempted certain persons from meeting our training standards because their activities are of a limited nature and because someone who does comply with the training standards plays a material role in the provision of financial product advice to retail clients by these persons.

## What are the training standards?

- RG 146.6 The training standards are sets of knowledge and (in some cases) skill requirements that must be satisfied, at either the Tier 1 or Tier 2 education level, by advisers before they give advice. The Tier 1 education level is broadly equivalent to the 'Diploma' level under the Australian Qualifications Framework and the Tier 2 education level is broadly equivalent to the 'Certificate III' level under the Australian Qualifications Framework.
- RG 146.7 The knowledge and skill requirements and educational levels vary depending on the adviser's advice activities. That is, they vary depending on:
- (a) whether the adviser gives general or personal advice; and
  - (b) what products the adviser gives advice on.

The knowledge requirements are set out in Appendix A and the skill requirements are set out Appendix B. See also Table 1.

## How do advisers meet the training standards?

- RG 146.8 In general, advisers will meet the training standards by satisfactorily completing training courses listed on the ASIC Training Register relevant to their advisory activities. As an alternative, experienced advisers can

demonstrate their competence through individual assessment against the training standards by an authorised assessor.

- RG 146.9 Persons providing advice only on basic deposit products and related non-cash payment products will be able to meet the training standards by satisfactorily completing a training course that is not on the ASIC Training Register but has instead been assessed as meeting the training standards by their licensee.
- RG 146.10 Table 1 summarises what individual advisers must do to meet the training standards.

**Table 1: What must an adviser do to meet the training standards?**

	<b>Adviser provides general advice</b>	<b>Adviser provides personal advice</b>
<b>Adviser provides advice on Tier 1 products</b>	<p>You must complete courses on the ASIC Training Register that meet the relevant training standards, i.e. they are at the Tier 1 level and cover:</p> <ul style="list-style-type: none"> <li>the generic knowledge relevant to the products you advise on and the markets in which you operate (see A1 in Appendix A), and</li> <li>the specialist knowledge about the specific products you advise on and the markets in which you operate (see A2 in Appendix A)</li> </ul> <p style="text-align: center;"><b>OR</b></p> <p>You must be individually assessed by an authorised assessor against the relevant training standards</p>	<p>You must complete courses on the ASIC Training Register that meet the relevant training standards, i.e. they are at the Tier 1 level and cover:</p> <ul style="list-style-type: none"> <li>the generic knowledge relevant to the products you advise on and the markets in which you operate (see A1 in Appendix A),</li> <li>the specialist knowledge about the specific products you advise on and the markets in which you operate (see A2 in Appendix A), and</li> <li>the relevant skills requirements (see Appendix B)</li> </ul> <p style="text-align: center;"><b>OR</b></p> <p>You must be individually assessed by an authorised assessor against the relevant training standards</p>
<b>Adviser provides advice on Tier 2 products other than basic deposit products and related non-cash payment products</b>	<p>You must complete courses on the ASIC Training Register that meet the relevant training standards, i.e. they are at the Tier 2 level and cover the specialist knowledge about the specific products you advise on and the markets in which you operate (see A2 in Appendix A)</p> <p style="text-align: center;"><b>OR</b></p> <p>You must be individually assessed by an authorised assessor against the relevant training standards</p>	<p>You must complete courses on the ASIC Training Register that meet the relevant training standards, i.e. they are at the Tier 2 level and cover:</p> <ul style="list-style-type: none"> <li>the specialist knowledge about the specific products you advise on and the markets in which you operate (see A2 in Appendix A), and</li> <li>the relevant skills requirements (see Appendix B)</li> </ul> <p style="text-align: center;"><b>OR</b></p> <p>You must be individually assessed by an authorised assessor against the relevant training standards</p>

	Adviser provides general advice	Adviser provides personal advice
<b>Adviser provides advice on basic deposit products and related non-cash payment products</b>	You must complete courses on the ASIC Training Register that meet the relevant training standards, i.e. they are at the Tier 2 level and cover the specialist knowledge about the specific products you advise on and the markets in which you operate (see A2 in Appendix A)	You must complete courses on the ASIC Training Register that meet the relevant training standards, i.e. they are at the Tier 2 level and cover:
	<b>OR</b>	<ul style="list-style-type: none"> <li>• the specialist knowledge about the specific products you advise on and the markets in which you operate (see A2 in Appendix A), and</li> <li>• the relevant skill requirements (see Appendix B)</li> </ul>
	You must complete courses your licensee has assessed as meeting the relevant training standards	<b>OR</b>
	<b>OR</b>	You must complete courses your licensee has assessed as meeting the relevant training standards
	You must be individually assessed by an authorised assessor against the relevant training standards	<b>OR</b>
		You must be individually assessed by an authorised assessor against the relevant training standards

Note 1: For definitions of 'Tier 1 products' and 'Tier 2 products', see the 'Key terms' section.

Note 2: Advisers completing training courses on the ASIC Training Register may receive exemptions or credit for some knowledge or skill requirements: see RG 146.67–RG 146.69.

## How are training courses and advisers assessed?

- RG 146.11 In general, training courses can be listed on the ASIC Training Register if they are assessed by an authorised assessor as meeting the training standards. Licensees can assess whether training courses on basic deposit products and related non-cash payment products meet the relevant knowledge and skill requirements in the training standards. Courses assessed by licensees do not need to be listed on the ASIC Training Register.
- RG 146.12 Individual assessment against the training standards must be conducted by an authorised assessor.
- RG 146.13 The following organisations can undertake the role of authorised assessor:
- (a) registered training organisations (RTOs);
  - (b) self-accrediting organisations (SAOs); or
  - (c) a professional or industry association relevant to the financial services industry that has been accredited by us.

## What are the continuing training requirements?

- RG 146.14 Licensees must implement policies and procedures to ensure that their advisers (and they themselves, if they are natural person licensees) undertake continuing training to maintain and update the knowledge and skills that are appropriate for their activities.
- RG 146.15 We do not require continuing training courses to be assessed by an authorised assessor.

## Further information for advisers

- RG 146.16 For further information on what advisers must do to meet the training standards in this regulatory guide, advisers may:
- (a) contact the Compliance or Training Manager in their organisation responsible for the implementation of this regulatory guide;
  - (b) contact their respective industry association;
  - (c) search the ASIC Training Register on the ASIC website at **[www.asic.gov.au/fstraining](http://www.asic.gov.au/fstraining)**; or
  - (d) contact the ASIC Infoline by emailing **[infoline@asic.gov.au](mailto:infoline@asic.gov.au)** or phoning **1300 300 630**.

## B Who must meet the training standards?

### Key points

All natural persons who provide financial product advice to retail clients must meet the training standards, unless they fall within certain limited exemptions: see RG 146.17.

We have exempted certain persons from meeting the training standards because their activities are of a limited nature and because someone who does comply with the training standards plays a material role in the provision of financial product advice to retail clients by these persons: see RG 146.18–RG 146.29.

The licensee is responsible for ensuring that all advisers meet the training standards: see RG 146.30–RG 146.35.

### Advisers providing financial product advice

RG 146.17 All natural persons who provide financial product advice to retail clients must meet the training standards, unless they fall within one of the exemptions in RG 146.18–RG 146.29. This means that, subject to limited exemptions, the training standards must be met by:

- (a) natural person licensees;
- (b) natural person representatives of licensees; and
- (c) natural persons who are authorised by a corporate authorised representative of a licensee,
  - who provide to retail clients:
- (d) personal advice (as defined in s766B(3) of the *Corporations Act 2001* (Corporations Act)), and/or
- (e) general advice (as defined in s766B(4) of the Corporations Act).

In this regulatory guide, we refer to persons who are required to meet the training standards as ‘advisers’.

Note: For guidance on what is the provision of financial product advice, see Regulatory Guide 36 *Licensing: Financial product advice and dealing* (RG 36).

## Who does not have to comply with the training standards?

### Conduct not financial product advice

- RG 146.18 Persons that do not provide financial product advice are not required to meet the training standards. Examples of conduct that is not treated as financial product advice include:
- (a) conduct done in the course of work of a kind ordinarily done by clerks or cashiers (s766A(3));
  - (b) conduct being the provision of an exempt document or statement (s766B(1A)); and
  - (c) certain general advice given by a financial product issuer (reg 7.1.33H).

### Conduct exempt from licensing

- RG 146.19 Persons who provide financial product advice for which there is an exemption under the Corporations Act from the obligation to hold an AFS licence are not required to meet the training standards. Examples of financial product advice that is exempt from the licensing regime include:
- (a) the provision of general advice in the media by product issuers (or by persons acting on behalf of product issuers) where the advice relates to the issuer's own products and where certain warnings are provided (reg 7.6.01(1)(o));
  - (b) the provision of general advice to licensees by product issuers (reg 7.6.01(1)(s)); and
  - (c) referrals that are exempt from licensing under reg 7.6.01(1)(e) or (ea).

### Mere preparation of advertisements

- RG 146.20 The training standards do not apply to persons whose conduct consists of the mere preparation of advertisements to which s1018A applies, provided that:
- (a) the AFS licence of the issuer or seller (as the case may be) authorises the provision of financial product advice; and
  - (b) a responsible manager of the issuer or seller approves the advertisement before its publication or dissemination.

### Advice to wholesale clients

- RG 146.21 The training standards do not apply to the provision of advice to wholesale clients. For example, if the representative of a trustee of a pooled superannuation trust provides a financial service to a trustee of a superannuation entity that has net assets of at least \$10 million or is a retirement savings account provider, then the representative does not have to meet the training requirements.

Note: See s761G(6) for the meaning of retail and wholesale client.

## Customer service representatives

RG 146.22 Customer services representatives (i.e. call centre or front desk staff who deal with initial queries from customers) may provide financial product advice to customers in the course of their work. They do not need to meet the training standards where the only financial product advice they provide is either:

- (a) derived from a script approved by a person who meets the training standards (see RG 146.23); or
- (b) made under the direct supervision of a person who meets the training standards (see RG 146.24).

Where a client seeks financial product advice that does not fall within this exemption, the customer service representative must refer the client to a person who meets the training standards.

RG 146.23 For the purposes of RG 146.22(a), a script can be used for the provision of advice on both Tier 1 and Tier 2 products, and can include, but is not limited to:

- (a) pre-determined explanatory text that has been approved by a person who meets the training standards;
- (b) a series of pre-determined questions and answers that have been approved by a person who meets the training standards; or
- (c) reading directly from an information booklet/sheet that has been approved by a person who meets the training standards.

Where a customer service representative supplements (or is asked to supplement) a script with text that has not been approved by a person who meets the training standards, the customer service representative must refer the client to a person who meets the training standards.

RG 146.24 For the purposes of RG 146.22(b), a supervisor who meets the training standards must be present on site to monitor and supervise the customer service representatives.

RG 146.25 The licensee must have compliance measures in place designed to ensure that customer service representatives who do not meet the training standards operate only within the limits set out in RG 146.22. These measures must include an effective means of monitoring what customer service representatives say to retail clients when following the requirements set out in RG 146.22. Further, while customer service representatives do not have to comply with the training standards, licensees must ensure that their customer service representatives have the necessary competencies to perform their functions: see s912A(1)(f).

