



Financial Adviser Standards and Ethics Authority

Consultation Paper 3: Financial Adviser Examination

CONSULTATION OPEN

FASEA invites submissions on the guidance contained in this document in relation to the financial adviser examination as per s 921B(3) of the Corporations Amendment (Professional Standards for Financial Advisers) Act 2017.

We invite you to provide written submissions and/or comments to FASEA through our dedicated consultations address (consultation@fasea.gov.au) by 31 July 2018.

FASEA also intends to run forums with representatives of different stakeholder groups.

1. Introduction and Background

The Financial Adviser Standards and Ethics Authority (FASEA) was established on April 11, 2017 under the Corporations Amendment (Professional Standards for Financial Advisers) Act 2017 to set the education, training and ethical standards for financial advisers. FASEA is established as a Commonwealth Company under clause 8 of the constitution and operates on a not for profit basis.

On 13 June 2017, FASEA was declared as the standards body under the Corporations Act 2001.

FASEA is responsible for setting the education, training and ethical standards of financial advisers, licensed under Australian law.

The Board of FASEA Ltd was appointed by the Minister for Revenue and Financial Services, the Hon Kelly O'Dwyer MP on 10 April 2017. Further information on the Board membership can be found on the [FASEA Website – about us](#).

2. Purpose of the Exam

The examination is an essential component of the educational qualifications and standards that all financial advisers are required by law to pass before they can provide personal financial advice to retail clients. The pass requirement is intended to ensure consistent, minimum professional standards of education and competency apply to financial advisers nationally.

The examination assesses applied knowledge, which forms a significant basis of competence in the profession. The examination is not the sole test of a practitioner's competence to provide financial advice, however failing to pass the exam means that an individual cannot be authorised to provide personal financial advice to retail clients.

Financial advisers that are registered as Authorised Representatives prior to 31 December 2018 on ASIC's Financial Adviser Register, will be required to pass the exam before 1 January 2021.

From January 2019 and on an ongoing basis, individuals that are new entrants or returning to the industry are required to pass the exam after they have completed their tertiary degree, and before commencement of their Professional Year.

3. Curriculum

The exam allows candidates to demonstrate professional reasoning and apply knowledge acquired. Although the questions can rely on a factual knowledge base, the examination relies more on the application of that knowledge to actual financial advice scenarios.

The questions are designed to test the application of financial adviser knowledge appropriate for candidates at AQF 7 level of reasoning.

The examination examines:

- Corporations Act (emphasis on Chapter 7 - Financial services and markets)
- The FASEA Code of Ethics
- Behavioural Finance: Client and consumer behaviour, engagement and decision making
- Financial Advice Construction – suitability of advice aligned to different consumer groups
- Applied ethical and professional reasoning and communication

Consultation Questions:

3.1 Do you agree with the scope of the proposed examination?

3.2 Is the proposed scope of the exam appropriate for new entrants and existing advisers?

4. Examination Format

We propose that a bank of questions for the exam will be developed that contains both selected and written responses and will be randomised for different examinations with questions rotated, retired and added to on a regular basis.

Thus, the examination will contain a mix of:

1. Selected response style questions e.g. Multiple Choice with a majority case study style questions
2. Written response style questions e.g. Case study style – short answer and report writing questions

The exam allows candidates to demonstrate professional reasoning. Although the questions can rely on a factual knowledge base, the proposed examination relies more on the application of that knowledge to actual financial advice scenarios.

Indicative number of questions

FASEA proposes a total of 75 questions in the examination, split between a maximum of seventy (70)

selected response questions and a minimum of five (5) written response questions.

Questions are of different value and the value of each question will be identified on the examination paper. FASEA is considering a different set of questions for the New Entrant exam given the timing of the exam for these candidates.

We propose that there be no deduction of marks for incorrect answers and thus candidates will be encouraged to attempt all exam questions. Test questions will be changed regularly so candidates who will be required to resit the exam will get a different set of questions.

Proportion of questions testing each domain of the curriculum

The examination is proposed to comprise questions testing the following components of the curriculum:

1. Corporations Act (emphasis on Chapter 7 - Financial services and markets) – 30%
2. The FASEA Code of Ethics – 15%
3. Financial Advice Construction – suitability of advice aligned to different consumer groups – 20%
4. Behavioural Finance: Client and consumer behaviour, engagement and decision making – 10%
5. Applied ethical and professional reasoning and communication – 25%

Duration

The duration of the examination is expected to be between 3 to 4 hours, driven by the final parameters of the exam (number and mix of type of questions) and outcomes from the pilot.

Marking

FASEA proposes a scaled passing score of 65%. The scaled passing score is FASEA's view of the minimum level of applied knowledge required for independent practice as a Financial Adviser. Raw scores (the total number of answers that were correct) will be arithmetically converted to a scale that ranges from 0 to 100 that takes into consideration differences in difficulty among different versions of the tests.

