Financial Planning and Accounting in Australia: A Contest for Jurisdiction 1980-2014

Brian John Murphy
University of Wollongong

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Financial Planning and Accounting in Australia: A Contest for Jurisdiction 1980-2014

Brian John Murphy

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Dr Ciorstan Smark
Dr Celeste Rossetto
Professor Ed Arrington

This thesis is presented as part of the requirement for the conferral of the degree

DOCTOR OF PHILOSOPHY

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THE UNIVERSITY OF WOLLONGONG
School of Accounting, Economics and Finance

March 2018
CERTIFICATION

I, Brian John Murphy, declare that this thesis, submitted in fulfilment of the requirements for the award of Doctor of Philosophy in the Department of Accounting, Economics and Finance, University of Wollongong, is wholly my own work unless otherwise referenced or acknowledged. The document has not been submitted for qualification at any other academic institution.

Brian John. Murphy

Date
DEDICATION

This thesis is dedicated to my mother and father, my wife Janine, and my four children; Jacqueline, Belinda, James and Patrick (and their partners) for your love and forbearance for which I shall be forever grateful.
ACKNOWLEDGMENTS

This thesis commenced several years ago, and my thoughts and progress were nurtured by many people who have provided me their encouragement throughout the long journey.

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<td>AASB</td>
<td>Australian Accounting Standards Board</td>
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<tr>
<td>ABA</td>
<td>Australian Bankers’ Association Inc.</td>
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<td>ABS</td>
<td>Australian Bureau of Statistics</td>
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<tr>
<td>AFA</td>
<td>Association of Financial Advisers</td>
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<td>ASL Ltd</td>
<td>Australian Financial Services Limited Licence</td>
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<td>AICPA</td>
<td>American Institute of Certified Public Accountants</td>
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<td>APESB</td>
<td>Accounting Professional and Ethical Standards Board</td>
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<td>APRA</td>
<td>Australian Prudential Regulation Authority.</td>
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<td>Australian Society of Certified Practicing Accountants</td>
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<td>ASIC</td>
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<td>ATO</td>
<td>Australian Taxation Office.</td>
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<tr>
<td>AGF</td>
<td>Australian Qualifications Framework</td>
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<tr>
<td>CAANZ</td>
<td>Chartered Accountants Australia + New Zealand (formerly Institute of Chartered Accountants in Australia)</td>
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<tr>
<td>CFP</td>
<td>Certified Financial Planner</td>
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<td>CFPL</td>
<td>Commonwealth Financial Planning Limited</td>
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<td>CLERP</td>
<td>Corporate Law Economic Reform Program</td>
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<tr>
<td>College for Financial Planning</td>
<td>Originally the International College for Financial Counselling (name change occurred in mid-1970), the first institution to offer the CFP certification program.</td>
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<tr>
<td>CPA (USA)</td>
<td>Certified Practicing Accountants (in the US, Certified Public Accountants)</td>
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<td>Declared Professional Body</td>
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<td>EU</td>
<td>Enforceable Undertaking</td>
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<td>Finsia</td>
<td>Financial Services Institute of Australasia</td>
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<td>FOFA</td>
<td>Future of Financial Advice Reform Regulatory Regime.</td>
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<td>FP</td>
<td>Financial Planner</td>
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<tr>
<td>FCA</td>
<td>Financial Conduct Authority - UK</td>
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<td>Financial Services Authority - UK</td>
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<td>FSC</td>
<td>Financial Services Council (previously IFSA The Investment &amp; Financial Services Association)</td>
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<td>FSG</td>
<td>Financial Services Guide.</td>
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<td>Financial Services Reform.</td>
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<td>Financial Services Reform Act 2001</td>
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<tr>
<td>GFC</td>
<td>Global Financial Crisis</td>
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<td>Go8</td>
<td>Group of Eight (Australian Universities)</td>
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<td>ICAA</td>
<td>Institute of Chartered Accountants in Australia</td>
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<td>ICAEW</td>
<td>Institute of Chartered Accountants in England and Wales</td>
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<tr>
<td>IFAC</td>
<td>International Federation of Accountants</td>
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<tr>
<td>IPA</td>
<td>Institute of Public Accountants (formerly National Institute of Accountants)</td>
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<tr>
<td>ISC</td>
<td>Insurance and Superannuation Commission.</td>
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<td>PDS</td>
<td>Product Disclosure Statement.</td>
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<td>PJC</td>
<td>Parliamentary Joint Committee</td>
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<td>Professional Standards Councils</td>
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<td>SEC</td>
<td>Securities and Exchange Commission.</td>
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<td>SISFA</td>
<td>Self-managed Funds Association</td>
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<td>SIS</td>
<td>Superannuation Industry (Supervision).</td>
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<td>SMSF</td>
<td>Self-managed superannuation fund.</td>
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ABSTRACT