RG 146.26 We believe this exemption for customer service representatives maintains appropriate training standards while also allowing significant flexibility for licensees.

### **Para-planners and trainee advisers**

RG 146.27 Para-planners and trainee advisers perform functions such as collecting information from retail clients about their objectives, financial situation or needs, preparing draft Statements of Advice and assisting in the explanation of financial product advice to retail clients. They do not need to meet the training standards provided a person who does meet the training standards plays a material role in, and (together with the licensee) remains responsible for, the provision of financial product advice to retail clients. This means that a person (person A) meeting the training standards must:

- (a) review any draft Statement of Advice prepared by the para-planner or trainee adviser with a view to assessing whether all legal obligations have been complied with, and take any necessary action to ensure such compliance (this may mean, for example, that person A needs to obtain further information from the client or needs to alter the draft Statement of Advice); and
- (b) manage and lead any verbal explanation of the financial product advice to the client.

RG 146.28 Where para-planners and trainee advisers are used in relation to the provision of financial product advice, we consider that the licensee must have compliance measures in place designed to ensure that a person who satisfies the training standards plays a material role in the provision of the advice, as described in RG 146.27. These measures must include an effective means of monitoring what para-planners and trainee advisers say to retail clients. Further, while para-planners and trainee advisers do not have to comply with the training standards, licensees must ensure that their para-planners and trainee advisers have the necessary competence to perform their functions: see s912A(1)(f).

RG 146.29 We believe this exemption for para-planners and trainee advisers maintains appropriate training standards while also allowing significant flexibility for licensees.

## **What should licensees do to meet their training obligations?**

RG 146.30 Licensees are responsible for ensuring that their advisers (and they themselves, if they are natural person licensees) meet the training standards: see s912A(1)(b), 912A(1)(e) and 912A(1)(f).

RG 146.31 Licensees must (among other obligations):

- (a) do all things necessary to ensure that the financial services covered by their AFS licence are provided efficiently, honestly and fairly (s912A(1)(a));
- (b) comply with the financial services laws (as defined in s761A) (s912A(1)(c));
- (c) take reasonable steps to ensure that their representatives comply with the financial services laws (s912A(1)(ca));
- (d) maintain the competence to provide the financial services covered by their AFS licence (s912A(1)(e)); and
- (e) ensure that their representatives are adequately trained, and are competent, to provide the financial services covered by the AFS licence (s912A(1)(f)).

In order to comply with these obligations, licensees must ensure that all natural persons who provide financial product advice on their behalf (including they themselves, if they are natural person licensees) meet the training standards. We will impose licence conditions relating to the training of representatives where an AFS licence authorises the provision of retail financial product advice: see conditions 6 and 7 of Pro Forma 209 *Australian financial services licence conditions* (PF 209) and s912A(1)(b).

RG 146.32 Licensees should also have adequate policies and monitoring procedures in place to ensure that staff not trained in compliance with the training standards do not provide financial product advice.

RG 146.33 The standards set out in this regulatory guide are minimum standards. Where a service or product provided is complex, we encourage training requirements to be greater than those set out in this regulatory guide.

**Table 2: Who must meet the training standards?**

	Advisers who are representatives	Advisers who are natural person licensees
<b>Who needs to meet the training standards?</b>	Natural persons who are representatives of licensees, as defined in s910A  Natural persons who are authorised by corporate authorised representatives	Natural person licensees
<b>Who has the obligation to ensure the training standards are met?</b>	The licensee	The natural person licensee
<b>What is the basis for imposing the training standards?</b>	The licensee's obligation to train their representatives and have competent representatives	The licensee's obligation to maintain the competence to provide financial services

	<b>Advisers who are representatives</b>	<b>Advisers who are natural person licensees</b>
<b>What are the circumstances in which the training standards apply?</b>	The provision of financial product advice by the representative to retail clients	The provision of financial product advice by the natural person licensee to retail clients

### **Training for other financial services**

- RG 146.34 This regulatory guide sets training standards for persons providing financial product advice to retail clients. Under the law, licensees have a duty to adequately train their representatives in relation to all financial services provided under the licence: s912A(1)(f). This guide does not diminish this overriding duty in any way.
- RG 146.35 The training standards may also serve as a guide, with appropriate adaptation, for licensees whose representatives provide financial services other than retail financial product advice (e.g. in relation to dealing or wholesale financial product advice).

## C What are the training standards?

### Key points

The training standards are sets of knowledge and (in some cases) skill requirements that must be satisfied at one of two educational levels by advisers.

The knowledge and skill requirements and educational levels vary depending on:

- whether an adviser gives general or personal advice; and
- what products an adviser gives advice on.

### Flexible approach

RG 146.36 We have developed the training standards to establish a benchmark against which training courses and advisers can be assessed. The training standards are sets of knowledge and (in some cases) skill requirements that must be satisfied at one of two educational levels by advisers.

RG 146.37 In light of the wide range of products offered in the financial services industry and the different services provided by advisers, the knowledge and skill requirements and educational levels vary depending on:

- (a) whether an adviser gives general or personal advice; and
- (b) what products an adviser gives advice on.

### Tier 1 and Tier 2 products

RG 146.38 We have divided products into Tier 1 and Tier 2 as set out in Table 3. Tier 2 products are generally simpler and better understood than Tier 1 products and, therefore, are subject to lighter training standards.

**Table 3: Tier 1 and Tier 2 products**

Products	
<b>Tier 1</b>	All financial products except those listed under Tier 2
<b>Tier 2</b>	<ul style="list-style-type: none"> <li>• General insurance products except for personal sickness and accident (as defined in reg 7.1.14) <ul style="list-style-type: none"> <li>Note: Travel insurance products are included in Tier 2, even where the product covers losses arising due to sickness or accident while travelling</li> </ul> </li> <li>• Consumer credit insurance (as defined in reg 7.1.15) <ul style="list-style-type: none"> <li>Note: Consumer credit insurance products are included in Tier 2, even where the product covers consumer credit liabilities that cannot be paid due to sickness or accident</li> </ul> </li> <li>• Basic deposit products</li> <li>• Non-cash payment products</li> <li>• FHSA deposit accounts <ul style="list-style-type: none"> <li>Note: First Home Saver Account (FHSA) deposit accounts are FHSAs issued by an ADI. Other types of FHSAs are Tier 1 products: see RG 146.45–RG 146.46.</li> </ul> </li> </ul>

### General insurance and consumer credit insurance products

RG 146.39 We have applied the lower Tier 2 level of training to courses and individual assessments that cover the types of general insurance products set out in Table 3 and consumer credit insurance because, while these products carry certain risks, they:

- (a) are relatively straightforward;
- (b) do not have any investment component;
- (c) are subject to standard terms and conditions except for previously disclosed variations; and
- (d) are of limited life, often 12 months.

RG 146.40 We have not included personal sickness and accident insurance products in Tier 2. In contrast to Tier 2 products, personal sickness and accident insurance may be complex and the choices a client makes may have an increased potential to impact significantly on the client's financial situation. As a result, we believe that clients place greater reliance on an adviser's competence for advice on these products. Further, our regulatory experience has led us to conclude that a higher standard of training is required to advise on this type of product.

Note: We will monitor developments to determine whether Tier 2 remains the appropriate educational level for all types of general insurance products (other than personal sickness and accident).

### Basic deposit products and non-cash payment products

RG 146.41 We have also applied the Tier 2 level to courses and individual assessments that cover basic deposit products (s761A) and non-cash payment products

(s763D). These products are also relatively straightforward and well understood by the public.

Note: While Tier 2 training is required for these products, we do not require courses for advisers on basic deposit products and related non-cash payment products to be assessed by an authorised assessor or placed on the ASIC Training Register. These courses can instead be assessed by the licensee itself as meeting the Tier 2 training standard.

### **Debentures**

RG 146.42 We have not included debentures in Tier 2. While the complexity and risk of these products may vary depending on the type of debenture, we believe they are neither straightforward nor well understood by retail investors. Accordingly, advisers who provide advice on debentures must receive training at the Tier 1 level: see RG 146.55–RG 146.58.

### **Self managed superannuation funds (SMSFs)**

RG 146.43 Any person advising on SMSFs must complete, as a minimum, the Tier 1 training requirements for superannuation. To comply with the training requirements, the adviser must have knowledge of all superannuation products, even when the adviser is advising only on one superannuation product (e.g. SMSFs).

RG 146.44 If an adviser has previously undertaken training on superannuation, but this did not sufficiently cover SMSFs, the adviser should undertake additional specific product training in relation to SMSFs before advising on these products.

### **First Home Saver Accounts**

RG 146.45 We have applied the Tier 2 level to courses and individual assessments that cover First Home Saver Account (FHSA) deposit accounts, i.e. FHSAs that are an account issued by an authorised deposit-taking institution (ADI), such as a bank, building society or credit union. The features of FHSA deposit accounts are structurally similar to basic deposit products but combine new features (e.g. government contribution, tax treatment, restrictions on withdrawal, and consequences of closing accounts). We consider that basic deposit products and FHSA deposit accounts are relatively straightforward.

Note: While Tier 2 training is required for FHSA deposit accounts, we do not require courses for advisers on these products to be assessed by an authorised assessor or placed on the ASIC Training Register. These courses can instead be assessed by the licensee itself as meeting the Tier 2 training standard.

RG 146.46 We have not applied Tier 2 to FHSAs that are a life policy or a beneficial interest in a trust. These types of FHSAs are similar to life insurance and superannuation products, which are currently subject to Tier 1 levels of training. This is consistent with our view that where a product is market-linked it will be treated at the Tier 1 level.

## Licensee must assess Tier 2 products

- RG 146.47 A licensee may consider that some types of products included in Tier 2 are not, in fact, straightforward or standard products. In these cases, they should make sure that their advisers are trained at the higher educational level.

## Knowledge requirements

- RG 146.48 In light of the wide range of products offered in the financial services industry, we have identified a range of knowledge requirements for advisers on different products. Our knowledge requirements are set out in Appendix A.
- RG 146.49 Advisers on Tier 1 products are required to have generic knowledge relevant to the products they advise on and the markets in which they operate: see A1 in Appendix A. However, we do not require advisers on Tier 2 products to meet the specific generic knowledge requirements set out in Table A1. Tier 2 products do not have an investment component where the return is subject to market fluctuations and, therefore, training on the economic environment as part of generic knowledge training is less relevant to advisers on Tier 2 products.
- RG 146.50 All advisers are required to have specialist knowledge about the specific products they advise on and the markets in which they operate. We have developed specialist knowledge requirements relevant to each sector in the financial services industry: see A2 in Appendix A.

## Skill requirements

- RG 146.51 Advisers need appropriate skills to be able to apply their knowledge in practical situations. We have identified a range of skill requirements for advisers providing personal advice: see Appendix B.
- RG 146.52 The training standards do not include skill requirements for advisers who only provide general advice. As the level and type of skill varies so much in relation to the provision of general advice, we have not mandated the skill requirements for advisers that only provide this type of advice.
- RG 146.53 However, licensees still have a general obligation to ensure that their advisers have the necessary skills to be competent to provide general advice: see s912A(f). The appropriate skills for advisers who provide general advice will vary according to the particular form of the advice and the products about which the general advice is given.

