THE FOUR POLICY PILLARS

The FPA has developed a set of policy principles, called 'Policy Pillars', that it believes will help improve transparency in the development of policy. Dante De Gori explains to ***Jayson Forrest*** how adherence to these four Policy Pillars will improve the integrity of the profession.

July 1 was a benchmark date for the FPA, moving from a member association to a professional body of individual practitioner members all working in the best interests of Australian consumers.

This transformation has provided the FPA with a unique opportunity in which to reposition its thinking and approach to how it formulates policy, and the extent to which members can be involved in the process.

To this end, the FPA, led by General Manager, Policy and Government Relations, Dante De Gori has developed a strategic policy framework – 'the Four Policy Pillars' - that is aligned to the FPA's new professional structure.

The Four Policy Pillars is structured around four key principles that must first be achieved in order for policy to be considered by relevant policy committees and finally, the FPA Board. Those four policy pillars are:

• It must be in the public's best interest;

• It must enhance professional practitioners;

• It must adhere to and improve on Government and regulatory requirements; and

• It must be aligned to the FPA's Code of Professional Practice.

While these policy pillars are not in any particular order of importance, De Gori emphasises that with the FPA's mandate from members to transition to a professional association, acting in the best interests of the public must always apply.

"Acting in the public interest is the difference between being a member association and being a professional body," says De Gori. "It is conceivable that a situation could arise where a policy has been proposed that conflicts between the public's interest and practitioners' interests, and then in these cases the public interest has to prevail."

Four Pillars

The key elements of the Four Policy Pillars are as follows:

1. Public Interest
As a professional association, all policy must be created in the public's best interest.

2. Professional Practitioner
All policy developed and approved must meet the interests of practitioner members in a way that helps to enhance the professionalism of planners and facilitate a sustainable business and advice offering to clients.

3. Government and Regulatory
Policy needs to contribute to creating efficient and effective regulation of the industry, without creating unnecessary regulation, duplication and additional 'red tape'. Policy should ideally minimise or remove existing regulation without compromising the integrity of what is best for the consumer.

4. Code of Professional Practice
This pillar clearly differentiates FPA members from other associations in the marketplace. The Code aligns members to a high standard of professionalism and integrity, which provides practitioners with a higher level of standing and trust within the community. Policy, therefore, needs to be fully consistent with the Code of Professional Practice to reinforce and support the behaviours that reflect good conduct.

Process

Before any policy can be ratified it must first be recommended to the FPA Board via its committee structure, including the Policy and Regulation committee and the Board Professionalism and Policy committee. However, De Gori adds that the FPA Board itself can directly initiate policy.

These committees consist of members of the FPA Board, practitioner members and relevant industry specialists such as compliance and legal professionals.

While policy can be developed directly by the FPA Board or developed through the main member representative committee structures, De Gori emphasises that any practitioner member can submit a policy for consideration. To this end, the FPA has developed a formalised one-page 'Policy – Submission Statement' (which is available for downloading at www.fpa.asn.au), which members can use to articulate their policy recommendation. Use of this 'Submission Statement' will enable practitioners to clearly map their policy recommendations to the Four Policy Pillars. Only by adhering to all four pillars will submissions be considered.

Once the submission meets the criteria of the Four Policy Pillars, will the policy be developed or altered (if it's an existing policy), then referred for consultation, discussed at committee level, and then a policy position drafted for the FPA Board for consideration. At this stage the FPA Board can either approve or reject the policy, or decide whether the policy should be sent to members for consultation.

— "The Four Policy Pillars process is a transparent framework whereby all member practitioners and key stakeholders can help shape existing and future FPA policy."

Dante De Gori

"When a proposed policy position is referred by the committees for broader consultation, the proposed policy will be published on the members-only section of the FPA website and communicated to members through the FPA's regular e-newsletter," De Gori says.

This wider consultation, says De Gori, may consist of a number of methods including workshops, discussion forums, surveys, written consultation, and through Chapter discussion groups.

The period of consultation with FPA members is dictated by the period of consultation provided by the Government or the regulator. However, where no time limit exists, consultation is at least 21 days from the date of its publication, except when the FPA Board or the committees consider that the policy should be issued as a matter of urgency. In this case, the period of consultation is at least seven days.

Transparency

De Gori is adamant that the Four Policy Pillars process will be as transparent as possible for members, such as being notified at what stage their submission was deemed unsuccessful and explained why, or that their policy recommendation has been approved.

"The Four Policy Pillars are designed to influence Government policy positions and produce more efficient and effective regulation of the financial planning industry, which benefits everyone involved, especially our members and their clients," says De Gori. "This in turn will help deliver professional respect, equality and recognition by the community, Government, media and our professional peers in other disciplines.