FINANCIAL PLANNING AND ACCOUNTING IN AUSTRALIA:
A CONTEST FOR JURISDICTION 1980-2014

The financial planning industry affects the lives of most Australians. From the early 1980s, social, cultural, economic and political factors saw the financial planning industry grow significantly to the extent that it now claims the status of being a separate profession. A new jurisdiction of professional service was created, with many parties eager to claim the jurisdiction. The study discusses the issue of the professionalism of the financial planning profession in Australia through a critical and historical analysis of the jurisdictional claim between financial planners and accountants.

Abbott’s (1988) theory was used to determine how the accounting profession was unsuccessful in its quest for jurisdiction. The accountants certainly missed the opportunity to claim jurisdiction over financial planning in Australia. They were faced with the lingering uncertainty of their involvement in financial planning. The impact on the accountants for the contest for jurisdiction in this thesis from 1980 to 2014 was that they lost control of any claim to the financial planning profession. It details the work, legal and public claims for jurisdiction as they apply to the accounting profession over the period from the inception of financial planning in the early 1980s until December 2014 by identifying three key disturbances that were closely related.

The first disturbance occurred in the period 1980 to 2000 in the form of social, political and legislative changes which led to the development of financial planning and the claim for the work jurisdiction. The culture of the financial planning industry was built on a sales culture which did not allow for an abstract body of knowledge to develop, and as a result the financial advice process was commodified. There was a lack of interest by the Big Four accounting firms in financial planning and many accountants were too occupied with their traditional activities to embrace financial planning. By the end of the 1999 the work jurisdiction had been assumed by the financial planners.
The second disturbance was the regulatory disturbance in the form of the FSRA legislation in 2001 that affected the legal claim for jurisdiction. The introduction of the FSRA legislation in Australia in the early 2000s changed the landscape for the financial planning jurisdiction in Australia. Accountants were not successful in any legal claim for jurisdiction through the regulatory framework, and were left with a limited advice capability based on ‘incidental advice’.

The third phase of the development of financial planning centres on another disturbance: the GFC. The work structure and commodification process that supported compliance with the FSRA permeated through the industry, with the emphasis on the sale of products by institutions and large dealer groups. The GFC revealed that the regulatory framework of the FSRA was not appropriate. Public acceptance was destroyed due to the business models that were permitted to flourish under the FSRA.

The accountants continued to equate ethics with professionalism, rather than address the issue of what a financial planner does and adapt their abstraction of knowledge to the new tasks. This lack of abstraction is not only an issue with accountants, but with all participants in the financial planning industry. The education jurisdiction for financial planning does not belong to any organisation or institution.

In Abbott’s (1988) theory the last settlement of client differentiation is only a workplace settlement in that public or legal jurisdiction can never be claimed. For the accountants, the provision of financial advice to their existing clients through the SMSF arena, especially small business clients, offers an area of client differentiation.

