



**fasea**  
STANDARDS AUTHORITY

**Financial Adviser Standards and Ethics Authority**

# **Business Plan**

## **FY18-19**

**(1 July 2018-30 June 2019)**



## 1. Executive Summary

### 1.1. FASEA has seven key functions ascribed to it (s921U (2) of the Corporations Act 2001):

- Setting a Code of Ethics that all advisers must comply with in providing advice to consumers about financial products or services;
- Approving university bachelor or higher level degrees or equivalent qualifications to ensure all advisers meet minimum knowledge and training requirements set by FASEA to advise consumers on financial products and services;
- Approving foreign qualifications to ensure advisers qualified or who trained overseas and who provide advice to consumers in Australia meet FASEA standards;
- Approving an exam to ensure all advisers meet subject matter knowledge requirements set by FASEA;
- Selecting an appropriate common term for provisional relevant providers who are undertaking at least one year of work and training;
- Setting standards for the future education and training (continuous professional development (CPD)) requirements that advisers must complete each year (professional year) so their knowledge remains current and they can retain their authorisation to advise consumers about financial products and services; and
- Determining the requirements for the professional year.

### 1.2. FASEA's achievements 2017-18

Consistent with FASEA's 2017-18 business plan, our principal activities for the period involved:

- Establishment (locating and setting up an office for its activities; recruitment of executive staff, contractors and consultants; entering into service agreements and other arrangements to support its office and administration; establishing Board processes, policies and practices; establishing Board sub-committees; establishing a FASEA website, content, and logo);
- Code and standards development ( establishing a Board sub-committee with specific focus on this area; preparing draft content, parameters, and associated discussion Code and standards material; consulting on these materials publicly and among key stakeholders and regulators; running workshops; engaging with industry (including peer organisations) and consumers (including consumer advocacy groups) via submissions and correspondence; liaising with offshore regulators about applicable codes and standards; issuing media releases and publishing material on FASEA's website);
- Consultations as required with the Minister as the Member of FASEA; and
- Financial and Administration (appointing an auditor; establishing financial record systems, policies and procedures, internal controls and delegations; establishing bank accounts and signatories; testing the adequacy of financial systems and controls; preparing a business plan, budget and forecast).

### 1.3. FASEA's long-term objectives and strategies in 2019 – 2021 are to:

- Finalise the Code of Ethics, determine the standards in relation to education, equivalent qualifications locally and overseas, an exam, and ongoing professional training and professional year
- Provide guidance to new entrants and existing advisers about the pathways to achieving the required qualifications, training and experience to meet FASEA standards, including what meets the equivalence test, whether any additional bridging course is required and what name they can use to describe themselves while qualifying as advisers
- Accredite educational programs and courses that will meet FASEA's standards;
- Approve exams to ensure advisers meet knowledge requirements and assessment under FASEA's standards;
- Prepare and consult with key stakeholders in roundtables or other targeted consultation about drafts of legislative instruments embodying the Code and standards to refine these as appropriate;
- Finalise legislative instruments embodying the Code and standards for parliamentary consideration; and
- Periodically consult with key stakeholders and review the Code and standards to assess their efficacy.

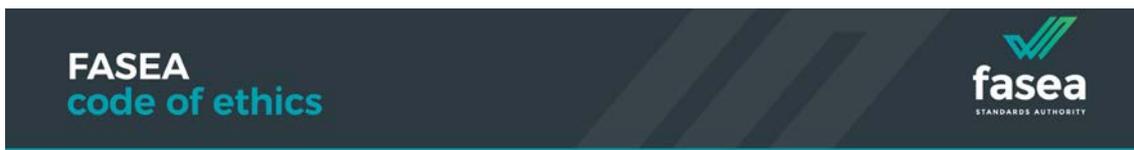
***Industry compliance with these obligations begins in 2019 with varying transition timeframes for different standards.***



## 2. Operations

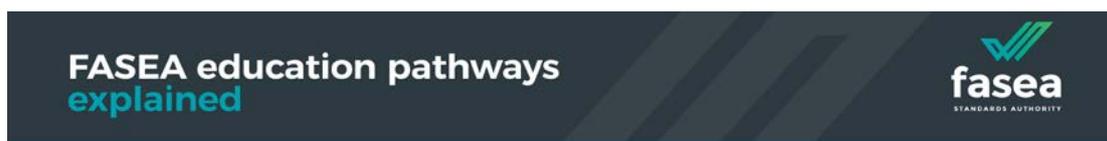
The CEO leads an executive team with expertise in Standards Development, Finance, Operations, Consultation, and Education and Accreditation.