"I encourage all members to view the 'Strategic Policy Framework – the Four Policy Pillars' on the FPA website. The Four Policy Pillars process is a transparent framework whereby all member practitioners and key stakeholders can help shape existing and future FPA policy."

The Four Policy Pillars framework is currently in operation, having been approved at the 3 June FPA Board meeting, with the new committee structure also up and running.

For more information on the Four Policy Pillars, go to www.fpa.asn.au.

Upcoming issues of Financial Planning magazine will provide greater detail of each of the Four Policy Pillars and provide an example of how members can effectively map a submission to these pillars.

THE PUBLIC INTEREST PILLAR

The August issue of *Financial Planning* magazine outlined the principles of the Four Policy Pillars that will help improve the transparency in the development of policy at the FPA. This month, we showcase an example of how a policy can be formulated by adhering to the first of these principles – 'Public Interest'. Dante De Gori spoke to ***Jayson Forrest***.

Pillar 1 – Public Interest

Policy Example - Enshrining the Term Financial Planner

It has long been one of the FPA's key objectives to strengthen consumer protection by restricting the use of the term 'financial planner' to only those individuals who possess the relevant education qualifications, continuing professional development, competency, ethics and standards, and belong to a professional body recognised by the industry regulator.

According to FPA General Manager, Policy and Government Relations, Dante De Gori, the term 'financial planner' and 'financial adviser' are often used by the industry, government and consumers as interchangeable terms to describe a wide range of people advising on a myriad of financial matters, such as stock brokers, mortgage brokers, insurance brokers and real estate agents.

"Unfortunately, if a mortgage broker or real estate agent does something inappropriate, as financial professionals, we all get tarnished with the same brush," De Gori says. "All the good work that bona-fide planners do is then destroyed in the media by the actions of those who are not financial planners.

"That's why it's necessary that the FPA introduce policy and work with the Government to enshrine the use of the term 'financial planner' only to those practicing professionals who meet the required standards administered by a regulated body such as the FPA."

De Gori says it's only reasonable to expect if you're going to call yourself a 'financial planner', then you are able to actually deliver financial planning services.

In order to meet the first principle of the Four Pillars framework – Public Interest – in formulating policy for 'Enshrining the Term Financial Planner', De Gori says the policy needs to clearly demonstrate it is in the public's best interest. Fundamental to this is to properly define what it is financial planners do, compared to other types of financial advisers.

"At the FPA we have the six steps of financial planning that a financial planner needs to adhere to," De Gori says. "We also use the definition of financial planning as defined internationally by the Financial Planning Standards Board (FPSB), which is '*the process of developing strategies to assist clients in managing their financial affairs to meet life goals, which involves reviewing all relevant aspects of a client's situation across a large breadth of financial planning activities, including inter-relationships among often conflicting objectives*'."

Clarity

De Gori adds that by defining this holistic definition of what financial planning is (as defined by the FPSB), greater clarity is provided to consumers of what it specifically is that financial planners actually do. Better clarity over the term financial planner will substantially reduce consumer confusion over what it is financial planners do, compared to other types of financial advice givers. Therefore, clarity of definition is in the best interests of the public, which fulfils the first principle of the Four Pillars.

Expectation

With this clarity of definition of what it is a financial planner does, also comes a clearer understanding for consumers of the qualifications, education, continuing professional development, ethics, competency, and adherence to higher professional standards that financial planners must meet. These levels of professionalism can then be used by consumers to compare the level of competency of other types of financial advisers.

Confidence

Clearly defining the term 'financial planning' will provide consumers with greater confidence and better awareness of financial planning, which is in their best interest.

Four Pillars

The key elements of the Four Policy Pillars are:

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3. Government and Regulatory
Policy needs to contribute to creating efficient and effective regulation of the industry, without creating unnecessary regulation, duplication and additional 'red tape'. Policy should ideally minimise or remove existing regulation without compromising the integrity of what is best for the consumer.

4. Code of Professional Practice
The Code aligns members to a high standard of professionalism and integrity, which provides practitioners with a higher level of standing and trust within the community. Policy, therefore, needs to be fully consistent with the Code of Professional Practice to reinforce and support the behaviours that reflect good conduct.

"Once we have this clarity of definition enshrined in policy then we can communicate with confidence to the public and government that this is what financial planning means. So, if you see somebody who calls themselves a financial planner, then you know with confidence that they've got the right qualifications, they adhere to higher professional standards, and you know what they deliver in terms of services."

De Gori adds: "If you go and visit somebody who is not a financial planner, then whatever they call themselves – product adviser, product salesmen or whatever – then there should be some 'truth to labelling' as to what they do.

"We believe this will greatly benefit the Australian public by enabling them to know with confidence who they are dealing with."

In next month's issue, we will look at the second of the Four Policy Pillars – Professional Practitioner – and demonstrate how 'Enshrining the Term Financial Planner' was mapped to this principle.