FASEA proposes that candidates will need to achieve the overall pass mark. In addition, a pass mark of 75% is required to pass the Code of Ethics knowledge area, all other areas require a 50% pass mark all of which will be scaled to calculate the overall scaled pass mark.

Adjusting scores will ensure that the passing score will remain the same, even if different versions of the test vary in difficulty. This ensures that candidates will not be penalised if a test is harder or given an unfair

advantage if a test is easier.

The examination and pass rates will be moderated by an expert panel. Publication of examination results will be online with the timeframe for this driven by the number and type of questions in the examination. We anticipate this will be between 4 and 6 weeks.

Consultation Questions:

- 4.1 Is the type and mix of questions proposed for the exam appropriate (i.e. selected vs written)?
- 4.2 Is the curriculum proposed to be covered appropriate?
- 4.3 Is the proposed duration of the exam appropriate?
- 4.4 Is the proposed overall scaled pass mark of 65% and the additional individual knowledge area pass requirements appropriate? Should the Code of Ethics knowledge area pass mark be set at 75% or other level and the other knowledge areas at 50% or other level?

5. Sitting the Examination

To be eligible to sit the examination, candidates must:

- Be registered on the Financial Adviser Register prior to 31 December 2018 (be an Existing Adviser), OR
- Have completed an approved qualification and intend to be registered as a 'provisional relevant provider' after 1 January 2019, OR
- Have completed a course of study overseas that is assessed by FASEA as substantially equivalent to an approved qualification, and be seeking registration as a Financial Adviser in Australia, OR
- Previously held registration as a Financial Adviser in Australia and are now intending to return to practice after more than 5 years without practicing, or
- Been directed to sit the examination by a Code Monitoring Body, or by a panel or tribunal

It is expected that individuals will have the ability to apply for a resit in exceptional circumstances (e.g. Illness). In addition, we propose that individuals will be able to sit the exam for a maximum of 2 resits, of which there will be a defined period between each resit.

For Existing Advisers we intend to pilot the exam in the first half of 2019 with full availability from mid 2019.

For New Entrants we intend to have the exam available from January 2019.

Delivery Mode

FASEA expects that delivery of the exam will be in face to face locations in all capital cities, with the option of digital for delivery of the exam to individuals in remote areas, or unable to travel to the physical locations. All delivery modes are expected to be invigilated.

The proposed timetable of examination dates will be published on FASEA's website, along with registration procedures. Examinations are proposed to be scheduled as per the following:

- Existing Advisers – monthly from mid 2019 until December 2020 in capital cities and less frequently in regional centres with a possibility of digital invigilation options for regional and remote areas.
- New Entrants - at least four times per year.

Exams will be made available in the capital city of each state and territory of Australia.

Consultation Questions:

5.1 Is the proposed number of resits appropriate?

5.2 Is the proposed mode and frequency of delivery appropriate?

6. Examination logistics

FASEA will engage specialist services providers for the development and delivery of the examination. An EOI for this, leading to an RFP, was released on 7/06/2018.

Candidates will be required to complete a registration processes including payment processing.

Candidates will be required to bring their booking receipt and two pieces of identification, including photo ID to the examination centre to be able sit the examination. We envisage a variety of security processes in place at venues.

Candidates will not be permitted any reference material (electronic or hard copy) during the examination. Mobile phones and other equipment (including pens and paper) must not be taken into the examination. Access to the internet will not be permitted in the examination rooms or in the examination waiting areas.

Failure to comply with any rule or instruction by an adjudicator or supervisor will be regarded as a breach of discipline and may lead to exclusion from the examination and the candidate deemed to have failed. More serious breaches of examination rules or security may result in disciplinary or criminal action.

7. Additional needs

Candidates with a disability or other special needs will be able to request support to provide appropriate

assistance to allow them to sit the examination. Special needs requests need to be made in writing to the National Examinations Coordinator a minimum of thirty days in advance of the intended examination date and/or at the time of registration.

Candidates with special needs will be provided with facilities to support the following.

1. **Mobility** condition: all exam centres have wide passages, wheelchair access, accessible toilets and adjustable desks.
2. **Visual impairment**: the examination can be delivered with larger fonts and higher contrasting colour, and reader assistance.
3. **Hearing impairment**: site support can be provided to ensure that invigilators can communicate instructions in a satisfactory manner.
4. **Other mental or physical impairment**: other impairments, supported by appropriate documentation, are addressed case-by-case.

Consultation Questions:

7.1 Are the proposed arrangements in relation to additional needs appropriate?

8. Special consideration

Special consideration is available to candidates who are unable to sit or complete an examination due to exceptional circumstance beyond their control. Candidates may be given an opportunity to re-sit the examination at the next available date without incurring additional examination fees.

