

14 December 2018

Stephen Glenfield CEO FASEA  
Financial Adviser Standards and Ethics Authority

Email: [consultation@fasea.gov.au](mailto:consultation@fasea.gov.au)

Dear Sir

## **Relevant Providers Degrees, Qualifications and Courses Standard Legislative Instrument**

Thank you for the opportunity to participate in the consultation process.

The Actuaries Institute (the Institute) is the sole professional body for actuaries in Australia. It currently represents the interests of nearly 5000 members, including 3000 actuaries, and its members have a long history of providing personal financial product advice to certain retail clients.

On 6 July 2018, as part of previous consultation, the Institute wrote requesting a meeting with FASEA to discuss the relevance and applicability of actuarial degrees to the Education Pathways framework. We would welcome ongoing dialogue on these issues.

The detail of our submission is set out in the attachment and relates to FPS001. A summary follows.

The Institute is supportive of key elements of FPS001:

- The New Entrant (Career Changer) - Postgraduate pathway that would allow new actuaries to become advisers by completing an eight subject Graduate Diploma, with the possibility of higher education providers granting some recognition for prior learning (RPL).
- The Existing Adviser – Relevant degree pathway recognising degrees that contain at least eight subjects in designated fields. We expect this will cover many university actuarial subjects.
- The Existing Adviser – Non-relevant/Other degree pathway allowing RPL for professional designations. We would like to work with FASEA to ensure the actuarial qualification is recognised for this purpose.

We believe that under FPS001 it would be appropriate for:

- The Existing Adviser – Relevant degree pathway to:
  - Include “actuarial” as a designated field of study for the eight-subject requirement.
  - Require the completion of only three bridging subjects, excluding the one FASEA approved subject.

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- The Existing Adviser – Non-relevant/Other degree pathway to:
  - Include the actuarial professional designation as RPL.
  - Allow FASEA to approve the same bridging subject requirements as for those with relevant degree pathway for approved RPL. It is hoped that the actuarial qualification could be included for this purpose.

It is noted that many actuaries provide personal financial product advice only in areas in which actuaries specialise such as superannuation and insurance. This advice would generally only be captured by the new standards for advisers where it is provided to employers or to trustees of small superannuation funds, which are classified as retail clients.

The Institute believes that it would be appropriate for actuaries to be able to provide personal advice in these prescribed areas without meeting all the adviser education requirements and has separately raised this with ASIC. Some actuaries also do provide traditional personal financial product advice to individuals and we consider it appropriate that such actuaries be required to meet the same education standards as other advisers who provide personal advice to individuals.

We would appreciate the opportunity to continue our discussions with you about the circumstances of actuaries.

Yours sincerely

Barry Rafe  
President

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## Attachment

### Background

The actuarial profession has a long history of providing specialist advice on superannuation and insurance matters to employers and superannuation fund trustees. Under financial services legislation some of this advice is now classified as personal financial product advice where it is provided to an employer or trustees of a small superannuation fund, which are classified as retail clients. Some actuaries also provide personal financial product advice to individuals.

It is legislated that certain types of advice, which may be classified as personal financial product advice to retail clients, must be provided by one of our members. This recognises the specialised and unique training and experience that actuaries have. For example, certain advice provided by actuaries to employer sponsors of defined benefit superannuation funds is classified as personal financial product advice to retail clients. This can be the case even when employers are State or Territory Governments

In order to be legally permitted to continue to provide advice that is now classified as personal financial product advice to a retail client, many actuaries have become authorised representatives of an Australian Financial Services (AFS) licensee. They may have met the educational requirements to be an authorised representative by virtue of having completed an actuarial subject that has been approved for RG146 purposes, or because they have completed other additional study. Actuaries often provide advice as employees of an entity that holds an AFS License (or an associated entity). Of course, all actuaries are also required to abide by the Institute's Code of Professional Conduct and have a duty under the Institute's Continuing Professional Development to maintain professional knowledge and skill at a level required to ensure that the recipient receives services that are competent and professional.

The proposed new education standards for the provision of personal financial product advice to retail clients will also apply to actuaries unless an exemption applies. An exemption could apply both in respect of legislated actuarial roles and other areas in which actuaries specialise.

Today, the usual pathway to become an actuary is to complete a relevant university degree (which provides exemptions from many of the Institute's professional qualification requirements) followed by completing those parts of the Institute professional designation for which no exemptions are available. However, many actuaries obtained their qualifications prior to or via alternative pathways to the university actuarial subjects, typically by completing a series of courses offered by the Institute as part of achieving the Institute professional designation. Often these actuaries commenced their studies with mathematics or economics degrees although some actuaries came to the profession with other degrees.