**Table 4: Examples of knowledge and skill requirements**

Knowledge and skills needed	
<b>Financial planner</b>	<p>An adviser providing financial planning advice that requires a detailed client needs analysis should undertake approved training courses that address the elements set out under our requirements for:</p> <ul style="list-style-type: none"> <li>• generic knowledge;</li> <li>• specialist knowledge under the financial planning (see Table A2.1 in Appendix A) and superannuation (see Table A2.5) categories; and <ul style="list-style-type: none"> <li>Note: They will also need to complete courses covering insurance (see Table A2.6), managed investments (see Table A2.4), securities markets (see Table A2.2), FHSAs (see Table A2.9) and margin lending facilities (see Table A2.10) if they advise on these products.</li> </ul> </li> <li>• appropriate skills.</li> </ul>
<b>Insurance broker</b>	<p>An insurance broker advising on Tier 1 insurance products (e.g. life insurance) should undertake approved training courses that address the elements set out under our requirements for:</p> <ul style="list-style-type: none"> <li>• generic knowledge;</li> <li>• core insurance knowledge (see Table A2.6a in Appendix A);</li> <li>• specialist knowledge covering general insurance, life insurance and insurance broking (see Table A2.6b); and</li> <li>• appropriate skills.</li> </ul>
<b>Tier 2 general insurance products</b>	<p>If a person advises only on Tier 2 general insurance products, they will need to undertake approved training courses that address:</p> <ul style="list-style-type: none"> <li>• core insurance knowledge (see Table A2.6a in Appendix A);</li> <li>• specialist knowledge covering general insurance (see Table A2.6b); and</li> <li>• appropriate skills.</li> </ul>
<b>Basic deposit products and related non-cash payment products</b>	<p>If a person advises on Tier 2 basic deposit products and related non-cash payment products, they will need to undertake training courses that address:</p> <ul style="list-style-type: none"> <li>• specialist knowledge covering basic deposit products and related non-cash payment products relevant to the person's activities (see Table A2.7 in Appendix A); and</li> <li>• appropriate skills relevant to the person's activities.</li> </ul>

## Educational levels

RG 146.54 All advisers must satisfactorily meet the knowledge and skill requirements at the educational level appropriate to the complexity of their activities and clients' needs (i.e. Tier 1 or the lower Tier 2 level). The appropriate level depends on the type of product advised on.

**Table 5: Summary of educational levels**

	Who	Characteristics
<b>Tier 1</b>	People advising on Tier 1 products (i.e. all financial products except those listed under Tier 2)	The characteristics of this level are <i>broadly</i> equivalent to the 'Diploma' level under the Australian Qualifications Framework
<b>Tier 2</b>	People advising on Tier 2 products, i.e. the following financial products: <ul style="list-style-type: none"> <li>• general insurance products except for personal sickness and accident (as defined in reg 7.1.14).</li> <li>• consumer credit insurance (as defined in reg 7.1.15).</li> <li>• basic deposit products</li> <li>• non-cash payment products</li> <li>• FHSA deposit accounts</li> </ul>	The characteristics of this level are <i>broadly</i> equivalent to the 'Certificate III' level under the Australian Qualifications Framework

### Tier 1

RG 146.55 For *personal* advice, the program content of Tier 1 courses, or an individual adviser, should be assessed at a level that enables advisers to:

- (a) demonstrate an understanding of the generic and specialist knowledge requirements in Appendix A that are relevant to their tasks and specific industry and product;
- (b) analyse and plan approaches to technical problems and client issues;
- (c) evaluate information for planning and research purposes;
- (d) apply their knowledge to relevant tasks;
- (e) apply judgement to the selection of products and services for clients;
- (f) apply knowledge, and evaluation and coordination skills, to a variety of technical situations; and
- (g) apply knowledge and skills to developing and analysing strategies for clients.

RG 146.56 In relation to *general* advice, the program content of Tier 1 courses, or an individual adviser, should be assessed at a level that enables providers of general advice to demonstrate an understanding of the generic and specialist

knowledge requirements in Appendix A that are relevant to their tasks and specific industry and product.

RG 146.57 The characteristics of Tier 1 courses are broadly equivalent to the ‘Diploma’ level in the Australian Qualifications Framework. The Australian Qualifications Framework is a national government system that provides the criteria for qualifications issued by the school sector, vocational education and training sector (e.g. TAFEs and private RTOs) and the higher education sector (e.g. universities).

RG 146.58 We are not prescribing that advisers should necessarily undertake a formal diploma course. The reference to this qualification in this regulatory guide is for comparative purposes only, as a guide for licensees, training providers and authorised assessors on the level of the required content of the course.

## Tier 2

RG 146.59 For *personal* advice, the content of Tier 2 courses, or an individual adviser, should be assessed at a level that enables advisers to:

- (a) demonstrate an understanding of the specialist knowledge requirements in Appendix A that are relevant to their tasks and specific industry and product;
- (b) apply a range of well developed skills to a variety of customer services and technical situations;
- (c) apply known solutions to a variety of predictable problems;
- (d) perform processes that require a range of well developed skills when some discretion and judgement are required; and
- (e) interpret available information about the client and product, using discretion and judgement.

RG 146.60 In relation to *general* advice, the program content of Tier 2 courses, or an individual adviser, should be assessed at a level that enables providers of general advice to demonstrate an understanding of the specialist knowledge requirements in Appendix A that are relevant to their tasks and to the specific industry and product.

RG 146.61 The characteristics of Tier 2 courses are broadly equivalent to ‘Certificate III’ level in the Australian Qualifications Framework. We are not prescribing that advisers should necessarily undertake a formal Certificate III course. The reference to this qualification in this regulatory guide is for comparative purposes only, as a guide for licensees, training providers and authorised assessors on the level of the required content of the course.

## D How do advisers meet the training standards?

### Key points

Advisers generally will meet the training standards by satisfactorily completing approved training courses relevant to their activities that are on the ASIC Training Register: see RG 146.62–RG 146.73.

Advisers who have not undertaken an approved training course can also meet the training standards by one of the following alternative approaches:

- individual assessment (see RG 146.74–RG 146.76);
- obtaining an approved professional association designation (see RG 146.77);
- arranging to have a course previously undertaken placed on the ASIC Training Register (see RG 146.78–RG 146.81); or
- completing a foreign qualification accepted by ASIC (see RG 146.82–RG 146.82).

## Approved training courses

### Our general approach

RG 146.62 Advisers will generally meet the training standards by satisfactorily completing approved training courses relevant to their activities. Approved training courses are those assessed by an authorised assessor and listed on the ASIC Training Register.

Note: See Section E for details on how training courses are assessed.

RG 146.63 Generally, advisers will undertake courses that have already been assessed by an authorised assessor (see RG 146.95) and listed on the ASIC Training Register. However, licensees may choose to develop their own courses in partnership with an authorised assessor or have their own courses assessed by an authorised assessor and placed on the ASIC Training Register.

RG 146.64 The ASIC Training Register is available on our website at [www.asic.gov.au/fstraining](http://www.asic.gov.au/fstraining). It lists courses according to the name of the organisation issuing the qualification, the name of the course and the knowledge categories.

Note: For information on how we maintain the ASIC Training Register, see RG 146.105–RG 146.113.

RG 146.65 Advisers must complete subjects or units that address the training standards, i.e.

- (a) they meet the relevant knowledge requirements (see Appendix A); and
- (b) where appropriate, they meet the relevant skill requirements (see Appendix B); and
- (c) they are at the appropriate educational level.

Note: See Section C for an explanation of the knowledge and skill requirements and the educational levels.

Depending on the financial product, an adviser may meet the training standards by completing a number of individual subjects or units listed on the ASIC Training Register or, in some cases, advisers may need to complete all units within a course.

### **Basic deposit products, related non-cash payment products and FHSA deposit accounts**

- RG 146.66 Advisers on basic deposit products, related non-cash payment products and FHSA deposit accounts do not need to do a course that is approved by an authorised assessor and on the ASIC Training Register. Instead they can do a course that is assessed by the licensee as meeting the relevant knowledge and skill requirements to the Tier 2 educational level. We have provided this flexibility to licensees in the development and assessment of courses for basic deposit products, related non-cash payment products and FHSA deposit accounts in light of the different legislative approach to regulating these products. For example, a Financial Services Guide and a Statement of Advice are not required for advice on these products: s941C(6) and 946B(5).

### **Course exemptions**

- RG 146.67 Some advisers have received exemptions from units or subjects listed on the ASIC Training Register by passing another course or subject, or on the basis of their experience. We will recognise these exemptions provided they are only 50% or less of the subjects or units of the course undertaken to meet the training standards.
- RG 146.68 Course providers should follow the *National Principles and Operational Guidelines for Recognition of Prior Learning* when recognising an adviser's previous learning or experience. These principles and guidelines have been endorsed nationally and can be accessed from the Australian Qualifications Framework website at [www.aqf.edu.au/rpl.htm](http://www.aqf.edu.au/rpl.htm).
- RG 146.69 Advisers wanting to obtain exemptions for more than 50% of subjects or units from a course listed on the ASIC Training Register may instead choose to have their knowledge and skills individually assessed: see RG 146.74–RG 146.76.

## **Licensees to determine appropriate program**

- RG 146.70 We do not mandate any particular course or training provider. Nor have we prescribed any particular duration for a training course or method of delivery. Licensees will be able to choose training procedures that meet both the training standards and their own business needs, for example:
- (a) a single training course or combination of courses delivered in-house or by an external training provider; or
  - (b) training methods such as course attendance, long-distance education, or computer packages.
- RG 146.71 Once a course has been approved by an authorised assessor and recorded on the ASIC Training Register, it meets the requirements of this regulatory guide. However, licensees remain obliged to comply with the requirements of the Corporations Act in relation to their own or their representatives' competence.

## **Proposed new advisers**

- RG 146.72 Licensees should provide proposed new advisers with appropriate induction on commencing employment. They should also ensure that, before the new entrants undertake activities under the AFS licence, they:
- (a) have undergone appropriate approved training courses; and
  - (b) are properly supervised.
- RG 146.73 New advisers must not start advising retail clients until they satisfy the requirements of this regulatory guide.

## **Alternative approaches to meeting the training standards**

### **Individual assessment**

- RG 146.74 Experienced advisers who do not have relevant qualifications can meet the training standards by being individually assessed by an authorised assessor. To be eligible for this option, advisers must have at least five years relevant experience over the immediate past eight years in the areas in which they advise.
- RG 146.75 Individual assessment means an assessment of a person's capability to undertake their current duties, taking into consideration their previous work experience. It is also known by various other names including workplace assessment, recognition of current competence, recognition of prior learning or professional assessment. This type of assessment does not necessarily include a formal written examination. Advisers can be assessed against the

training standards for their current activities in a variety of ways (e.g. on-the-job, portfolio assessment, oral or practical tests, challenge tests).

