

Code puts CPD cat amongst the pigeons

David Maida | financialalert | 07 November 2013

The Code Committee is currently reviewing final submissions on proposed changes to the Code of Professional Conduct for Authorised Financial Advisers. Structured Continuing Professional Development is shaping up as the hot potato, with the way in which advisers are accredited CPD hours set to change significantly.

David Ireland, Code Committee chair told financialalert he thinks proposed changes to CPD will make things better for advisers.

The current Code mandates advisers must complete 20 hours of structured and 20 hours of unstructured CPD over two years, along with any other training necessary to achieve the appropriate knowledge, competency and skill. The new Code replaces that 40 hours with 30 hours of structured CPD over two years, doing away with the concept of unstructured CPD.

So no matter what level of skill an AFA has attained, they will still need to identify 30 hours' worth of structured CPD to assist their professional development every two years.

"The definition of structured [hours] in the new version of the Code is quite a bit more flexible than the current concept of structure," Ireland said. "It's very clearly personalised to the individual AFA."

Structured CPD will be defined by an adviser's own personalised professional development plan (PDP) rather than through any particular provider. This creates a situation where two AFAs can be sitting next to each other at the same CPD program, but only one of them claim it as structured CPD.

"It's not structured if it does not form part of your PDP, if you haven't identified it as a learning need and you're just going out of interest or to supplement your knowledge," Ireland explained.

Ireland said advisers who are just starting out and struggling may undertake 500 hours of training in the period – although they need just make sure 30 of those meet the structured CPD requirement. The Code does not require that adviser to log all 500 hours – but Ireland said advisers should go ahead and record all their training.

Just what type of training can be claimed as structured CPD has also changed. Conferences and seminars no longer need to be accredited by a Delegated Assessment Organisation (DAO). In fact, a DAO no longer has a formal mandated role to play with regard to adviser CPD. "In the old world we had professional bodies/DAOs being, as of right, able to devise programmes and training that was within their programmes would be recognised as

structured training."

Now, such training will have to fit into each individual AFA's PDP to qualify as structured CPD. "The power is actually in the hands of the AFA to develop their professional development plan," Ireland said.

He went on to say that, if there is a conference run over a couple of days, advisers cannot simply claim it as a chunk of structured CPD unless everything presented at the conference was relevant to the adviser's PDP.

"If a session is not actually relevant and fit within your PDP then – no. The trick with it is actually saying how you define your PDP objectives and outcomes. That document is a living document," Ireland explained.

Of course, this means that the real trick is likely to be making the AFA's PDP broad enough to encompass all the appropriate content presented at conferences and seminars throughout each year. "It places the onus on the providers to make sure they are actually delivering training sessions that are going to be relevant to professional development needs of the advisers."

Ireland admits some changes to the Code will make professional bodies "work a little bit harder for their supper".

Nigel Tate, president of the Institute of Financial Advisers (IFA), said he welcomes some of the new requirements spelled out in the exposure draft version of the revised Code but objects to others. The idea that a course must be pre-planned into an adviser's PDP seems odd to Tate. He questions why a presentation should be deemed structured or not, based on the recipient.

"This is where I think they've got it wrong," Tate said. "They're saying that it's only structured if it not only meets all of the structured credit standards in terms of quality and quantity and assessment – but also happens to be in each individual's CPD plan," Tate told financialalert.

He said advisers should be able to do the CPD which meets their PDP – but the nature of a presentation as being structured or not should not be determined by an individual's PDP.

He also questions why the CPD period is two years while the PDP covers a one-year-period. "To say that you can't use something as structured because it's not in this year's plan when you can actually use it next year for the next two years, is flawed."

Also, the Code does not specify exactly who a subject matter expert or qualified educator is, Tate said. "The one thing we're seeking clarification on is how do they define these titles, which they haven't done yet."

For example, Tate warns that product pitches could be misused as structured credits. "For example, 'here is the best thing about our income protection policy, it does this and we're

going to test you at the end of it' is not structured credit."

The IFA only recognises CPD as counting toward its membership requirements if it has been pre-approved by the IFA's member learning and development manager, Andrew Gunn. "We will look at anything that's offered and if it meets all of our requirements, we'll recognise it absolutely," Tate said.

