



Abacus
Australian Mutuals

Association of Building Societies and Credit Unions

25 September 2007

Mr Jesse Vermiglio
Lawyer, Regulatory Policy
ASIC
GPO Box 9827
Melbourne VIC 3001

By email: policy.submissions@asic.gov.au

Dear Mr Vermiglio

Consultation Paper 88: Reviewing and updating RG 146

Thank you for the opportunity to contribute to ASIC's review of *Regulatory Guide 146: Training of financial product advisers*. Thank you also for the invitation to take part in ASIC's Roundtable discussion on 17 October 2007, where Luke Lawler (Senior Adviser Public Affairs) will be our industry's representative.

Abacus – Australian Mutuals is the industry association for all Australian credit unions and mutual building societies. Abacus draws together the representation activities of the former Credit Union Industry Association (part of Cuscal Ltd), National Credit Union Association and Australian Association of Permanent Building Societies. For more detail on Abacus and its members, see www.abacus.org.au.

Credit unions and mutual building societies provide banking and other financial services to four and a half million Australians and are:

- Authorised Deposit-taking Institutions (ADIs) subject to the *Banking Act 1959* and APRA regulation as ADIs;
- Australian Financial Services Licensees subject to the *Corporations Act 2001* and ASIC financial services regulation;
- lenders regulated under the *Uniform Consumer Credit Code*;
- subscribers to the *Electronic Funds Transfer Code of Conduct*; and
- reporting entities subject to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act).

As member-owned ADIs, credit unions and mutual building societies aim to provide excellent personal service and to protect and promote the interests of their customers.

Abacus welcomes ASIC's proposals to adopt a less prescriptive approach to training requirements for simpler products.

Before commenting on specific proposals, we wish to stress our view that AFS licensees should be permitted to make their own decisions about how to meet their obligations to ensure their staff are adequately trained and competent.

In our sector alone, there are 148 mutual ADIs with considerable diversity in size, business model and customer base. We have local, regional and national institutions, and institutions with and without branch networks. We have institutions whose members are drawn from a profession or particular industry and others that are community based. On asset size, we have institutions ranging from over \$5 billion in funds under management, to smaller ADIs with assets under \$10 million. Each of our institutions meets the full range of prudential and other regulatory requirements, and are primarily dealing in lower risk banking products and financial services.

In terms of training requirements, one size does not fit all. Reflecting the diversity of the financial services sector, Abacus believes that individual institutions are best placed to determine the most effective process for meeting their staff training and competency obligations as AFS licensees.

ASIC's views on training requirements for advisers on Tier 2 products should be expressed as high-level, non-compulsory guidance rather than as detailed, prescriptive minimum standards.

The prescriptive approach taken in RG 146 should apply only to advisers on more complex, riskier products that are subject to market volatility.

Abacus objects to the comment in ASIC's Consultation Paper 88, at paragraph 19, that ASIC needs to balance the benefits to licensees of reduced training for Tier 2 product advisers against the potential detriment to consumers.

The benefits of more flexible and less prescriptive regulatory requirements will flow to consumers because it is consumers who ultimately bear the cost burden of regulatory compliance in the prices they pay for financial products and services. This is particularly the case for members of mutual financial services providers.

Better regulatory outcomes will also improve the market for consumers as fewer licensees opt for the 'no advice' business model. As advised to you in our 3 May 2007 letter, a number of our member organisations have adopted the 'no advice' model, partly due to the imposition of excessive and complex RG 146 training requirements for well-understood products.

ASIC's current prescriptive approach means, for example, that an adviser selling any general insurance product would need training that specifically covers:

- generic knowledge, including knowledge of "government monetary and fiscal policies";
- insurance knowledge, including "characteristics and participants of the Australian insurance market";
- specialist knowledge, including "types of general insurance products/policies" and "product development"; and
- skills training, based on the skills required of a financial planner.

We have not seen any case whatsoever for this level of prescription and associated regulatory compliance costs. RG 146 predates the FSR regime and - despite numerous updates - it shows. RG 146 is based on a financial planner training template that does not suit advisers on simpler products and places unrealistic knowledge obligations on staff of licensees without a link to actual consumer benefit.

Proposal B1

Abacus supports removing the generic knowledge requirements for courses covering Tier 2 products and allowing licensees to self-assess courses for advisers on Tier 2 products.

We argue that licensees should be free to decide on how to meet their clear obligations to have adequately trained and competent representatives. This approach would reduce compliance costs. Lower costs for mutual ADIs are passed on in lower prices and benefits for members.

To illustrate the benefits that would flow from adoption of Proposal B1(b), an example of feedback from Abacus members is included below:

“At present we supply non-compliant staff with a self-paced workbook which they complete within the first three months. Once the staff member is deemed competent by a qualified workplace assessor their results are forwarded to our Registered Training Organisation (RTO) who then issue the RG 146 compliant Statement of Attainment. This award certifies that the staff member has met the requirements of RG146 and can therefore provide general advice on BD and NCP products.

“This process costs us a significant amount given:

- a) the time spent by the assessor reviewing the workbook and facilitating the assessment;*
- b) the time spent by the L&D Consultant in confirming the assessment and liaising with the RTO;*
- c) the retail cost of the RTO issuing the qualification; and*
- d) the risk associated with losing certificates.*

“Having the ability to manage the assessment process in-house would reduce our need to involve an external party in this process. The result would be an anticipated saving which can be invested back into the learning and development program. This money could be used to offset the costs associated with acquiring a web-based module which would, in turn, reduce the amount of time spent in both training and assessment. Self-assessment would not reduce the quality of the training provided to staff, nor would it place consumers at any greater risk; rather it would allow us to have greater control over the assessment process and reduce the overtime time it takes to get non-compliant staff up and running.”

Abacus endorses ASIC’s aim to facilitate flexible and cost-effective implementation of training of financial product advisers. We urge ASIC to adopt both proposals and to go further by withdrawing all detailed prescription about training requirements for Tier 2 product advisers.

Please don’t hesitate to contact me on 02 8299 9046 or Luke Lawler on 02 6232 6666 or llawler@abacus.org.au to discuss any aspect of this submission.

Yours sincerely



LOUISE PETSCHLER
Head of Public Affairs