- RG 146.76 The ASIC Training Register contains the names of assessors that carry out individual assessment.

### **Professional association designations**

- RG 146.77 We will recognise professional association designations where the qualification on which the designation was granted is listed on the ASIC Training Register.

### **Existing advisers**

- RG 146.78 Existing advisers who have completed a training course that is not listed on the ASIC Training Register, but which they believe meets the knowledge and skill requirements in Appendices A and B, can meet the training standards by having the course accredited by an authorised assessor.
- RG 146.79 If the course has been approved by an authorised assessor (based on available evidence) and listed on the ASIC Training Register, then it satisfies the requirements of this regulatory guide.
- RG 146.80 Advisers who have completed training (before 1 January 1995) that is listed on the ASIC Training Register will generally need to demonstrate that their knowledge and skills are complete and current, particularly in the areas of regulation, compliance and disclosure. This can be demonstrated by producing evidence of relevant continuing training or undertaking approved supplementary or gap training.
- RG 146.81 Where it is not possible to assess existing training, advisers may meet the training standards by:
- (a) satisfactorily completing a course already listed on the ASIC Training Register; or
  - (b) being individually assessed (if they have five years relevant experience over the immediate past eight years in the areas in which they advise).

### **Foreign qualifications**

- RG 146.82 We will accept foreign qualifications relevant to the activities the adviser undertakes. Advisers will need to obtain evidence that a course has been recognised by a relevant overseas regulatory body (e.g. Financial Services Authority (UK), New Zealand Securities Commission, the Financial Industry Regulatory Authority (which replaced the National Association of Securities Dealers) (US), Securities and Futures Commission (Hong Kong), and the Monetary Authority of Singapore). Relevant foreign university qualifications can be verified by Australian Education International–National Office of

Overseas Skills Recognition (AEI–NOOSR) through their *Country Education Profile and Update* publications, by contacting AEI–NOOSR directly or by contacting the Overseas Qualifications Unit (OQU) located in each Australian state or territory.

- RG 146.83 Foreign qualifications will not have addressed Australian requirements (e.g. obligations under the Corporations Act and relevant codes of conduct, and knowledge of other relevant Australian legislation including taxation and superannuation). Advisers with foreign qualifications must undertake a relevant course listed on the ASIC Training Register to become familiar with Australian requirements.

## E How are training courses and advisers assessed?

### Key points

Training courses and individual advisers meet the training standards if they are assessed by an authorised assessor as meeting the knowledge and skill requirements to the relevant educational level.

Training courses for advice on basic deposit products and related non-cash payment products do not need to be assessed by an authorised assessor (or registered on the ASIC Training Register) but may instead be assessed by the licensee: see RG 146.114–RG 146.117.

The following organisations can undertake the role of authorised assessor:

- registered training organisations (RTOs) (see RG 146.88–RG 146.90);
- self-accrediting organisations (SAOs) (see RG 146.91); or
- a professional or industry association relevant to the financial services industry that has been accredited by us (see RG 146.92–RG 146.93).

- RG 146.84 Training courses and individual advisers meet the training standards if they have been assessed by an authorised assessor as meeting our knowledge and skill requirements to the relevant educational level.
- RG 146.85 The requirement that courses or individual advisers be assessed against the training standards by authorised assessors will encourage consistent standards of education and training across all sectors of the financial services industry.
- RG 146.86 The ability to select from a range of organisations that are authorised assessors will give licensees flexibility to decide the most appropriate assessor to address their business and training needs.

### Who can be an authorised assessor?

- RG 146.87 The following organisations can undertake the role of authorised assessor:
- (a) a registered training organisation with a Scope of Registration that allows it to deliver the Diploma of Financial Services (for training or assessment at Tier 1 level) or Certificate III in Financial Services (for training or assessment at Tier 2 level);
  - (b) a self-accrediting organisation (i.e. a university or other higher education institution approved under state or territory legislation that delivers courses relevant to the financial services industry); or

- (c) a professional or industry association relevant to the financial services industry that has been accredited by us.

### Registered training organisation

- RG 146.88 Registered training organisations (RTOs) have already undergone a registration process conducted by a state/territory recognition authority and are accredited training and assessment organisations.
- RG 146.89 RTOs will need to demonstrate that they have the appropriate expertise to be an authorised assessor for the purposes of this regulatory guide. To do this, they must be registered, via their Scope of Registration, to deliver the Diploma of Financial Services (if offering or assessing training or advisers at Tier 1 level) or Certificate III in Financial Services (if offering or assessing training or advisers at Tier 2 level).
- RG 146.90 An RTO must lodge a copy of its Scope of Registration with us the first time it approves a course (i.e. its own course or that of a licensee).

### Self-accrediting organisation

- RG 146.91 Self-accrediting organisation (SAOs), i.e. universities and higher education institutions, have also undergone a statutory registration process. Only relevant schools or departments (e.g. finance, commerce, economics) of self-accrediting organisations will be qualified to act as an authorised assessor under this regulatory guide.

### Professional and industry association

- RG 146.92 If a professional or industry association that has not previously undergone a registration process as outlined above (e.g. to become an RTO) wishes to become an authorised assessor, it must demonstrate to us that it:
- (a) represents members (individuals or organisations) who participate in the financial services industry;
  - (b) has the expertise and facilities to assess training courses and/or individual advisers;
  - (c) meets our criteria (see Appendix C);
- Note: To ensure consistency between authorised assessor organisations, these criteria have been developed to be consistent with the criteria that an RTO or SAO must meet.
- (d) agrees to conditions imposed by ASIC (see Appendix D); and
  - (e) agrees to assess training courses against the criteria outlined in RG 146.96.

- RG 146.93 A professional or industry association can apply to become an ASIC authorised assessor by obtaining an application from the ASIC website at [www.asic.gov.au/fstraining](http://www.asic.gov.au/fstraining).

## Training courses delivered by authorised assessors

- RG 146.94 Training courses delivered by an authorised assessor that is an ASIC-accredited professional or industry association must be assessed by another authorised assessor. However, RTOs and SAOs will not be required to have their own programs externally assessed. This is because a quality assessment process is already an integral component of their registration under applicable state and territory laws.

## What is the role of an authorised assessor?

- RG 146.95 The role of an authorised assessor is to:
- (a) benchmark their own training courses or those of licensees or other training providers against our knowledge and skill requirements;
  - (b) examine their own processes and procedures or those of licensees or other training providers to assess whether the courses can successfully meet the training standards; and/or
  - (c) assess an individual adviser against the training standards.

## Criteria for assessing a training course

- RG 146.96 To assure itself that a training course successfully addresses the training standards, an authorised assessor (or licensee who assesses a course for basic deposit products and related non-cash payment products) should evaluate a course against the following criteria. The course should:
- (a) address our knowledge requirements and, where appropriate, our skill requirements (see Appendices A and B);
  - (b) be developed in a way that takes into account relevant existing industry-specific standards, the Financial Services Training Package (see RG 146.98–RG 146.100) and approved codes of conduct where applicable;
  - (c) have clearly identified objectives and outcomes;
  - (d) be delivered by appropriately qualified and experienced staff;
  - (e) be delivered using appropriate methods and program materials;
  - (f) be of an appropriate duration; and
  - (g) be at an appropriate educational level.

Note: Authorised assessors should also have regard to the criteria in RG 146.55–RG 146.61 when assessing a course or individual adviser.

- RG 146.97 The authorised assessor (or licensee who assesses a course for basic deposit products and related non-cash payment products) should also be satisfied that the licensee or training provider has:

- (a) adequate methods and materials for assessment of individuals (unless the licensee or training provider intends to outsource this function. In such a case, the outsourced entity must meet the relevant requirements);
- (b) adequate systems for recording assessment outcomes, exam results and archiving of records; and
- (c) adequate systems for recording and resolving grievances.

### Financial Services Training Package

- RG 146.98 The Financial Services Training Package (FSTP) is an integrated set of nationally endorsed competency standards, assessment guidelines and Australian Qualifications Framework qualifications for advisers across the broad financial services industry developed and endorsed under the National Training Framework. These training standards are the responsibility of Innovation and Business Skills Australia (IBSA), the Industry Skills Council responsible for vocational and technical education in the financial services industry. IBSA is authorised by the Department of Education, Science and Training.
- RG 146.99 The training standards in this regulatory guide should be read with the competencies in the FSTP. The FSTP competencies encompass our training standards and include, but are not restricted to, units for Tier 2 and Tier 1 advisers providing general and personal advice in the specialist knowledge categories set out at A2 in Appendix A.
- RG 146.100 A copy of the most recent version of the FSTP can be obtained from the National Training Information Service, the official national register of information on vocational education and training in Australia, at [www.ntis.gov.au](http://www.ntis.gov.au).

### Evidence of meeting the training standards

- RG 146.101 The authorised assessor should provide a Statement of Attainment or equivalent documentation to the adviser upon the successful completion of an approved training course on the ASIC Training Register or an individual assessment. Where an RTO issues a Statement of Attainment it must be in accordance with the Australian Quality Training Framework (AQTF).
- RG 146.102 The Statement of Attainment or equivalent documentation can be produced as evidence of compliance with this regulatory guide.
- RG 146.103 A Statement of Attainment is not required for advisers who have completed a course which was, at that time, listed on the ASIC Training Register and did not require the issue of a Statement of Attainment (i.e. prior to 31 December 2002), regardless of whether it has subsequently been

reviewed on the ASIC Training Register and confirmed as being aligned to the Financial Services Training Package.

- RG 146.104 As the assessment of skills is necessary (in accordance with the AQTF) before a Statement of Attainment can be issued, we do not require a Statement of Attainment to be issued where a person provides general advice only.

## Registering training courses

### ASIC Training Register

- RG 146.105 ASIC maintains the ASIC Training Register, which is a register of approved training courses and assessment services. The ASIC Training Register lists courses and assessment services that meet the criteria set out in RG 146.96. It does not list in-house induction, product training, or other continuing training.

Note: We may, from time to time, engage a third party to assist us in assessing the training courses to be placed on the ASIC Training Register.

- RG 146.106 We will not register a training course or assessment service we believe does not meet the criteria set out in RG 146.96. In addition, we will remove any course or assessment service placed on the ASIC Training Register we believe is not delivering the training standards prescribed in this regulatory guide. We may periodically audit adviser competencies or the quality and delivery of courses on the ASIC Training Register to ensure that the training standards prescribed in this regulatory guide are maintained.
- RG 146.107 Training providers and individual assessors must ensure that their courses and assessment services remain current and comply with the training standards for the duration of the time they are on the ASIC Training Register as a current course provider or assessment service. Training providers and individual assessors must notify ASIC of significant changes to courses or assessment services. This obligation is consistent with the requirement under the National Training Framework that training courses and assessment services delivered or assessed by RTOs are regularly reviewed and updated as part of continuous improvement obligations: see AQTF 2007 *Essential Standards for Registration* at [www.training.com.au](http://www.training.com.au). This is an ongoing obligation that is not diminished in any way by the requirement to re-register training courses: see RG 146.109–RG 146.112.

### When training courses must be registered

- RG 146.108 All authorised assessors must register with ASIC within 30 days of approving a course (their own course or that of a licensee or another training provider).