Tate also believes that doing away with the notion of unstructured CPD is a mistake. "A large part of learning that we get actually come from reading or listening to debate which doesn't meet the structured credit requirements but provides most practitioners with a lot of information."

He said unstructured CPD should be around the softer issues regarding giving financial advice rather than the technical academic training which would be structured.

He believes how advisers apply their knowledge is as important as the knowledge itself. Giving clear and concise advice is a skill which needs to be taught just as much as financial planning. "Just flipping the lid and pouring a lot in, to me, is not the best way to develop professionals. The best way, in my view, to develop professionals is, yes, to give them all of that information and knowledge – but then teach them how to use it."

Learning activities which do not count as structured CPD are still useful learning, he said – and he's concerned that doing away with the concept of unstructured CPD might devalue beneficial activity such as keeping up with the news.

David Greenslade, Strategi managing director, argues doing away with the idea of unstructured CPD is a good thing. "It's like saying to you as part of your employment: 'Good boy, you can claim for cleaning your shoes and ironing your shirt before you came to work.' You shouldn't have to get a reward for doing generic reading about the industry in which you operate in," Greenslade told financialalert.

For example, the current Code allows unstructured CPD for reading media articles – but Greenslade argues you have not achieved a certain standard for just keeping up and having an awareness of the world you operate in.

He also noted that, in addition to the absolute minimum of 30 structured CPD hours per two year period, advisers must always follow Code Standard 17 around having the knowledge, competency and skill regarding services provided.

No matter how many hours an adviser racks up, if the material is repetitive or irrelevant to the particular adviser, it's "nonsense".

"If we want to move from an industry to a profession then we've got to start thinking that professionals go beyond the call of duty. They will do whatever they need to do to have the highest standard possible to provide the best level of service in advice to the client,"

Greenslade said.

Strategi Institute is a Delegated Assessor Organisation (DAO) and a Tertiary Education Organisation (TEO). But Greenslade is not bothered by the latest draft of the Code which would allow advisers to obtain CPD from providers without these designations. "For an adviser to have certainty that their CPD is going to stand the test of time and not be overturned by the Financial Markets Authority (FMA) they should be moving to a provider with content that is defensible as it can possibly be."

Greenslade said the FMA will still require training providers to have skilled presenters with current and accurate content developed by industry experts. Any inferior upstarts would be short-lived, he said.

In fact, Strategi welcomes the elimination of the DAO requirement, Greenslade said. "For us, it's all about moving to the highest and the most defensible process you can be in. When you actually look at it, there's more responsibility put back on the adviser."

Under the new Code, advisers will be liable for ensuring their CPD fits their PDP, and enables them to provide better advice and have better client outcomes. "If they're just following the tick-box approach then they're going to leave themselves potentially open to criticism that their CPD is not meeting the standard."

The basic minimum of 30 structured hours per two year period should in no way be seen as a target, Greenslade warned, adding that's how many people view it. "If people think about it as a target, then 30 hours is not enough. When you actually read what they're proposing they're saying: 'A minimum of 30 structured hours plus whatever additional training is required in order to meet your knowledge, competency and skill requirements.'"

Greenslade said CPD needs to be viewed holistically in the spirit of the legislation and not just as a number. "The danger I see is if advisers don't look at the big picture, they compartmentalise CPD into little modules or components as opposed to saying that CPD is part of my overall professional development, it needs to be linked into my compliance reviews, it needs to be linked into the quality of the advice I provide my client and so on."

While there is no international standard for the amount of CPD advisers should undertake, the proposed 30 structured hours per two years is the same as what's required by the Financial Planning Standards Board which owns the global Certified Financial Planner (CFP) designation.

Noel Maye, CEO of Financial Planning Standards Board, told financialalert that CPD should be centred on training advisers to do things they can't already do which will directly benefit their clients. "Let's not make this a numbers chase. If you're getting your hour of CPD from the back of a magazine that told you the answers on page 12, ok that's an hour. Or is it that you go to a seminar with a seasoned professional and you engage in a dialogue that raises your

game?"

Maye said FPSB is going to review its 30-hour minimum because many CFPs are already doing more. Some countries are already requiring more, such as Indonesia which requires 40 hours every two years. "We've actually fallen a little bit behind what our own people are doing," May admitted.

He said CPD should be able to fulfil three basic principles. "Are you keeping up? Will your clients be better off? Will you be a better professional?"