The development of the standards is following differing timelines to 30 June 2019. Each is, however, following a similar development process of initial FASEA development, consultation with stakeholders, review of consultation input, drafting of legislative instruments and consultation as required by the legislation, and final release and legislative approval. Summary examples of initially issued releases appear below for the Code of Ethics and Education Pathways.



A relevant provider must act, at all times and in all cases, in a manner that is demonstrably consistent with the following principles, in the discharge of their professional duties.

| Standards of Ethical behaviour   | Standards of Client care  | Standards of Quality process   | Standards of Professional commitment   | Our values   |
|--|---|--|--|--|
| <p>a relevant provider must:</p> <p><b>Standard 1</b><br/>Act in accordance with the spirit- and not only the letter - of all relevant laws and regulations (including this Code).</p> <p><b>Standard 2</b><br/>Must neither advise, refer, nor act in any other manner, where inappropriate personal advantage is derived by the relevant provider.</p> <p><b>Standard 3</b><br/>Act with personal integrity and as an independently minded professional, for the benefit of each client.</p> | <p>a relevant provider must:</p> <p><b>Standard 4</b><br/>Act only on the basis of the free, prior and informed consent of a client.</p> <p><b>Standard 5</b><br/>Ensure that all advice and products are:<br/>a) in the best interest of each client.<br/>b) appropriate to the individual circumstances of each client.<br/>c) presented in terms easily understood by the client.</p> <p><b>Standard 6</b><br/>Take into account the broad effects arising from a client acting on their advice.</p> | <p>a relevant provider must:</p> <p><b>Standard 7</b><br/>Obtain informed consent to act and to receive agreed fees and payments for agreed services.</p> <p><b>Standard 8</b><br/>Obtain informed consent, and agree, to maintain records relevant to the advice provided, in accordance with relevant privacy, regulatory and confidentiality obligations.</p> <p><b>Standard 9</b><br/>Ensure that all advice and products are:<br/>a) offered in good faith and with competence.<br/>b) based on information that is neither misleading nor deceptive.</p> | <p>a relevant provider must:</p> <p><b>Standard 10</b><br/>Develop and maintain a high level of relevant knowledge and skills.</p> <p><b>Standard 11</b><br/>Accept that potential breaches of this Code will be subject to investigation and discipline from the responsible Code Monitoring Body, undertaken in accordance with ASIC's approval and oversight of that Body.</p> <p><b>Standard 12</b><br/>Individually and in cooperation with peers, uphold and promote the ethical standards of the profession, and hold each other accountable for the protection of the public interest.</p> | <p>A relevant provider must always act to realise and promote the values of:</p> <ul style="list-style-type: none"> <li>• Trust</li> <li>• Competence</li> <li>• Honesty</li> <li>• Fairness</li> <li>• Diligence</li> </ul> |