## Re-registration of training courses

- RG 146.109 Training courses and assessment services on the ASIC Training Register are required to be re-registered at least once every three years. A training course or assessment service will need to be re-registered more often if there have been substantial changes to the training course or assessment service.

Note: The requirement to re-register courses or assessment services commences on 1 December 2007. Training courses and assessment services on the ASIC Training Register prior to this date must be re-registered by 1 December 2008 and, thereafter, within three years of the anniversary of their previous re-registration. Training courses and assessment services that are registered for the first time from 1 December 2007 must be re-registered within three years of their first registration and, thereafter, within three years of the anniversary of their previous re-registration.

- RG 146.110 Before applying to ASIC to have a training course or assessment service re-registered, course providers and individual assessors should ensure that their courses or assessment services are current and comply with the training standards: see RG 146.106. It is a requirement of re-registration that training courses and assessment services are current and comply with the training standards.
- RG 146.111 Training courses or assessment services that are not re-registered within the timeframes specified in RG 146.109 will be removed from the ASIC Training Register as a current training course or assessment service.
- RG 146.112 The re-registration requirements for training courses and assessment services in RG 146.109, together with the ongoing obligation to notify us where significant changes have been made to a training course or assessment service in RG 146.107, ensure that the ASIC Training Register is kept up-to-date.

## How authorised assessors register or re-register training courses or offer an assessment service

- RG 146.113 To register or re-register a training course or assessment service on the ASIC Training Register, the authorised assessor must complete an application form and provide all necessary information required by us to decide whether the training course or assessment service should be placed, or remain, on the ASIC Training Register. The application form for lodging training courses or assessment services with ASIC can be downloaded from our website at [www.asic.gov.au/fstraining](http://www.asic.gov.au/fstraining).

## Assessment of courses for basic deposit products, related non-cash payment products and FHSA deposit accounts

- RG 146.114 Courses for advice on basic deposit products, related non-cash payment products and FHSA deposit accounts do not need to be assessed by an

authorised assessor or registered on the ASIC Training Register but may instead be assessed by the licensee as meeting our knowledge and skill requirements at the Tier 2 level. The ability to allow courses for advice on basic deposit products and related non-cash payment products to be assessed by licensees provides licensees with flexibility in the training of advisers in products that are relatively straightforward and well understood by the public.

- RG 146.115 A licensee may choose to engage an authorised assessor or other person to assist in the process of assessing the course. However, the licensee remains responsible for ensuring that the course meets the required standard. The licensee may use courses from the ASIC Training Register, or find it helpful to refer to such courses in order to develop appropriate courses.
- RG 146.116 Where a course on basic deposit products and related non-cash payment products or FHSA deposit accounts is assessed by the licensee rather than an authorised assessor, the role of the licensee is to:
- (a) benchmark their own training courses against our knowledge and skill requirements;
  - (b) examine their own processes and procedures to assess whether the courses can successfully meet the training standards; and
  - (c) upon completion of the course, assess an individual adviser against the training standards.
- RG 146.117 For basic deposit products and related non-cash payment products and FHSA deposit accounts, where licensees choose to meet their obligations by having their advisers individually assessed in accordance with RG 146.74, such individual assessment must be carried out by an authorised assessor.

## F Continuing training requirements

### Key points

Licensees must implement policies and procedures to ensure that they and their advisers undertake continuing training to maintain and update the knowledge and skills that are appropriate for their activities.

We do not require continuing training courses to be assessed by an authorised assessor.

### Our regulatory approach

RG 146.118 Licensees have an obligation to maintain their competence to provide the financial services authorised under their AFS licence: see s912A(1)(e). They must also ensure that their representatives are adequately trained and competent to provide those financial services: see s912A(1)(f). As part of meeting these obligations, licensees need to establish policies and procedures on continuing training that will address how they and their advisers will:

- (a) maintain knowledge and skills that are appropriate for their activities and responsibilities, and are consistent with the training standards;
- (b) update their knowledge and skills, especially in areas where there is continual change (e.g. legislation, regulatory policies and standards, economic and financial developments, new products and new market practices); and
- (c) develop new knowledge and skills to assist with their current role or roles contemplated in the near future.

RG 146.119 These policies and procedures should include:

- (a) nominating a person who is responsible for continuing training (see RG 146.121);
- (b) establishing annual training plans for each adviser (see RG 146.122);
- (c) keeping records of advisers' training programs (see RG 146.123); and
- (d) deciding how much training each adviser needs each year (see RG 146.127).

RG 146.120 Continuing training is essential to ensure advisers maintain their competence. This is particularly so because of rapidly changing markets and regulatory requirements.

## Nominating a training officer

- RG 146.121 Licensees should nominate one or more persons who are directly responsible for the training (initial and continuing) of advisers.

## Developing annual training plans

- RG 146.122 Licensees should develop an annual training plan for each adviser. Annual training plans should address the following steps:
- (a) assess the adviser's training needs in relation to the training standards, particularly if the adviser's functions change;
  - (b) identify the adviser's gaps or weaknesses in the preceding year and the areas where training will be focused;
  - (c) set objectives to be met (i.e. the desired changes in the adviser's knowledge, skills and/or performance at the end of the training year);
  - (d) decide the structure of the continuing training program (including nominating the training methods);
  - (e) assess whether the adviser has met the objectives of the training program; and
  - (f) provide feedback sessions with the adviser about their performance.

Note: There might be situations where continuing training is not necessary for all persons who advise on basic deposit products and related non-cash payment products. The licensee will first need to consider whether continuing training is required. It might be that there is no need if, for instance, the products have not changed.

## Keeping records

- RG 146.123 It is a licence condition that a licensee must maintain a record of the training (relevant to the provision of financial services) that each of its representatives has undertaken after that person became a representative, and any training undertaken before that person became a representative to the extent that the licensee can obtain that information after reasonable inquiry: see reg 7.6.04(d). To demonstrate compliance with their continuing training obligations, licensees should:
- (a) keep written records of each adviser's training plan. The records should be updated at least annually and address the elements contained in RG 146.122; and
  - (b) keep evidence of their advisers' continuing training (e.g. receipts, enrolment records, attendance lists, detailed diary notes).
- RG 146.124 A licensee can maintain evidence of continuing training in a variety of ways. Examples include:
- (a) a photocopy of the document indicating the qualification awarded or training undertaken;

- (b) a computer or system entry (after seeing the training evidence); or
- (c) an arrangement with the adviser to hold the qualification certificate.

### **Group training**

- RG 146.125 We recognise that many organisations plan and structure continuing training for a whole group or department based on the type of function or task being performed. We will accept annual continuing training plans that address continuing training on a group basis. However, licensees must ensure that each individual within the group carries out only the functions and tasks for which their training has equipped them. Licensees must continue to assess their advisers' functions and make changes to their continuing training plans if those functions change.
- RG 146.126 Continuing training plans developed on a group basis must address the steps in RG 146.122 and be monitored on an ongoing basis.

### **Minimum number of hours**

- RG 146.127 We have not prescribed a minimum number of hours per year that an adviser should spend on continuing training. This is because the time required will vary according to the adviser's activities and level of experience. Licensees should nominate an appropriate figure, based on the adviser's activities and experience. As a guide, some professional bodies have already set a minimum number of hours to be satisfied by their members. We will monitor whether licensees nominate appropriate minimum hours of continuing training. We will consider setting minimum hours if we become aware that licensees are not nominating appropriate figures.

### **Compliance**

- RG 146.128 To meet their compliance obligations, licensees should prepare a statement that sets out their training policy and procedures, including their approach to continuing training. They should also ensure that tasks and functions carried out by individual advisers are documented, and any identified gaps or weaknesses in the adviser's activities are addressed.
- RG 146.129 Training procedures should address how a licensee will monitor that their continuing training policies are being carried out. This would include monitoring the continuing training of advisers who are geographically separated from the licensee and those advisers with multiple authorisations.

## Appendix A: Knowledge requirements

RG 146.130 The following list of ASIC's knowledge requirements applies to a range of products and activities relevant to the financial services sectors regulated by ASIC.

RG 146.131 The requirements are grouped under:

A1 Generic knowledge

A2 Specialist knowledge, covering

A2.1 Financial planning

A2.2 Securities

A2.3 Derivatives

A2.4 Managed investments

A2.5 Superannuation

A2.6 Insurance—general, life and broking

A2.7 Deposit products and non-cash payment products

A2.8 Foreign exchange

A2.9 First Home Saver Accounts

A2.10 Margin lending facilities

RG 146.132 All advisers should demonstrate that they have met the generic knowledge requirements and specialist knowledge requirements relevant to their activities. We recognise that, depending on the nature of the activities undertaken, the extent and scope of the knowledge requirements to be met may vary (and may not be listed above).

RG 146.133 Licensees must first identify their advisers' tasks and functions. They must then determine which of ASIC's knowledge requirements should be covered in their training courses or individual assessments of advisers in relation to each of those tasks and functions.

Note: Advisers need only meet elements relevant to their activities. There may be other elements that a licensee or training provider may wish to include in a course.

## A1 Generic knowledge

RG 146.134 Advisers (except those advising on Tier 2 products: see Table 3) should have a generic knowledge of the environment in which they operate to understand the context in which the advice is given. Generic knowledge may be covered separately or within specialist knowledge training. Its content will depend on the adviser's activity and products advised on and may include the following concepts.

**Table A1: Generic knowledge**

<b>The economic environment</b>	<ul style="list-style-type: none"> <li>• characteristics and impact of economic and business cycles</li> <li>• interest rates, exchange rates</li> <li>• inflation</li> <li>• government monetary and fiscal policies</li> </ul>
<b>Operation of financial markets</b>	<ul style="list-style-type: none"> <li>• roles played by intermediaries and issuers</li> <li>• structure and inter-relationships within the financial markets</li> <li>• inter-relationship between industry sectors</li> </ul>
<b>Financial products</b>	<ul style="list-style-type: none"> <li>• concept of a financial product—general definition, specific inclusions, exclusions</li> <li>• types of financial investment products</li> <li>• types of financial risk products (e.g. derivatives, risk insurance products)</li> </ul>

RG 146.135 We recognise that the level of generic knowledge required will vary substantially depending on the type of advice and product. The greater the level of complexity of the service and product, the greater the level of generic knowledge required.

RG 146.136 It is not mandatory for advisers on Tier 2 products to satisfy the above generic knowledge requirements.

## A2 Specialist knowledge

RG 146.137 An adviser should be able to apply the following specialist knowledge, where relevant.

### A2.1 Financial planning

RG 146.138 An adviser providing financial planning advice to retail clients should be able to apply the following knowledge.

Note: The financial planning process may require knowledge of specialist categories (e.g. managed investments, superannuation, insurance and FHSAs): see Tables A2.4–A2.6, A2.9.