The accountants may not wish to be involved in this process, but to date they have indicated their members, particularly those in regional and smaller practices, regard financial planning as an integral part of professional practice. For most accountants, the failure to claim the financial planning jurisdiction was not just ‘opportunity foregone’, ‘not seen’ or ‘ignored due to ignorance’ but a case of ‘privilege lost’.
PUBLICATIONS ALLIED TO THIS THESIS

Journal Articles (Refereed Article)


Guest Editorship of a Special Edition of a Refereed Journal


CHAPTER 1.
INTRODUCTION TO THE STUDY

If a man will begin with certainties, he shall end in doubts, but if he will be content to begin with doubts, he shall end in certainties.

Francis Bacon in *The Advancement of Learning*, bk. 1, Ch. 5, sect. 8 (1605).

1.1 Financial planning in Australia: A contest for jurisdiction

The Australian economy flourished from the latter half of the 20th century. Australia's population of 23.2 million represents less than one-half of 1% of the world’s population, yet Australia is the world's 12th-largest economy (Australia, The Senate Economics Legislative Committee, 2014, p. 9). The Australian Securities Exchange (ASX) has a total market capitalisation of around $AUD1.5 trillion, and the superannuation system now represents the fourth-largest pool of superannuation savings in the world (Australia, The Senate Economics Legislative Committee, 2014, p. 9). Total superannuation assets have risen from $AUD1.6 trillion at 30 June 2013 to $AUD2 trillion at 30 June 2015, with projections that these assets will increase

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1 ‘Australia’ is used in citations as an abbreviation to represent ‘Commonwealth of Australia’ to ensure brevity of the citation, as the government department, report or parliamentary proceedings are detailed in the balance of the citation.
steadily to $AUD9.5 trillion by 2035 (Deloitte 2015, p. 2). Superannuation is only one type of financial asset; however, it affects all working Australians and is a major source of retirement funds for most of the country’s population, working or not. A demand for professional investment advice has resulted from the growth and diversity of funds under management.

The financial planning industry affects the lives of most Australians. The Government’s expectation is that individuals will need to provide for themselves in retirement rather than rely on the Government Age Pension. Therefore, the Australian Federal Government recognises the significance of individual financial planning. It has instituted multiple Parliamentary inquiries into the financial planning industry because of retail investors’ financial losses after the Global Financial Crisis (GFC) in 2008 and, more recently, because of the large banking and financial institutions’ flawed business models, which again caused retail clients to incur large losses. The financial planning industry has a significant financial, social and political impact on the Australian economy.

Financial planning is the process that considers the client’s personality and financial status along with the socio-economic and legal environments to ensure the adoption of appropriate strategies and financial tools to aid in achieving the client’s financial goals (Warschauer 2002). From the early-1980s, social, cultural, economic and political factors have seen the financial planning industry grow significantly, to the extent that it now claims the status of being a profession. The claim for the jurisdiction of the

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2 Detailed discussion of retail clients will be covered in Chapter 4. Retail clients, as opposed to wholesale clients, form most of the clients for financial planning.
financial planning industry is ongoing, with the key professional Australian accounting bodies, the Institute of Chartered Accountants (ICAA), CPA Australia Ltd (CPA) and Institute of Public Accountants (IPA), together with the specialised financial planning associations, such as the Financial Planning Association of Australia Ltd (FPA), having a keen interest in the outcome of the claim. Jurisdiction is a term central to Abbott’s (1988) *System of Professions*, and will be fully discussed in Chapter 3. In summary, he calls the link between a profession and its work a ‘jurisdiction’. This is central to the current study of financial planning, as the study of professions is to examine how this link is created in work and anchored in the social structure. The interplay of these jurisdictional links between professions determines the history of the professions themselves, and is the central phenomenon of professional life (Abbott 1988, p. 20).