Applications for special consideration in exceptional circumstances:

- Will only be accepted from eligible candidates
- Will not be approved unless there are exceptional circumstances beyond the control of the candidate, such as:
 - acute illness (such as hospital admission, onset of serious illness);
 - loss or bereavement (such as death of a close family member);
 - hardship or trauma (such as being victim of crime, severe disruption to domestic life);
 - unforeseen call-up for service (such as military service, court appearance, jury service, emergency service); or
 - computer malfunction at the examination centre; or
- Must be supported by convincing evidence of the exceptional circumstances, such as:
 - medical certificate;
 - death certificate;
 - police report;

- statutory declaration;
- examination centre report; or
- evidence of requirement to attend court, jury service, military service, emergency service.

All applications must be submitted in writing within 14 working days of the date of the examination (depending on the nature of the request).

Consultation Questions:

8.1 Are the proposed arrangements in relation to special consideration appropriate?

9. Learning/Study Materials

FASEA may publish a recommended reading list to guide candidates preparing for the examination on the FASEA website. The reading list is recommended but not mandatory and there are many publicly available resources that complement those in the list.

FASEA does not intend to provide examination preparation courses.

Candidates preparing for the examination should use their judgement about how to prepare and consult their supervisor in designing a plan of study based on the curriculum.

MAKE YOUR SUBMISSION

Your feedback and submissions on this consultation paper will assist the Standards Authority to finalise the development of the examination for financial advisers.

Submissions must be provided in writing to our dedicated consultation address
(consultation@fasea.gov.au).

Due date for submission: 5pm 31 July, 2018

Consultation interests of FASEA

We encourage you to provide feedback on any aspect of the proposed examination. The Standards Authority is interested in your specific feedback on:

S3 Exam Scope & Curriculum

Proposal: FASEA Proposes the exam allows candidates to demonstrate professional reasoning and apply knowledge acquired to actual financial advice scenarios at AQF7 level. Skills to be examined are detailed in Section 3.

Questions: S3.1 Do you agree with the scope of the proposed examination? If not, why not?
S3.2 Is the proposed scope of the exam appropriate for new entrants? If not, why not?
S3.3 Is the proposed scope of the exam appropriate for existing advisers? If not, why not?

S4 Exam Format

Proposal: FASEA proposes the following parameters:

- A total of 75 questions - split between a maximum of seventy (70) selected response and a minimum of five (5) written response questions
 - Proportion of questions testing each domain of the curriculum
 - The duration of the examination is expected to be between 3 to 4 hours
 - A scaled passing score of 65% overall and a minimum pass mark in each knowledge area
- Further details in Section 4.

Questions: S4.1 Is the type and mix of questions proposed for the exam appropriate (i.e. selected vs written)? If not, why not?
S4.2 Is the curriculum proposed to be covered appropriate? If not, why not?
S4.3 Is the proposed duration of the exam appropriate? If not, why not?

S4.4 Is the proposed overall scaled pass mark of 65% and the additional individual knowledge area pass requirements appropriate? Should the Code of Ethics knowledge area pass mark be set at 75% or other level and the other knowledge areas at 50% or other level?

S5 Sitting the Exam and Delivery Mode

Proposal: FASEA proposes that the:

- Candidate meets the relevant criteria to be able to sit the exam.
- Candidates have a maximum of 2 resits per individual with a defined period between each resit. In addition, candidates can apply for a resit in exceptional circumstances.
- Exam will be in face to face locations, with the option of online delivery with periodic availability to a set timetable

See section 5 for more details.

Questions: S5.1 Is the proposed number of resits appropriate? If not, why not?

S5.2 Is the proposed mode and frequency of delivery appropriate? If not, why not?

S7 Additional Needs

Proposal: FASEA proposes that candidates with a disability or other special needs will be able to request support to provide appropriate assistance to allow them to sit the examination. See section 7 for more details.

Question: S7.1 Are the proposed arrangements in relation to additional needs appropriate? If not, why not?

S8 Special Considerations

Proposal: FASEA proposes Special consideration is available to candidates who are unable to sit or complete an examination due to exceptional circumstance beyond their control with All applications submitted in writing within 14 working days of the date of the examination (depending on the nature of the request).

Questions: S8.1 Are the proposed arrangements in relation to special considerations appropriate? If not, why not?

Information about you

It will assist FASEA to understand who has provided submissions and the type of environment you might work in.

Please provide: your name, your role (job title), your role in making the submission (e.g. financial adviser, licensee, client etc.).

You may also advise if you want your submission (or parts of it) to be treated as confidential. FASEA intends to publish all non-confidential submissions on its website and the names of those who submit confidential submissions (but not their submission).

We understand that you may have specific questions from the proposed guidance. We invite you to provide your submission and feedback through this process and advise that we will not be able to respond to individual questions and queries. All feedback received to that email address will be collated for consultation and may also assist FASEA in the development of FAQs that will be progressively updated on our website – www.fasea.gov.au.