**Table A2.1: Financial planning (specialist knowledge)**

<b>Theories of investment, portfolio management and management of investment and risk</b>	<ul style="list-style-type: none"> <li>• range of financial products</li> <li>• types of investment products (e.g. cash, fixed interest, property, equities, managed investments)</li> <li>• types of financial risk products (e.g. risk insurance, derivatives)</li> <li>• investment concepts</li> <li>• investment strategies</li> <li>• identification of types of risk</li> <li>• client risk profile</li> </ul>
<b>Advisory functions</b>	<ul style="list-style-type: none"> <li>• the role of financial planner</li> <li>• participants in the advisory services market</li> <li>• range of services provided</li> <li>• the financial planning process</li> </ul>
<b>Legal environment—disclosure and compliance</b>	<ul style="list-style-type: none"> <li>• the role of the representative/adviser</li> <li>• relevant legal principles (e.g. Corporations Act, ASIC Act, Privacy Amendment (Private Sector) Act)</li> <li>• the relationship between ethics and regulatory requirements (e.g. good faith, utmost good faith, full disclosure of remuneration/fees and any other conflicts of interest which may influence the adviser's recommendation)</li> <li>• relevant industry standards and codes of conduct</li> <li>• regulators' guidelines including ASIC's requirements in this policy</li> <li>• complaints resolution procedures (external and, if relevant, internal)</li> </ul>
<b>Taxation</b>	<ul style="list-style-type: none"> <li>• the Australian taxation and social security systems</li> <li>• relevant taxation laws and regulations</li> <li>• effects of taxation on particular financial products</li> <li>• effects of taxation on financial strategies of individuals and entities</li> </ul>
<b>Estate planning</b>	<ul style="list-style-type: none"> <li>• theory of estate planning (i.e. allowable investments, enduring and non-enduring powers of attorney, share purchase agreements)</li> <li>• management and investment strategies</li> <li>• relevant taxation laws and regulations</li> </ul>

## A2.2 Securities

RG 146.139 An adviser providing advice on securities (including government bonds) should be able to apply the following knowledge (where applicable).

**Table A2.2: Securities markets (specialist knowledge)**

<b>Operation of securities markets</b>	<ul style="list-style-type: none"> <li>• market participants</li> <li>• roles played by intermediaries</li> </ul>
<b>Types of products</b>	<ul style="list-style-type: none"> <li>• range of securities</li> <li>• associated risks</li> <li>• investment options using securities product</li> <li>• alternative products (e.g. derivatives) (where relevant)</li> </ul>
<b>Theories of investment, portfolio management and management of investment and risk</b>	<ul style="list-style-type: none"> <li>• investment concepts</li> <li>• investment strategies</li> <li>• identification of types of risk</li> <li>• client risk profile</li> </ul>
<b>Taxation</b>	<ul style="list-style-type: none"> <li>• awareness of taxation issues relating to securities</li> </ul>
<b>Legal environment—disclosure and compliance</b>	<ul style="list-style-type: none"> <li>• the role of the representative/adviser</li> <li>• relevant legal principles (e.g. Corporations Act, ASIC Act, Privacy Amendment (Private Sector) Act)</li> <li>• the relationship between ethics and regulatory requirements (e.g. good faith, utmost good faith, full disclosure of remuneration/fees and any other conflicts of interest which may influence the adviser's recommendation)</li> <li>• relevant industry standards and codes of conduct</li> <li>• regulators' guidelines including our requirements in this policy</li> <li>• complaints resolution procedures (external and, if relevant, internal)</li> <li>• stockbroking competency standards (where relevant)</li> <li>• ASX Operating Rules (where relevant)</li> </ul>

## A2.3 Derivatives

RG 146.140 An adviser providing advice on derivatives should be able to apply the following knowledge (where applicable).

**Table A2.3: Derivatives markets (specialist knowledge)**

<b>Operation of derivatives markets</b>	<ul style="list-style-type: none"> <li>• market participants</li> <li>• roles played by intermediaries</li> <li>• structure and inter-relationships within and between the securities/derivatives sectors</li> </ul>
<b>Types of products</b>	<ul style="list-style-type: none"> <li>• range of derivatives</li> <li>• associated risks</li> <li>• investment options using derivatives products</li> </ul>
<b>Theories of investment, portfolio management and management of investment and risk</b>	<ul style="list-style-type: none"> <li>• investment concepts</li> <li>• investment strategies</li> <li>• identification of types of risk</li> <li>• client risk profile</li> </ul>
<b>Taxation</b>	<ul style="list-style-type: none"> <li>• awareness of taxation issues relating to derivatives</li> </ul>
<b>Legal environment—disclosure and compliance</b>	<ul style="list-style-type: none"> <li>• the role of the representative/adviser</li> <li>• relevant legal principles (e.g. Corporations Act, ASIC Act, Privacy Amendment (Private Sector) Act)</li> <li>• the relationship between ethics and regulatory requirements (e.g. good faith, utmost good faith, full disclosure of remuneration/fees and any other conflicts of interest which may influence the adviser's recommendation)</li> <li>• relevant industry standards and codes of conduct</li> <li>• regulators' guidelines including our requirements in this policy</li> <li>• complaints resolution procedures (external and, if relevant, internal)</li> <li>• elements of the Registered Representatives Examination (where relevant)</li> <li>• SFE or ASXF Operating Rules (where relevant)</li> </ul>

## A2.4 Managed investments

RG 146.141 An adviser providing advice on interests in managed investment schemes should be able to apply the following knowledge (where applicable).

**Table A2.4: Managed investments (specialist knowledge)**

<b>Types of products</b>	<ul style="list-style-type: none"> <li>• concept of managed investments</li> <li>• specialist knowledge of the range of products offered under managed investment schemes, or a specific product offered under a scheme (e.g.               <ul style="list-style-type: none"> <li>– property trusts, real estate investment strategies, valuation techniques, property management</li> <li>– equity trusts, fixed interest trusts</li> <li>– serviced strata schemes</li> <li>– primary production schemes</li> <li>– film schemes</li> <li>– time-sharing schemes)</li> </ul> </li> <li>• identification of types of risks</li> </ul>
<b>Taxation</b>	<ul style="list-style-type: none"> <li>• awareness of relevant taxation issues</li> </ul>
<b>Legal environment—disclosure and compliance</b>	<ul style="list-style-type: none"> <li>• the role of the representative/adviser</li> <li>• relevant legal principles (e.g. Corporations Act, ASIC Act, Privacy Amendment (Private Sector) Act)</li> <li>• the relationship between ethics and regulatory requirements (e.g. good faith, utmost good faith, full disclosure of remuneration/fees and any other conflicts of interest which may influence the adviser's recommendation)</li> <li>• relevant industry standards and codes of conduct</li> <li>• regulators' guidelines including our requirements in this policy</li> <li>• complaints resolution procedures (external and, if relevant, internal)</li> </ul>

## A2.5 Superannuation

RG 146.142 An adviser providing advice on superannuation products should be able to apply the following knowledge (where applicable).

**Table A2.5: Superannuation (specialist knowledge)**

<b>Operation and management of the superannuation industry</b>	<ul style="list-style-type: none"> <li>• characteristics and structure of a superannuation product</li> <li>• roles played by intermediaries and issuers</li> <li>• types of superannuation products</li> <li>• fee structures/administration and management costs</li> <li>• types of contribution</li> <li>• annuities/pensions, allocated pensions and income stream products</li> <li>• associated risks</li> <li>• structure of superannuation plans management and administration of superannuation products</li> <li>• preservation rules</li> <li>• investment strategies within superannuation funds (i.e. investment concepts and strategies)</li> <li>• restrictions on investment strategies</li> </ul>
<b>Taxation</b>	<ul style="list-style-type: none"> <li>• impact on investment earnings</li> <li>• employer and employee contributions</li> <li>• benefit payments and expenses</li> <li>• tax deductions</li> <li>• capital gains tax treatment</li> <li>• roll-overs</li> <li>• reasonable benefit limits</li> <li>• superannuation surcharge</li> <li>• social security pension eligibility</li> <li>• retirement planning</li> <li>• death benefits</li> <li>• franking credits</li> </ul>
<b>Legal environment—disclosure and compliance</b>	<ul style="list-style-type: none"> <li>• the role of the representative/adviser</li> <li>• relevant legal principles (e.g. Corporations Act, ASIC Act, Superannuation Industry (Supervision) Act, Privacy Amendment (Private Sector) Act)</li> <li>• the relationship between ethics and regulatory requirements (e.g. good faith, utmost good faith, full disclosure of remuneration/fees and any other conflicts of interest which may influence the adviser's recommendation)</li> <li>• relevant industry standards and codes of conduct</li> <li>• regulators' guidelines including our requirements in this policy</li> <li>• complaints resolution procedures (external and, if relevant, internal)</li> <li>• trustee rules</li> </ul>

## A2.6 Insurance

RG 146.143 Given the nature of the insurance sector, the following specialist knowledge category for advisers on insurance products has been divided into core insurance knowledge and type of insurance product. This has been done to recognise industry feedback that there is a body of core insurance specific knowledge (separate to generic knowledge) that should also be understood by those operating within this sector.

### A2.6a Core insurance knowledge, all categories (i.e. general, life and broking)

RG 146.144 An adviser providing advice on insurance products should be able to apply the following knowledge (where applicable).

**Table A2.6a: Insurance (core knowledge)**

<b>Operation of insurance markets</b>	<ul style="list-style-type: none"> <li>• definition of insurance product</li> <li>• characteristics and participants of the Australian insurance market</li> <li>• roles played by intermediaries</li> </ul>
<b>Insurance products</b>	<ul style="list-style-type: none"> <li>• types of insurance products (e.g. risk insurance products, investment life insurance products and general insurance products)</li> <li>• conditions, exclusions, levels of coverage of risk transfer products</li> <li>• pricing</li> </ul>
<b>Taxation</b>	<ul style="list-style-type: none"> <li>• awareness of taxation issues relating to insurance products</li> </ul>
<b>Advisory functions</b>	<ul style="list-style-type: none"> <li>• the role of insurance adviser/broker/agent</li> <li>• participants in the insurance advisory services market</li> <li>• range of services provided</li> <li>• profile and financial information of the client</li> <li>• appropriateness of a risk assessment</li> </ul>
<b>Legal environment—disclosure and compliance</b>	<ul style="list-style-type: none"> <li>• the role of the representative/adviser</li> <li>• relevant legal principles (e.g. Corporations Act, ASIC Act, Insurance Contracts Act 1984, Life Insurance Act 1995, Privacy Amendment (Private Sector) Act)</li> <li>• the relationship between ethics and regulatory requirements (e.g. good faith, faith, utmost good faith, full disclosure of remuneration/fees and any other conflicts of interest which may influence the adviser's recommendation)</li> <li>• relevant industry standards and codes of conduct</li> <li>• regulators' guidelines including our requirements in this policy</li> <li>• complaints resolution procedures (external and, if relevant, internal)</li> </ul>

**A2.6b Specialist insurance knowledge****Table A2.6b: Insurance (specialist knowledge)**

<b>General insurance</b>	<ul style="list-style-type: none"> <li>• types of general insurance products/policies</li> <li>• standard cover (and deviations)</li> <li>• policy wordings</li> <li>• taxes and charges</li> <li>• insurance claims</li> <li>• premium rating/risk selection</li> <li>• reporting</li> <li>• product development</li> <li>• underwriting</li> </ul>
<b>Life insurance</b>	<ul style="list-style-type: none"> <li>• types/classes of life insurance products/policies</li> <li>• standard cover (and deviations)</li> <li>• product development</li> <li>• policy wordings</li> <li>• underwriting</li> <li>• insurance claims</li> <li>• premium rating/risk assessment</li> <li>• investment strategy (investment component of life insurance products)</li> </ul>
<b>Insurance broking</b>	<ul style="list-style-type: none"> <li>• types/classes of insurance products</li> <li>• standard cover and deviations</li> <li>• product development</li> <li>• policy wordings</li> <li>• underwriting</li> <li>• insurance claims</li> <li>• premium rating/risk assessment</li> <li>• types of broking services</li> </ul>

## A2.7 Deposit products and non-cash payment products

RG 146.145 An adviser providing advice on deposit products and non-cash payment products (s763D) should be able to apply the following knowledge (where applicable).