The aim of this thesis is to examine the history of the financial planning industry in Australia and trace the claim for jurisdiction by the respective organisations involved in the process, with an emphasis on accountants. The study will evaluate the currently debated issue of the professionalism of the financial planning profession in Australia through a critical and historical analysis of the jurisdictional claim between accountants and financial planning, which has not previously been evaluated. The current debate involves the claim of financial planning to be a profession. The financial planners regard themselves as an emerging profession (‘FPA boosts professionalism’ 2009; ‘Spotlight on professionalism’ 2010; ‘Accountants conflicted, say industry

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3 In November 2013, the members of the Institute of Chartered Accountants in Australia (ICAA) and the New Zealand Institute of Chartered Accountants amalgamated to become “Chartered Accountants Australia and New Zealand” (CAANZ). The term ICAA applied to most of the time frame examined in this thesis. For the purposes of clarity ICAA is used as the acronym to refer to both organisation structures. The term ‘institute’ also refers to the ICAA.
vetrean ’ 2013; ‘White paper on future of planning profession’ 2014; Bloch 2009b; Forrest 2012b; Kelly 2005a; Rantall 2011a, 2013, 2014c) and this is disputed by other professions such as accountants (‘Financial products can spell problems’ 2000; Brown 2011a, 2013e; Dangar 2004b; Meyer 2007b; Spinks 2010b; Wijesinghe & Nickel 2012). The community views financial planners with suspicion due to the financial losses that occurred during the period of the study (Ferguson 2017; Fielding 2009; Hughes 2009d; Hughes & Patten 2011; Murphy 2011a; Searle 2009).

This study is informed by Abbott’s (1988) *The System of Professions* to examine the elements, processes and products of jurisdictional competition between financial planners and accountants in Australia during the period 1980 to December 2014. The key issues explored include the factors leading to the creation of a financial planning jurisdiction within Australia, using the theoretical lens of Abbott (1988); the factors shaping the access of service providers to that jurisdiction; and the factors shaping attempts to organise service providers within the jurisdiction.

1.1.1 Development of financial planning profession

As the development of financial planning in some overseas countries, especially the USA, where it was officially established in the late 1960s, predated the Australian experience, these countries’ experiences were the precursors to the Australian jurisdiction battle. The USA and UK were selected as appropriate countries to examine as the development of financial planning commenced in these countries as an emerging profession prior to the development in Australia. The countries have similar developed economies, established legislative background, and established accounting
professions. The early literature on accounting and financial planning emanated from the USA and UK and provides a useful comparison to the development of financial planning in Australia. A further relevant issue is that the theory adopted in the thesis discusses the development of professions in the USA and UK and this provides a useful comparison of the similarities and differences in professional development in Australia. In some circumstances, such as the institution of the Certified Financial Planner (CFP) designation by the Financial Planning Association (FPA (USA)), the CFP designation was directly imported into Australia from the USA.

After its initial establishment in Australia, financial planning developed rapidly in the 1990s. The introduction and implementation of the Financial Services Reform Act 2001, hereafter called FSRA, was a major disturbance that underpinned the regulatory framework in the years 2001 to December 2014. Disturbance is a key term in Abbott’s System of Professions, and will be fully discussed in Chapter 3. In summary, he shows that chains of effects in the system of professions start in two general ways: by external forces opening or closing areas for jurisdiction and by existing or new professions seeking new ground.

Whether begun by vacancies or bumps, the changes lead to chains of disturbances that propagate through the system until absorbed either by the professionalization or deprofessionalization of some group or by absorption within the internal structure of one or more existing professions. At every step in these chains occur jurisdictional contests (Abbott 1988, p. 90).