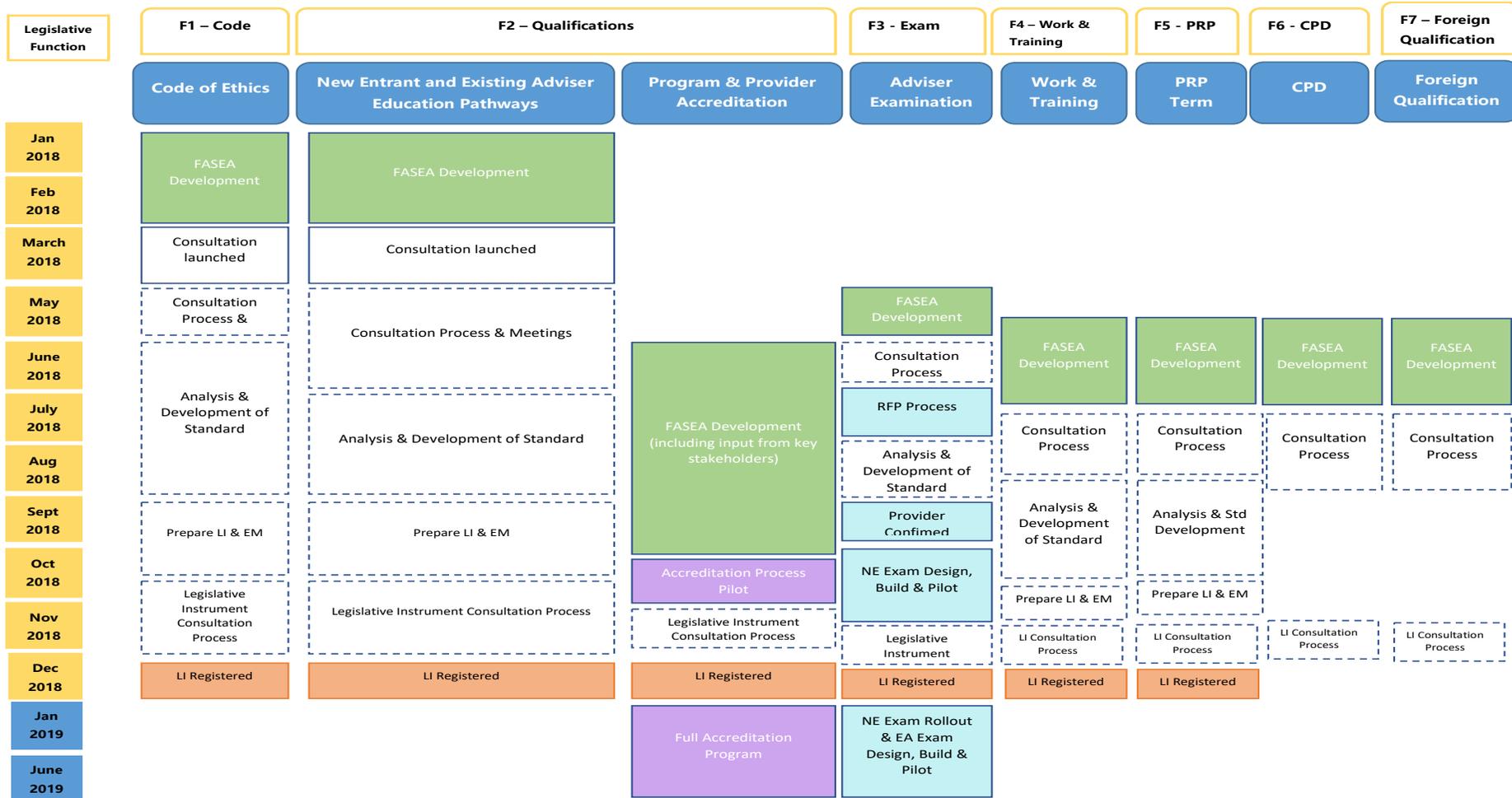


| New entrant  | Existing adviser with no degree   | Existing adviser with unrelated degree   | Existing adviser with related degree  | Existing adviser with related degree + related post graduate qualification   | Existing adviser with approved degree   |
|--|---|--|---|--|---|
| <p><b>Education required</b><br/>Approved Degree (24 subjects at AQF7)<br/><b>by no later than</b><br/>January 1 2019</p>                                      | <p><b>Education required</b><br/>Approved Graduate Diploma (8 subjects at AQF8)<br/>OR<br/>Other approved qualifications (Degree or Masters - AQF7 and above)<br/><b>by no later than</b><br/>January 1 2024</p>  | <p><b>Education required</b><br/>Approved Graduate Diploma (8 subjects at AQF8)<br/><b>by no later than</b><br/>Jan 1 2024</p> | <p><b>Education required</b><br/>Bridging Course (3 subjects at AQF8)<br/><b>by no later than</b><br/>Jan 1 2024</p>  | <p><b>Education required</b><br/>Bridging Course (1 subject - FASEA Code of Ethics at AQF8)<br/><b>by no later than</b><br/>Jan 1 2024</p> | <p>FASEA approved Bachelors or Masters Degree already meets the qualification requirements.<br/><b>Education required</b><br/>Bridging Course (1 subject - FASEA Code of Ethics at AQF8)<br/><b>by no later than</b><br/>Jan 1 2024</p> |
| <p><b>Professional requirements</b></p> <ul style="list-style-type: none"> <li>• PY</li> <li>• Exam</li> <li>• Annual CPD</li> <li>• Code of Ethics</li> </ul> | <p><b>RPL options likely to be available in these two categories</b><br/>Professional designation programs, education and experience may attract RPL. FASEA would expect greater RPL credits to be available for advisers with formal qualifications.</p> |  | <p><b>Bridging Course subjects</b></p> <ul style="list-style-type: none"> <li>• Corporations Act (emphasis on Chapter 7 - Financial Services and Markets)</li> <li>• The FASEA Code of Ethics</li> <li>• Behavioural Finance Client and Consumer Behaviour, Engagement and Decision Making</li> </ul> |  |   |
|  | <p><b>Professional requirements for existing advisers</b></p>   |  | <p>Pass an exam by<br/><b>01/01/2021</b></p>  | <p>Annual CPD from<br/><b>01/01/2019</b></p>   | <p>Code of Ethics<br/><b>01/01/2020</b></p>   |