Note: Only elements relevant to the adviser's activities need to be covered in the training. Licensees can vary the content within those elements to suit the adviser's activities.

**Table A2.7: Deposit products and non-cash payment products (specialist knowledge)**

<b>Types of products</b>	<ul style="list-style-type: none"> <li>• types of products</li> <li>• product characteristics</li> </ul>
<b>Legal environment—disclosure and compliance</b>	<ul style="list-style-type: none"> <li>• the role of the representative/adviser</li> <li>• relevant legal principles (e.g. Corporations Act, ASIC Act, Privacy Amendment (Private Sector) Act)</li> <li>• the relationship between ethics and regulatory requirements relevant to the adviser's activities (e.g. full disclosure of remuneration/fees, and any other conflicts of interest which may influence the adviser's recommendation)</li> <li>• relevant industry standards and codes of conduct</li> <li>• regulators' guidelines including our requirements in this policy where relevant</li> <li>• complaints resolution procedures (external and, if relevant, internal)</li> </ul>

## A2.8 Foreign exchange

RG 146.146 An adviser providing advice on foreign exchange products should be able to apply the following knowledge (where applicable).

**Table A2.8: Foreign exchange (specialist knowledge)**

<b>Operation of foreign exchange markets</b>	<ul style="list-style-type: none"> <li>• market participants</li> <li>• roles played by intermediaries</li> </ul>
<b>Types of products</b>	<ul style="list-style-type: none"> <li>• range of foreign exchange products</li> <li>• associated risks</li> <li>• alternative products (e.g. derivatives) (where relevant)</li> </ul>
<b>Theories of investment, portfolio management and management of investment and risk</b>	<ul style="list-style-type: none"> <li>• identification of types of risk</li> <li>• client risk profile</li> </ul>
<b>Taxation</b>	<ul style="list-style-type: none"> <li>• awareness of taxation issues relating to foreign exchange products</li> </ul>
<b>Legal environment—disclosure and compliance</b>	<ul style="list-style-type: none"> <li>• the role of the representative/adviser</li> <li>• relevant legal principles (e.g. Corporations Act, ASIC Act, Privacy Amendment (Private Sector) Act)</li> <li>• the relationship between ethics and regulatory requirements (e.g. good faith, utmost good faith, full disclosure of remuneration/fees and any other conflicts of interest which may influence the adviser's recommendation)</li> <li>• relevant industry standards and codes of conduct</li> <li>• regulators' guidelines including our requirements in this policy</li> <li>• complaints resolution procedures (external and, if relevant, internal)</li> </ul>

## A2.9 First Home Saver Accounts

RG 146.147 An adviser providing advice on First Home Saver Accounts should be able to apply the following knowledge (where applicable).

Note: Only elements relevant to the adviser's activities need to be covered in the training. Licensees can vary the content within those elements to suit the adviser's activities.

**Table A2.9: First Home Saver Accounts (specialist knowledge)**

<b>Types of products</b>	<ul style="list-style-type: none"> <li>• range of First Home Saver Accounts</li> <li>• associated risks</li> <li>• alternative products (e.g. managed investments, life insurance, deposit products) (where relevant)</li> </ul>
<b>Product characteristics</b>	<ul style="list-style-type: none"> <li>• eligibility requirements</li> <li>• withdrawal conditions</li> <li>• government contributions</li> </ul>
<b>Taxation</b>	<ul style="list-style-type: none"> <li>• awareness of taxation issues relating to FHSAs</li> </ul>
<b>Legal environment—disclosure and compliance</b>	<ul style="list-style-type: none"> <li>• the role of the representative/adviser</li> <li>• relevant legal principles (e.g. Corporations Act, ASIC Act, Privacy Amendment (Private Sector) Act)</li> <li>• the relationship between ethics and regulatory requirements (e.g. good faith, utmost good faith, full disclosure of remuneration/fees and any other conflicts of interest which may influence the adviser's recommendation)</li> <li>• relevant industry standards and codes of conduct</li> <li>• regulators' guidelines including our requirements in this policy</li> <li>• complaints resolution procedures (external and, if relevant, internal)</li> </ul>

## A2.10 Margin lending facilities

RG 146.148 An adviser providing advice on margin lending facilities should be able to apply the following knowledge (where applicable).

Note: Only elements relevant to the adviser's activities need to be covered in the training. Licensees can vary the content within those elements to suit the adviser's activities.

**Table A2.10: Margin lending facilities (specialist knowledge)**

<b>Types of products</b>	<ul style="list-style-type: none"> <li>• types of margin lending facility products (encompassing standard margin lending facilities and non-standard margin lending facilities)</li> <li>• associated risks</li> </ul>
<b>Product characteristics</b>	<ul style="list-style-type: none"> <li>• how the various types of margin lending facility products operate</li> <li>• providers' and clients' rights and responsibilities</li> <li>• effect of provider taking security over clients' assets</li> <li>• effect of provider receiving a transfer of the clients' assets</li> <li>• calculating loan-to-value ratios of both individual products and the overall portfolio, and the consequences of issuers altering the loan-to-value ratio of individual products</li> <li>• margin calls—ways of making a margin call, consequences of margin calls, and how they may be resolved, strategies by which the borrower may avoid margin calls</li> <li>• approved product list—consequences of removing a product from the approved products list</li> </ul>
<b>Taxation</b>	<ul style="list-style-type: none"> <li>• awareness of taxation issues relating to margin lending facilities</li> <li>• deductibility of costs associated with margin lending, e.g. interest payments</li> <li>• liability for capital gains tax</li> </ul>
<b>Legal environment—disclosure and compliance</b>	<ul style="list-style-type: none"> <li>• the role of the provider</li> <li>• the role of the representative/adviser</li> <li>• specific regulatory requirements (e.g. responsible lending conduct, notification of margin calls)</li> <li>• relevant legal principles (e.g. Corporations Act, ASIC Act, Privacy Amendment (Private Sector) Act)</li> <li>• the relationship between ethics and regulatory requirements (e.g. good faith, utmost good faith, full disclosure of remuneration/fees and any other conflicts of interest which may influence the adviser's recommendation)</li> <li>• relevant industry standards and codes of conduct</li> <li>• regulators' guidelines including our requirements in this policy</li> <li>• complaints resolution procedures (external and internal)</li> </ul>
<b>Theories of investment, portfolio management and management of investment and risk</b>	<ul style="list-style-type: none"> <li>• investment concepts</li> <li>• investment strategies for margin lending, including the role of cash flow, and alternative investment strategies</li> <li>• investment options using a margin lending facility</li> <li>• identification of types of risk, including an awareness of the sensitivity</li> </ul>

of margin lending strategies to changes in interest rates and investment returns

- client risk profile, including an awareness of the source and stability of clients' income source, the source of funding for the investment, risk profiles unsuited to margin lending facility products
- stress testing of proposed client portfolio
- understanding of risks associated with gearing—the relationship between levels of gearing and risks, risks associated with double gearing

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Note: Advisers providing advice on margin lending will have 18 months from the commencement of the *Corporations Legislation Amendment (Financial Services Modernisation) Act 2009* to complete the training requirements relating to margin lending facilities.

## Appendix B: Skill requirements

RG 146.149 Advisers providing personal financial advice to retail clients should be able to apply appropriate skills in relation to their activities and the products and markets in which they operate. These skills will vary according to the activities undertaken.

RG 146.150 As the level and type of skill varies so much in relation to the provision of general advice, we have not mandated the skill requirements for advisers that only provide this type of advice.

Note: There may be other elements that a licensee or training provider may wish to cover. All elements need not be met if demonstrably irrelevant to the adviser's activities.

**Table B: Skill requirements**

<b>1 Establish relationship with client</b>	<p>This may include:</p> <ul style="list-style-type: none"> <li>• explaining the adviser's role</li> <li>• establishing knowledge level of the client</li> <li>• explaining the services offered</li> <li>• identifying the licensee responsible for the representative's conduct</li> <li>• explaining fee and charging methodology</li> <li>• explaining the procedures for complaints handling</li> </ul>
<b>2 Identify client objectives, needs, and financial situation</b>	<p>This may include collection of the following types of information from the client:</p> <ul style="list-style-type: none"> <li>• relevant personal, financial and business details</li> <li>• client objectives and goals</li> <li>• risk profile of the client</li> <li>• cash flows (required and projected)</li> <li>• relevant taxation obligations</li> </ul>
<b>3 Analyse client objectives, needs, financial situation and risk profile</b>	<p>This may include:</p> <ul style="list-style-type: none"> <li>• analysing all relevant information</li> <li>• assessing if specialist advice is required</li> <li>• assessing the client's risk profile</li> </ul>
<b>4 Develop appropriate strategies and solutions</b>	<p>This may include:</p> <ul style="list-style-type: none"> <li>• identifying and assessing available options via the above analysis</li> <li>• conducting relevant research/analysis/modelling</li> <li>• drafting plan/policy/transaction for presentation to the client</li> <li>• ability to underwrite and accept the transfer of risk</li> </ul>
<b>5 Present appropriate strategies and solutions to the client</b>	<p>This may include:</p> <ul style="list-style-type: none"> <li>• explaining in plain language the proposed transaction/s</li> <li>• explaining the nature of the underlying financial products</li> <li>• explaining the possible risks</li> <li>• providing written supporting documentation</li> </ul>
<b>6 Negotiate financial plan/policy/transaction with the client</b>	<p>This may include:</p> <ul style="list-style-type: none"> <li>• discussing any concerns/issues of the client regarding the proposed plan/policy/transaction</li> <li>• confirming with the client the preferred plan/policy/transaction</li> </ul>
<b>7 Coordinate implementation of agreed plan/policy/transaction</b>	<p>This may include:</p> <ul style="list-style-type: none"> <li>• gaining agreement regarding the proposed plan/policy/transaction</li> <li>• explaining associated fee and cost structures</li> <li>• explaining time frame for execution</li> </ul>
<b>8 Complete and maintain necessary documentation</b>	<p>This may include:</p> <ul style="list-style-type: none"> <li>• signing a formal agreement</li> <li>• exchanging a signed agreement</li> </ul>
<b>9 Provide ongoing service</b>	<p>This may include:</p>

**(optional at discretion of client)**

- explaining ongoing fees and costs for ongoing and specifically defined services
  - providing ongoing service to client as required and agreed
  - providing client with reports regarding performance of the plan/policy/transaction
  - conducting a review of the plan/policy/transaction with client if parameters change
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## Appendix C: What criteria must a professional or industry association meet to become an authorised assessor?