This aspect of Abbott’s (1988) theory is crucial for the thesis, and disturbances, mostly external, inform its structure. Chapters 5, 6 and 7 discuss major disturbances in the development of financial planning in Australia and the reaction of the accounting profession.
Given the potential social and economic impact of poor financial advice, a regime has developed in the Australian environment to regulate the financial planning industry. Regulation was introduced across the financial services industry in recognition of the significant impact financial services, including the giving of financial advice, can have on individuals in the Australian community. In a presentation by the Chair of the Australian Securities and Investments Commission (ASIC), Jeff Lucy (2006, p. 3) advised that the regulation introduced was intended to eradicate the sales culture that was prevalent in the advice industry at that time. However, this sales culture has not abated, and is a principal reason why the industry has not progressed towards recognition as a profession. It also is one reason why the accounting profession has not engaged fully in the professionalisation of financial planning. The thesis uses the term ‘sales culture’ to refer to the commission form of remuneration that is prevalent in financial planning. This ‘sales culture’ is one reason for the rejection by accountants of financial planning as it is viewed that the practice illustrates that financial planning does not possess a ‘professional culture’. In this thesis ‘professional’ is not defined and the emphasis is on the affect the ‘sales culture’ has on the jurisdictional claims using Abbott’s (1988) theory.

Financial planning can be referred to as an ‘industry’ or a ‘profession’. The professional literature currently reflects a debate about the claim that financial planning is a profession. The call for research in this area is topical, from both a practical and theoretical perspective. Abbott (2005, p. 325) offers some recommendations about the future study of professions:
We need histories of jurisdictions – who served them, where they came from, how the market was created, how conflicts shaped participants. The most important subjects for such investigations will be understudied professions like accounting and psychology. In particular, the jurisdiction of money requires the kind of attention long received by health. Perhaps sociologists and historians, as biological individuals, concern themselves more with the profession of life and death than with the profession of loss and profit, but surely accounting is today far more socially important than medicine.

Even though Abbott (2005, p. 65) does mention financial planning professionals (for example, “[l]et the financial planning professionals at XYZ Bank help you find the money you need”), he did not discuss a separate profession of financial planners when writing his book in 1988, as financial planning as a profession was just emerging.

The public currently views the financial planning profession with scepticism. For several decades, but particularly after the GFC, the scandals surrounding the industry, such as the financial losses incurred by the clients of Storm Financial Pty Ltd⁴, resulted in community pressure to protect the public against unscrupulous financial planners. The Australian Government instituted many inquiries to implement regulations to protect the retail investor. This thesis explores the relevant inquiries to ascertain the response of the participants, especially the accountants, to gauge the effect on their claim for jurisdiction. Full details of the inquiries are listed in Appendix C 2.

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⁴ Storm Financial was a financial advice company founded by Emmanuel Cassimatis and his wife Julie Cassimatis as a private company, and based in Townsville, Queensland, Australia. The company traded as Storm Financial Pty Ltd from 2 Feb 2004 until external administrator Worrells Solvency and Forensic Accountants were appointed on 9 Jan 2009. Its main creditor, the Commonwealth Bank of Australia, appointed receivers and managers on 15 Jan 2009 (Hughes & Singer 2009; Swift 2009; Washington 2009b).
1.1.2 Accountants and financial planning

In Australia, accountants and the concept of financial planning have been linked from the beginning of the 20th century. Accountants are trusted advisors to their clients, especially in smaller and regional practices. When financial planning emerged as a separate discipline in the early 1980s, accountants did not take an active part in the development of financial planning, and the examination of the reasons for this inaction is a major research question of this thesis. Accountants were always of the view that accounting and financial planning were linked. One leading accountant involved in the practice of financial planning commented, “[I]n an ideal world, financial planning should have become an important subset of the accounting profession and a principal activity of all general practitioners” (Brown 2007c, p. 20). This thesis examines the reasons why accountants did not achieve the assimilation of financial planning into their practices.