## FASEA standards development program to June 2019

The diagram below sets out the purpose and timelines of FASEA for each standard over the period.





### 3. Finance

FASEA began its operational life with a budget prepared by Treasury and constructed as part of the negotiations with funding entities. FASEA receives funding from eight contributors under a Funding Agreement which binds the following parties:

1. Australia and New Zealand Banking Group Limited ABN 11 005 357 522
2. Bendigo Financial Planning Limited ABN 81 087 585 073
3. Commonwealth Bank of Australia ABN 48 123 123 124
4. Macquarie Equities Limited ABN 41 002 574 923
5. National Australia Bank Limited ABN 12 004 044 937
6. Suncorp-Metway Ltd ABN 66 010 831 722
7. Westpac Banking Corporation ABN 33 007 457 141
8. AMP Limited ABN 49 079 354 519

The Funding Agreement is based on a formula to calculate amounts due per quarter from each funder based on relative adviser numbers. Total funding provided is \$3.9m per year. The budget for FY18 and FY19 is set out in the table below:

#### FASEA

| <b>Annual Budget</b>                                | <b>FY18</b>      | <b>FY19</b>      | <b>FY20</b>      | <b>FY21</b>      | <b>Total</b>      |
|---|------------------|------------------|------------------|------------------|-------------------|
| <b>Income</b>                                       | <b>3,909,571</b> | <b>3,939,672</b> | <b>3,925,214</b> | <b>3,919,153</b> | <b>15,693,610</b> |
| <b>Expenses</b>                                     |                  |                  |                  |                  |                   |
| Board   | 494,061          | 603,341          | 603,341          | 603,341          | <b>2,304,084</b>  |
| Executive and support staff                         | 744,760          | 1,479,147        | 1,105,000        | 1,105,000        | <b>4,433,907</b>  |
| Standard overheads                                  | 361,540          | 520,330          | 655,942          | 679,942          | <b>2,217,754</b>  |
| Setting education standards and accrediting courses | 0                | 117,612          | 0                | 0                | <b>117,612</b>    |
| Exam  | 0                | 1,976,000        | 1,952,000        | 1,952,000        | <b>5,880,000</b>  |
| Setting Professional Year and CPD standards         | 0                | 50,000           | 0                | 0                | <b>50,000</b>     |
| Developing the Code of Ethics                       | 0                | 25,000           | 0                | 0                | <b>25,000</b>     |
| Efficiency dividend and indexation                  | 0                | 0                | 0                | 0                | <b>0</b>          |
| <b>Total expenses</b>                               | <b>1,600,361</b> | <b>4,771,430</b> | <b>4,316,283</b> | <b>4,340,283</b> | <b>15,028,357</b> |
| <b>Net surplus/(deficit)</b>                        | <b>2,309,210</b> | <b>-831,758</b>  | <b>-391,069</b>  | <b>-421,130</b>  | <b>665,253</b>    |
| <b>Closing bank balance</b>                         | <b>2,607,318</b> | <b>1,626,741</b> | <b>1,235,673</b> | <b>814,543</b>   | <b>814,543</b>    |