THE PROFESSIONAL PRACTITIONER PILLAR

Following on from the past two issues of *Financial Planning* magazine, this month we look at the second pillar – Professional Practitioner – and how this principle can be used as part of the Four Policy Pillars in formulating policy at the FPA. Dante De Gori spoke to ***Jayson Forrest***.

Pillar 2 – Professional Practitioner

Policy Example – Enshrining the Term Financial Planner

In the September issue of *Financial Planning* magazine, we examined one of the FPA's key objectives - to strengthen consumer protection by restricting the use of the term 'financial planner' to only those individuals who possess the relevant education qualifications, continuing professional development, competency, ethics and standards, and belong to a professional body recognised by the industry regulator.

We looked at how the first of the Four Pillars principles – Public Interest – could be used in formulating policy for 'Enshrining the Term Financial Planner' by ensuring that the policy is created in the public's best interest.

This month we will examine the second of the Four Pillars principles – Professional Practitioner.

To ensure that the policy 'Enshrining the Term Financial Planner' meets this particular principle, it must first meet the interests of practitioner members in a way that helps to enhance the professionalism of planners and facilitate a sustainable business and advice offering to clients.

"This principle is not only about meeting the interests of our members," says FPA General Manager, Policy and Government Relations, Dante De Gori. "It's not meant to be a member serving benefit, but one that enhances their standing within the professional community. Therefore, by 'Enshrining the Term Financial Planner', it will provide practitioners with the professional recognition they are currently not getting."

Clarifying the definition of what it is a financial planner does, and the educational and professional standards they must adhere to, not only works in the best interests of consumers, it has a flow-on effect for practitioners. This is achieved by providing recognition of the professional competencies of financial planners compared to the myriad of other advice givers, such as mortgage brokers, insurance brokers and real estate agents.

Dante De Gori, FPA

"A clear definition accepted by government provides greater clarification to consumers of what it is a financial planner does, whereas now they're either confused or don't know," De Gori says. "The first two Pillars (Public Interest and Professional Practitioner) really exemplify this particular policy. By 'Enshrining the Term Financial Planner', it will enhance the professional recognition of FPA practitioner members within the community."

However, De Gori admits there is some crossover between the Professional Practitioner pillar and the Public Interest pillar.

"Obviously, the Public Interest pillar is purely consumer-centric, but this pillar does crossover to the Professional Practitioner pillar. That's because if a consumer can trust what the individual calls themself and understand what it means to be a financial planner, then that provides confidence and trust in the individual with whom they are dealing," he says.

"They know what it is a financial planner does and therefore have clear expectations, just as they would have with other professionals like an accountant or a lawyer. This will increase planners standing within the community."

De Gori believes that by fulfilling the Public Interest and Professional Practitioner pillars, it will help the FPA achieve some of its core mission objectives. "These are to help financial planning become a universally respected profession, and raise the professional standards and community standing of our members."

In next month's issue, we will look at the third of the Four Policy Pillars – Government and Regulatory – and demonstrate how 'Enshrining the Term Financial Planner' can be mapped to this principle.

Four Pillars

The key elements of the Four Policy Pillars are as follows:

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4. Code of Professional Practice
This pillar clearly differentiates FPA members from other associations in the marketplace. The Code aligns members to a high standard of professionalism and integrity, which provides practitioners with a higher level of standing and trust within the community. Policy, therefore, needs to be fully consistent with the Code of Professional Practice to reinforce and support the behaviours that reflect good conduct.

THE GOVERNMENT AND REGULATORY PILLAR

In the past two issues of *Financial Planning* magazine, we examined the first two pillars of the FPA's Four Policy Pillars, which are used to formulate policy at the FPA. This month we look at the third pillar – Government and Regulatory. Dante De Gori spoke to ***Jayson Forrest***.

Pillar 3 – Government and Regulatory

Policy Example – Enshrining the Term Financial Planner

One of the FPA's key objectives is to strengthen consumer protection by restricting the use of the term 'financial planner' to only those individuals who possess the relevant education qualifications, commit to continuing professional development, have the required levels of competency, adhere to higher ethics and standards, and who belong to a professional body recognised by the industry regulator.

In previous issues of *Financial Planning*, we have looked at how the first two of the Four Pillars principles – Public Interest and Professional Practitioner – could be used in formulating policy for 'Enshrining the Term Financial Planner' by ensuring that the policy is created in the public's best interest and meets the interests of practitioner members in a way that helps to enhance the professionalism of planners.

This month we will examine the third of the Four Pillars principles – Government and Regulatory.

According to FPA General Manager, Policy and Government Relations, Dante De Gori, the main objective with the Government and Regulatory principle is that it must try and fit in, where possible, with existing regulation and legislation.

