

# FINANCIAL ADVISERS TO GO BACK TO SCHOOL AS PART OF INDUSTRY REFORM

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Legal Briefings - By **Michael Vrisakis**, **Alison Wheatley** and **Tamanna Islam**

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New financial advisers will be required to hold a relevant degree, and all advisers will need to pass an exam and follow a Code of Ethics as part of the industry reform that aims to improve the professional, ethical and educational standards of financial advisers.

The [Corporations Amendment \(Professional Standards of Financial Advisers\) Bill 2016](#) was passed by Parliament on 9 February 2017. It amends the Corporations Act to implement the Federal Government's reforms announced in 2016. The Bill has been welcomed by industry, which has stated that the reforms will improve investor confidence in the system and bring financial advice in line with other professions.

The higher standards will only apply to financial advisers who provide personal advice to retail clients in relation to complex financial products (financial products other than basic banking products, general insurance products, consumer credit insurance, or a combination of these).

The reforms enable the establishment of a Commonwealth standard setting body to govern the professional standards of the financial advice sector. The body will set educational requirements, develop and set an exam and create a uniform Code of Ethics for the industry.

The reforms will require:

- new advisers to hold a relevant degree before they commence the supervision year and to sit the mandated exam; and
- existing advisers to pass the mandated exam by 1 January 2021 and obtain a standard

equivalent to a degree by 1 January 2024 (“transitional provisions”).

The new requirements will commence on 1 January 2019. The Code of Ethics will commence on 1 January 2020.

The Minister for Revenue and Financial Services Kelly O’Dwyer stated that “The Government is delivering on its ambitious financial sector reform agenda to improve consumer outcomes in the financial services industry. A Royal Commission will not benefit consumers, will take years to complete and will cost the Australian taxpayers millions of dollars.”

Once the reforms are bedded down, the Government will focus on developing and implementing an industry funding model for the standards body.

The Bill is now awaiting Royal Assent.

For information regarding possible implications for your business and for assistance in preparing your business for these changes, contact a member of the [Herbert Smith Freehills team](#).

*This article was written by Tamanna Islam, Solicitor, Sydney.*



## KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



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