

Professional Standards for Financial Advisers Bill 2016 – Extract

As part of the Corporations Act 2001 amendment – ‘Professional Standards for Financial Advisers’ bill 2016 there are 3 key areas where changes have been proposed; education, Continuing Professional Development (CPD) and ethical standards. The amendments will apply from 1 January 2019.

Education

New Advisers

In accordance with the new education standards individuals will be prohibited from being authorised to provide personal advice to retail clients on relevant financial products if they do not satisfy three conditions:

- complete a bachelor or higher or equivalent qualification (or satisfy the alternative arrangements for persons with degrees from overseas jurisdictions);
- pass an exam; and
- undertake at least one year of work and training (the professional year).

Furthermore, only an individual who is a relevant provider and has satisfied the three conditions (holds a degree, has passed the exam and has completed their professional year) can use the terms ‘financial adviser’ and ‘financial planner’.

An individual who meets the qualification and exam conditions, but is still in the course of undertaking their professional year, may be authorised as a provisional relevant provider. A provisional relevant provider is a relevant provider who is subject to additional requirements. The additional requirements include that they are supervised by a relevant provider, and that they do not use the terms ‘financial adviser’ or ‘financial planner’.

Existing Advisers

Special transitional arrangements apply to existing providers, that is, persons who provide personal advice to retail clients at any time between 1 January 2016 and 1 January 2019, and are not prohibited from providing advice on 1 January 2019. These advisers:

- have until 1 January 2024 to meet the first education requirement
- may meet the first education requirement by completing bridging courses approved by the body;
- have until 1 January 2021 to meet the second education requirement (pass the exam); and do not need to complete a professional year.

Continuing Professional Development

Currently the CPD obligation has been enforced primarily by licensees, it is now proposed to be an enforceable undertaking. Licensees have an ongoing obligation to ensure that their relevant providers comply with the CPD requirement.

Ethical Standards

The new law requires all relevant providers to comply with the Code made by the body and to be covered by a scheme which monitors and enforces the relevant provider’s compliance with the Code. Schemes are developed by monitoring bodies and approved by ASIC. Schemes must be independently reviewed at least every five years. Licensees must ensure that relevant providers authorised on their behalf are covered by a scheme. The Code sets out the ethical obligations that apply to relevant providers. These ethical obligations go above the legal requirements in the law and are designed to encourage higher standards of behaviour and professionalism in the financial services industry.

[Click here for more detailed information](#)