"We don't want to create further complications with respect to more regulation," De Gori says. "In respect to enshrining the term 'financial planner', there is already a section in the Corporations Act regarding how the term can fit in. And there are already examples of stockbrokers and insurance brokers being restricted terms. So, from that perspective, we are complying with the principles of Pillar 3 by not creating unnecessary new regulation."

However, De Gori says that ensuring the policy 'Enshrining the Term Financial Planner' meets the

Dante De Gori, FPA

Government and Regulatory principles of the Four Pillars, it is essential to clearly define the meaning of the term 'financial planner'. He says this not only includes appropriate education standards and qualifications, but includes belonging to a recognised professional association as defined and approved by the industry regulator, ASIC.

"So, while there is room to restrict the term 'financial planner' under current law, there is still a need to make enhancements to existing law in order to allow the enshrinement of the term 'financial planner' to be fully implemented," De Gori says. "But we believe we can do it in a way that is not going to be too onerous and create further 'red tape' for the profession."

A fundamental aspect of the Government and Regulatory principles of the Four Policy Pillars, is about eventually achieving self-regulation of the profession.

"This means empowering those approved professional bodies to deliver the promises they say they will in respect to what a financial planner should actually be doing, such as education, higher standards of ethics, and complying with higher professional regulation," De Gori says. "That's empowering the likes of the FPA, CPA and Institute of Chartered Accountants to actually make sure that their members comply with professional regulations, which is guaranteed in accordance with the law."

In next month's issue, we will look at the fourth and final principle of the Four Policy Pillars – Code of Professional Practice – and demonstrate how 'Enshrining the Term Financial Planner' was mapped to this principle.

Four Pillars

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THE CODE OF PROFESSIONAL PRACTICE PILLAR

The past three issues of *Financial Planning* magazine have looked at the FPA's Four Policy Pillars, which are used to formulate policy at the FPA. Dante De Gori spoke to ***Jayson Forrest*** about the fourth and final pillar – the Code of Professional Practice.

Pillar 4 – Code of Professional Practice

Policy Example – Enshrining the Term Financial Planner

One of the FPA's key objectives is to strengthen consumer protection by restricting the use of the term 'financial planner' to only those individuals who possess the relevant education qualifications, commit to continuing professional development, have the required levels of competency, adhere to higher ethics and standards, and who belong to a professional body recognised by the industry regulator.

In the past three issues of *Financial Planning*, we have looked at how three of the Four Pillars principles – Public Interest, Professional Practitioner and Government and Regulatory – could be used in formulating policy for 'Enshrining the Term Financial Planner'. This month we will examine the fourth and final principle of the Four Pillars – Code of Professional Practice.

This pillar aligns FPA members to a high standard of professionalism and integrity, which provides practitioners with a higher level of standing and trust within the community. Formulating policy, therefore, needs to be fully consistent with the Code of Professional Practice to reinforce and support the behaviours that reflect good conduct.

"This is an intentional pillar to ensure that we are aligned with the professional expectations of our members," says FPA general manager, policy and government relations, Dante De Gori. "If we require financial planners to value their professional obligations, then the FPA should equally do so as we develop policy."

The FPA Code of Professional Practice includes three enforceable components: Code of Ethics, Practice Standards, and Rules of Professional Conduct.

This pillar not only encompasses professional expectations, but education, ethics and behaviour. De Gori says it's imperative that FPA policy reflects the expected behaviour of its members and that's what the Code of Professional Practice has been set up to do.

"The Code is designed to impact on the motivation and behaviour of our members in terms of what the FPA's expectations are," he says. "You want professional principles to be ingrained in all members; it's just what's expected by being a professional. These principles should instil practices and behaviour that become second nature to a financial planner. And if our policies don't do that, then that's a failure of our policies.

"Individually, people know if they are doing the right thing, so this principle is really to help financial planners realign their professional standards where there is a grey line, and make sure they are aligned with this Code."

With regard to enshrining the term 'financial planner', De Gori says the Code of Professional Practice clearly sets an FPA financial planner apart from other "types" of financial advisers.

"By adhering to our Code, we are saying you are a professional and as a result of that, you are expected by your clients, the public and Government to be acting professionally and always in the best interests of your clients. By doing so, we continue on our journey of transitioning into a profession and placing FPA financial planners on the same level playing field as lawyers, accountants and doctors in terms of how the Government and the public perceive them.

"So, the Code of Professional Practice, which is enforced by the FPA, is vitally important to enshrining the term 'financial planner'. It is the biggest differentiator between those who are just selling products and those who are members of the FPA and have committed to much higher standards of professionalism, education, ethics and integrity."

Four Pillars

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De Gori adds that in developing the Code, it was no mistake by the FPA to ensure that the first principle of the Code of Ethics (which makes up a key component of the Code of Professional Practice) was to place the client's interests first.

"This principle is the hallmark of any profession and fundamental to formulating policy at the FPA," he says.