The professionalisation of the accounting profession is examined historically to assess the development steps that occurred for the profession to claim a jurisdiction in accounting-related tasks. While accountants took advantage of the economic, social and political conditions over time to become a profession, they failed to use the same process to claim jurisdiction over the process of financial planning professionalisation. The thesis traces the development of the accounting profession, first, in England (UK) and the USA and, second, in Australia. The ingredients of accounting’s success as a profession are compared with the development of the financial planning profession in Australia to gauge why a similar progression did not occur in its claim for jurisdiction in Australia.
Accountants have a unique position in their work environment, as they are generally in contact with their clients on a regular basis and are their trusted advisers. The two major professional accounting organisations, ICAA\(^5\) and CPA\(^6\), represent approximately 230,000 accountants within Australia. Recently CPA Australia CEO Alex Malley commented that the implementation of the accountant’s exemption\(^7\), which will be discussed in detail in Chapter 6, “represents a significant win for more than nine million Australians”, and commented that for many Australians, their professional accountant is their only source of trusted financial advice\(^8\). Chapter 7 of the Corporations Act requires all persons who carry on a financial services business in Australia to have an Australian financial services licence (AFSL) or to be appointed as an authorised representative, without which an accountant cannot provide financial advice to retail clients\(^9\). These requirements were imposed as part of the implementation of the FSRA. The details leading up to the legislation are explored in Chapter 5, and the impact on accountants in Chapter 6.

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\(^{5}\) The Institute of Chartered Accountants in Australia (ICAA) was the professional accounting body representing Chartered Accountants in Australia. It had over 61,000 members and some 12,000 students at the time of amalgamation with the New Zealand Institute of Chartered Accountants in November 2013 (http://www.charteredaccountantsanz.com).

\(^{6}\) CPA Australia is one of the world’s largest accounting bodies, with a global membership of more than 155,000 members working in 118 countries around the world (https://www.cpaaustralia.com.au/).

\(^{7}\) The accountants’ exemption under regulation 7.1.29A of the Corporations Regulations 2001 permitted accountants to provide advice on the establishment of self-managed superannuation funds, without the need for an AFS licence. The exemption applied until June 2012, when the Australian Government advised that the exemption would be removed and that a new regulatory framework would be put in place (http://www.charteredaccountants.com.au/Industry-Topics/Financial-advisory-services/Accountants-Exemption/What-is-the-Accountants-exemption).


\(^{9}\) Exceptions to this requirement apply (Regulation 7.1.29 Corporations Act). One of these exceptions includes the existing accountants’ exemption (http://www.charteredaccountants.com.au/Industry-Topics/Financial-advisory-services/Accountants-Exemption/What-is-the-Accountants-exemption).
Accountants regard themselves as appropriate professionals to provide financial advice to the Australian market, based on their skills and professional status. However, accountants over the last decade have functioned on the periphery of the financial planning industry. After the introduction of the FSRA (effective from 2004), accountants were limited to giving advice on the setup of self-managed funds unless they held an AFSL\textsuperscript{10}. This exemption predates the introduction of the FSRA and shows the lack of input that the accountants have had in the fight for the financial planning jurisdiction.

1.1.3 Theoretical and literature context

This thesis provides the historical context of attempts by the financial planning industry to be accepted as a profession. The literature on the sociology of professions and accounting history provide the background and framework for addressing the key research questions of the thesis. Much of the history of accounting research has focused on technical matters, such as details of accounting practices and the form and content of accounting records (Edwards & Walker 2009; Napier 2009). This thesis uses socio-historical accounting research, defined by Napier (2009, p. 32) as that in which the researcher “is primarily concerned with how accounting impacts specific individuals and organisations, and more broadly society”.

\textsuperscript{10} An accountant must have an Australian financial services (AFS) licence to conduct a financial services business. Individuals carrying on a business that provides financial services must hold an AFS licence (unless they are exempt or are authorised to provide those services as a representative of another person who holds an AFS licence) (http://asic.gov.au/for-finance-professionals/afs-licensees/).
The thesis uses Abbott’s (1988) theory to explore the accounting profession’s quest for jurisdiction over financial planning in Australia. It explores the work, public and legal claims for jurisdiction as they apply to the accounting profession over the period from the inception of financial planning in the early 1980s until December 2014.