- RG 146.151 A professional or industry association must fulfil the following criteria to be accredited as an authorised assessor. It must:
- (a) comprise members who possess specialised knowledge and skills relevant to the financial services industry;
  - (b) operate nationally;
  - (c) represent a significant number of participants in the financial services industry (either through individual or corporate membership);
  - (d) use personnel who are professionally qualified in the knowledge areas they intend to assess and have expertise in the education and training sector, including assessment procedures. It is not necessary for these attributes to be held by the same person;
  - (e) have assessment methodologies and materials appropriate for the needs of licensees or training providers;
  - (f) have procedures for dealing with appeals from licensees or training providers if course approval is withheld; and
  - (g) have procedures in place for carrying out individual assessment of current competence. This process may be outsourced to another authorised assessor.

## Appendix D: What conditions are placed on a professional or industry association that is an authorised assessor?

RG 146.152 ASIC will require a professional or industry association accredited to be an authorised assessor to comply with the following conditions. The association must:

- (a) notify ASIC in writing within 30 days of courses it has assessed;
- (b) resubmit to ASIC evidence of its ability to act as an authorised assessor every five years or as requested;
- (c) not assess courses which it or its directors, agents or employees have developed and/or will conduct;
- (d) not assess courses of a party in which it has a financial or other interest, other than a party where the interest arises solely because employees or representatives of the party are members of the association or use training or other services provided to members by the association;

Note: Examples of parties in which the association has a financial or other interest are:

- (a) a related party (i.e. subsidiary, parent or sibling company); and
- (b) a party who has significant influence over it (e.g. through common senior management, or through arrangements to assess each other's courses).
- (e) notify ASIC in writing if there are significant changes to the information on the basis of which ASIC has granted its approval;
- (f) notify ASIC if key personnel named in the application cease to play the roles described in the application, or if there are any other major changes in staffing arrangements within the education and training team;
- (g) continue to satisfy the criteria outlined in Appendix C of this regulatory guide;
- (h) recognise training courses that have been accredited by other authorised assessors for the purposes of meeting ASIC's knowledge and skill requirements;
- (i) allow ASIC to require an external audit of its procedures and processes from time to time.

## Key terms

Term	Meaning in this document
adviser	<p>A natural person who provides financial product advice to a retail client and is:</p> <ul style="list-style-type: none"> <li>• an Australian financial services licensee; or</li> <li>• a representative of an Australian financial services licensee</li> </ul>
AFS licence	<p>An Australian financial services licence under s913B of the Corporations Act that authorises a person who carries out a financial services business to provide financial services</p> <p>Note: This is a definition contained in s761A of the Corporations Act.</p>
AFS licensee	<p>A person who holds an Australian financial services licence under s913B of the Corporations Act</p> <p>Note: This is a definition contained in s761A of the Corporations Act.</p>
'approved course' and 'approved training course'	<p>Training course that has been assessed by an authorised assessor and has been listed on the ASIC Training Register</p>
ASIC	<p>Australian Securities and Investments Commission</p>
ASIC Training Register	<p>The register that contains details of training courses and individual assessment services that have been approved by ASIC authorised assessors as meeting the training requirements in RG 146</p>
Australian Qualifications Framework (AQF)	<p>The unified national system that provides the criteria for qualifications issued by the school sector, vocational education and training sector (e.g. TAFEs and private RTOs) and the higher education sector (e.g. universities)</p>
Australian Quality Training Framework (AQTF)	<p>The national set of standards that assures nationally consistent, high-quality training and assessment services for Australia's vocational education and training system.</p>
authorised assessor	<p>An organisation that is recognised by ASIC to assess a training course against ASIC's knowledge and skill requirements for the purposes of meeting the training standards, or to carry out an assessment of an individual's competence</p>
Corporations Act	<p><i>Corporations Act 2001</i> and includes regulations made for the purposes of the Corporations Act</p>
FHSA deposit account	<p>An FHSA that is a deposit product (as defined in s761A)</p>

Term	Meaning in this document
financial product	<p>Generally a facility through which, or through the acquisition of which, a person does one or more of the following:</p> <ul style="list-style-type: none"> <li>• makes a financial investment (see s763B);</li> <li>• manages financial risk (see s763C);</li> <li>• makes non-cash payments (see s763D)</li> </ul> <p>Note: See Div 3 of Pt 7.1 of the Corporations Act for the exact definition.</p>
financial product advice	<p>A recommendation or a statement of opinion, or a report of either of those things, that:</p> <ul style="list-style-type: none"> <li>• is intended to influence a person or persons in making a decision in relation to a particular financial product or class of financial products, or an interest in a particular financial product or class of financial products; or</li> <li>• could reasonably be regarded as being intended to have such an influence.</li> </ul> <p>However, the provision or giving of an exempt document or statement is not to be taken to be a provision of financial product advice</p> <p>Note: This is a definition contained in s766B(1).</p>
financial product adviser	<p>A natural person who provides financial product advice to a retail client and is:</p> <ul style="list-style-type: none"> <li>• an Australian financial services licensee; or</li> <li>• a representative of an Australian financial services licensee</li> </ul>
Financial Services Training Package (FSTP)	<p>The integrated set of nationally endorsed competency standards, assessment guidelines and Australian Qualifications Framework qualifications for the financial services industry developed and endorsed under the National Training Framework</p>
First Home Saver Account (FHSA)	<p>A financial product that meets the requirements of the <i>First Home Saver Accounts Act 2008</i></p>
general advice	<p>Financial product advice that is not personal advice</p> <p>Note: This is a definition contained in s766B(4)</p>
margin lending facility	<p>Means 'margin lending facility' as defined in s761EA(1) of the Corporations Act and includes:</p> <ul style="list-style-type: none"> <li>• a standard margin lending facility; or</li> <li>• a non-standard margin lending facility; or</li> <li>• a facility declared by ASIC to be a margin lending facility under s761EA(8) of the Corporations Act</li> </ul>
National Training Framework	<p>The national framework under which training competencies, assessment guidelines and related education and training qualifications are developed and endorsed for all vocational training courses</p>

Term	Meaning in this document
non-cash payment product	A facility through which, or through the acquisition of which, a person makes non-cash payments as defined in s763D
non-standard margin lending facility	Has the same meaning as in s761EA(5) of the Corporations Act
Part 7.9 (for example)	A part of the Corporations Act (in this example numbered 7.9), unless a contrary intention appears
personal advice	Financial product advice given or directed to a person (including by electronic means) in circumstances where: <ul style="list-style-type: none"> <li>• the provider of the advice has considered one or more of the person's objectives, financial situation and needs; or</li> <li>• a reasonable person might expect the provider to have considered one or more of those matters</li> </ul> <p>Note: This is the definition contained in s766B(3) of the Corporations Act.</p>
reg 7.6.04 (for example)	A regulation of the Corporations Regulations 2001 (in this example numbered 7.6.04)
registered training organisation (RTO)	An organisation that has undergone a registration process conducted by a state/territory recognition authority and is an accredited training and assessment organisation
regulations	Corporations Regulations 2001
related non-cash payment product	A financial product for making non-cash payments (as defined in s763D) that is related to a basic deposit product (as defined in s761A)
representative of a licensee	Means: <ul style="list-style-type: none"> <li>• an authorised representative of the licensee; or</li> <li>• an employee or director of the licensee; or</li> <li>• an employee or director of a related body corporate of the licensee; or</li> <li>• any other person acting on behalf of the licensee</li> </ul> <p>Note: This is a definition contained in s910A</p>
retail client	A client as defined in s761G of the Corporations Act and Ch 7, Pt 7.1, Div 2 of the Corporations Regulations
RG 136 (for example) means	An ASIC regulatory guide (in this example numbered 136)
s912A (for example)	A provision of the Corporations Act (in this example numbered 912A), unless a contrary intention appears
self-accrediting organisation (SAO)	A university or higher education institution that has undergone a statutory registration process
standard margin lending facility	Has the same meaning as in s761EA(2) of the Corporations Act

Term	Meaning in this document
Statement of Advice (SOA)	<p>A document that must be given to a retail client for the provision of personal advice under Subdivs C and D of Div 3 of Pt 7.7 of the Corporations Act</p> <p>Note: See s761A for the exact definition.</p>
Statement of Attainment	<p>A document that is issued to an adviser for partial completion of a qualification, including, where relevant, the units of competency achieved under nationally endorsed standards. Achievements recognised by Statements of Attainment can accumulate towards a qualification within the Australian Qualifications Framework</p>
Tier 1 products	<p>All financial products except those listed under Tier 2</p>
Tier 2 products	<p>General insurance products, except for personal sickness and accident (as defined in reg 7.1.14); consumer credit insurance (as defined in reg 7.1.15); basic deposit products; non-cash payment products; FHSA deposit accounts</p>
training course	<p>Means:</p> <ul style="list-style-type: none"> <li>• any education or training course, program, subject, unit or module of varying duration;</li> <li>• a combination of education or training subjects, units or modules on a similar topic; and</li> <li>• an education or training course or program delivered by various methods</li> </ul>
training standards	<p>The minimum standards for the training of advisers set out in this regulatory guide</p>

## Related information

### Headnotes

Training and education standards for advisers, Australian financial services licence, persons providing financial product advice, life insurance companies, general insurance companies, insurance brokers, ASIC's knowledge and skill requirements, continuing training of advisers

### Pro formas

PF 209 *Australian financial services licence conditions*

### Regulatory guides

RG 1–RG 3 *AFS Licensing Kit*

RG 36 *Licensing: Financial product advice and dealing*

RG 38 *The hawking prohibitions*

RG 104 *Licensing: Meeting the general obligations*

RG 105 *Licensing: Organisational competence*

RG 165 *Licensing: Internal and external dispute resolution*

RG 166 *Licensing: Financial requirements*

RG 167 *Licensing: Discretionary powers and transition*

### Legislation

Corporations Act Chapter 7 Part 7.1 Div 2, Parts 7.8, 7.9, 10.2, s761A, 761G, 763A(1), 763B–D, 766A(3), 766B(1), 766B(3)–(4), 766B(6)–(7), 1018A, 1434, 1436A(1), regulations 7.3.10(a), 7.6.04(d).

### Consultation papers and reports

Parliamentary Secretary to the Treasurer, Consultation Paper, *Corporate and Financial Services Regulation Review* (April 2006)

Parliamentary Secretary to the Treasurer, Proposals Paper, *Corporate and Financial Services Regulation Review* (November 2006)

CP 88 *Reviewing and updating RG 146: Training of financial product advisers* (July 2007)

REP 110 *Report on submissions for CP 88 Reviewing and updating RG 146: Training of financial product advisers*

**Information releases**

IR 07-18 *Update on ASIC's review of financial adviser training standards*

IR 07-40 *ASIC consults on updating its policy on the training of financial advisers*