It is only a small subset of actuaries who are likely to be required to provide personal financial product advice to retail clients as part of their specialist actuarial role.



The Institute has reviewed the draft documents that are contained under the heading Relevant Providers Degrees, Qualifications and Courses Standard Legislative Instrument. Our comments relate to FPS001, Educational Pathways Policy.

### **New Entrant Educations Pathways**

The Institute is supportive of the New Entrant (Career Changer) – Postgraduate pathway as well as the ability of higher education providers (HEP) to approve RPL.

Currently the actuarial courses offered by HEP are not approved degrees and at this stage it is likely that this will remain the case. The degrees are designed to prepare students to become actuaries working in our specialist areas of expertise rather than financial advisers. While the degrees include significant relevant content (legal, accounting, economic, finance, tax and actuarial subjects) their focus is not on the provision of personal financial product advice to individual retail clients. Most actuaries are never likely to be required to provide personal financial product advice. For example, actuaries working for a life insurance company or general insurance company or for the Trustee of a large superannuation fund are unlikely to be required to provide such advice.

It is only a small subset of future actuaries who are likely to be required to provide personal financial product advice to retail clients as part of their specialist actuarial role and the HEP are not expected to update their actuarial courses to enable them to be approved by FASEA given the relatively small numbers.

If a limited exemption is not available for our members from ASIC, the postgraduate pathway will be an additional educational requirement for the relevant actuaries who are already completing university degrees and a professional designation that generally requires several years of additional study. We would advocate that the postgraduate path be as simple as possible and enable relevant prior learning to be recognised.

### **Existing Adviser – Relevant Degree Pathway**

The Existing Adviser – Relevant degree pathway recognising degrees that contain at least eight subjects in designated fields. We expect most university actuarial<sup>1</sup> courses would meet this requirement and it will apply to many of our members who have become actuaries in the last 20 or so years. The Institute supports this approach and believes it is more appropriate than the previous draft requirement that required a significant major in one of the listed areas. This is because actuarial courses will generally include the eight required subjects but may not include a significant major in any of them.

While the Institute requires subjects from within the already listed subject areas to be included within actuarial degrees, there may be, or have been, actuarial courses that do not meet the minimum subject requirement. The Institute requests that FASEA include “actuarial” as a designated field of study for inclusion in the eight-subject requirement.

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<sup>1</sup> Actuarial courses include accounting, economics and finance subjects. It is assumed that financial mathematics subjects would be included in the 8 subjects.



Actuarial subjects are relevant for the provision of financial product advice, particular to the employer and other retail clients to whom actuaries typically provide advice, because they teach:

- How to manage uncertainty and risk in financial markets;
- The mathematical modelling of financial outcomes and risks;
- About financial products, particularly superannuation, life and general insurance; and
- The pricing of financial products.

FPS001 proposes that those with relevant degrees complete a further four subjects, including a FASEA approved unit (Financial Advice Capstone subject). The Institute does not consider this fourth subject to be necessary for actuaries as it makes the process for existing advisers to continue to provide personal financial product advice to retail clients unnecessarily onerous. These advisers already will have extensive relevant education and experience.

### **Existing Adviser Non-Relevant/Other Degree Pathway**

Many actuaries, particularly those who studied over 20 years ago, will be in this category.

The Institute welcomes the ability for RPL to be provided for professional designations. We believe it would be appropriate for this to apply for the actuarial qualification and would appreciate being able to work with FASEA to have this confirmed.

Draft FPS001 requires the completion of five subjects where RPL for a professional designation applies. This is more onerous than the requirement for those with relevant degrees, and the Institute believes that for our members this should not be the case. The Institute believes FASEA should be able to grant the same RPL exemptions as apply for those with relevant degrees.

Because university actuarial subjects did not generally exist prior to the 1990s, many of the most experienced actuaries in the financial services industry have non-relevant degrees. Many of these actuaries are aged in their 50s or 60s and are often in senior positions. The Institute believes that for the small subset of these actuaries who provide a specialist type of personal financial product advice to retail clients that are employers or the trustees of small superannuation funds their education and experience mean that they are very well placed to provide a high standard of quality advice.

These actuaries are also subject to the same code of conduct and other standards as all other actuaries as members of the Institute. The Institute fears that some of these older senior actuaries will choose to cease to service these clients rather than meet the new education requirements late in their careers. The Institute believes this would be to the detriment of those clients, particularly those clients in the speciality areas where actuaries practice, and the financial services sector more generally.