1.1.4 Time and content limitations

By December 2014, it was clear that the claims for jurisdiction were established. Several events had converged that laid the foundation for the transition to the current position of financial planning: many of the FOFA reforms that had commenced in 2012 were subject to consultation and review by successive governments in the period to December 2014. In June 2014, the Senate Economics References Committee tabled a report on its inquiry into the performance of ASIC, which included the regulation of financial advisers. The report recommended an inquiry into proposals to lift the professional, ethical and education standards in the financial services industry. This inquiry reported in December 2014, presenting wide-ranging recommendations that affected financial planning in Australia. At the same time, the FSI released its report, which made recommendations on lifting the competency of financial advisers to improve the quality of financial advice. Other elements that were in effect by December 2014 included a transition period for recognised accountants to enter the AFSL regime through a limited Australian Financial Services Licence, hereafter called ASL Limited.
The focus in this thesis will be on the contest for jurisdiction in Australia; thus its review of financial planning professionalisation overseas will provide the context for the development of the financial planning profession in Australia. The thesis will not explore the overall performance of financial planners, nor will it explore all attributes that are measures of professional status; for example, growth of tertiary institution numbers that provide training for financial planners.

1.2 Professionalisation of accounting and financial planning

The rise of financial planning as a profession is of crucial importance to the public; however, because of the scandals outlined earlier, the term ‘financial planner’ has been brought into disrepute. The public at large is sceptical of the profession’s practitioners and organisations. The financial planning industry is represented by up to 40 organisations, including professional associations, industry lobby groups and trade associations. Appendix G gives a detailed list of the major organisations regularly making submissions to the inquiries into the financial planning sector. The large number of participants is a reason for the many conflicting views on the industry, which is evident in the submissions to the inquiries. The thesis will be restricted to the key organisations in the industry that claim to represent the financial planning profession.

Currently, financial planning is one of the most rapidly developing service industries in Australia. With Australia’s aging population and increasing life expectancy and the decreasing role of governments in assisting individuals in their retirement, sound financial advice has become a sought-after commodity. Until the emergence of
financial planning in Australia in the early 1980s, financial advice was traditionally provided by solicitors, accountants, real estate agents, insurance agents, bank managers and stockbrokers. Investor demand led to the formation of two associations: the Australian Society of Investment and Financial Advisers (ASIFA) and the International Association of Financial Planners (IAFP). These associations subsequently merged, forming the FPA in 1992 (Bennett 2000, p. 115; Bennett & Fletcher 2011; Cowen et al. 2006, p. 47). With only limited regulation and scrutiny of the provision of financial advice, accounting professional associations such as CPA Australia, the ICAA and the IPA established their own professional financial planning qualifications and/or designations.

Whilst the professional associations seek the status of a profession, the public do not accept the claim. The regulatory authorities have imposed requirements that have resulted in a highly regulated industry. As the industry is thus not permitted to be self-regulated, financial planning has failed to fully develop as a profession. Over the years of the FPA’s existence it has claimed to be the only professional body representing financial planners in Australia (‘Promoting professionalism: Value of advice awards’ 2007; ‘FPA welcomes PJC response’ 2010; ‘FPA sets out standards framework to PJC’ 2014; Forrest 2012d; Kelly 2005b; Matchett 2010; Purnell 2010b, 2011b).

1.2.1 The financial planning process

The social environment created by people as they act and interact determines the relative importance of financial planning. For example, in a social environment that is community-based, financial planning is relatively less important for members of this
community. The life-cycle hypothesis, an economic theory that pertains to the spending and saving habits of people over the course of a lifetime (Modigliani & Brumberg 1954), still applies in community-based societies, such as Fiji and other Pacific Island countries. The community is prepared to assist individuals when their income is less than their expenditure. At the other end of the spectrum is the individual-based model of society. In this type of society, financial planning becomes relatively more important, as individuals must support themselves in retirement. The past 30 years in Australia has seen an ideological shift from the community based-model towards the individual-based model (Cull 2009).

Given the social processes of an aging population and the Australian Government’s projections for the cost of funding future expenditure on aged pensions, individuals can expect that they will need to fund their own retirement. An aged pension is currently available to ensure that elderly people receive a minimum level of income in retirement. The increase in longevity for both males and females places a significant burden on individuals to plan for their retirement and on the Government to provide pensions and other social benefits as the population ages (Boal 2010; Joye 2015; Toohey 2010; Walker et al. 2011).

The need for financial planning is based on the life-cycle theory of consumption and saving. This theory recognises that the need for consumption and saving varies throughout a lifetime. Initially, children will rely on others to provide them with money for goods and services. As they mature, they seek employment and begin to earn their own money and rely less on others financially. As their income increases over time they can save, as their expenditure is less than their income. This continues during
their working life until retirement. Whilst the level of expenditure from retirement onwards is also likely to decline, income is likely to be below the level of expenditure. Savings made during a working life can then be used. The financial planning process is designed to ensure that saving and consumption patterns are properly managed, so that clients can achieve their short- and long-term financial goals.

Prior to the emergence of financial planning, the focus of financial advice was on investment. The traditional providers of financial advice, such as solicitors, real estate agents, insurance agents and bank managers, often started with a financial product, matching the needs of the customer to that product. Thus, bank managers were likely to recommend the products of their own banks, such as a six-month term deposit, providing it met the customer’s general needs. In contrast, financial planners provide financial advice by firstly identifying the needs of the client and then searching for a product that will meet those needs. For financial planners, the selection of appropriate products is made towards the end of the financial planning process, after due consideration of the clients’ needs and their resources, appropriate financial and investment strategies and identified risk profile.

The focus of the financial planner today is broader than that of traditional financial advisers (Financial Planning Standards Board 2010a), with clients expecting comprehensive financial advice relating to, but not limited to, general wealth-creation advice or specialist retirement planning, superannuation, estate planning, personal entity structures, taxation, stockbroking and investments, and debt and risk-management advice. Depending on the type oflicence that financial planners obtain, they may also directly buy and sell investments. Thus, financial planners may directly
purchase and sell securities such as shares, futures, options and warrants on behalf of their clients. Although comprehensive financial advice is the dominant service that financial planners deliver to Australian consumers, scaled advice, which is personal advice that is limited in scope, (see ASIC 2012b, p. 137), may also be given to individuals seeking specific guidance concerning minor aspects of financial planning. For example, a client may seek estate-planning advice but is not interested in investment, risk or superannuation advice. Alternatively, a financial planner may choose to specialise in a particular field.

1.2.1.1 Financial planning terms and definitions
Throughout the literature on financial planning, the terms ‘financial planner’ and ‘financial adviser’ are used within the industry. While in some countries the terms indicate the type of service performed for a client, in Australia the two terms are used interchangeably, as will be in this thesis; this duality has sparked recent debate within the industry concerning which term to use in legislation (‘What's in a name?’ 2013, pp. 8-12). Some planners avoided both terms during the GFC and the scandals surrounding Storm, Timbercorp and Great Southern, with terms such as “wealth adviser” being used “to avoid the taint these titles were giving everyone in the profession” (‘What's in a name?’ 2013, pp. 8-12).

The Joint Committee Inquiry into proposals to lift the professional, ethical and education standards in the financial-services industry proposed terminology in Recommendations 3 and 4 (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014, p. xiii):
Recommendation 3

The committee recommends that to provide 'financial advice' an individual must be registered as a financial adviser.

Recommendation 4

The committee recommends that the government should bring forward legislation to protect the titles 'financial adviser' and 'financial planner' and require that to be eligible to use the title 'financial adviser', an individual must be registered as a financial adviser.

These recommendations are included in a bill that went before Parliament in 2016 (Corporations Amendment (Professional Standards of Financial Advisers) Bill 2016).

The term ‘financial planning’ needs to be further clarified in relation to current practice and the tasks involved, as clear definitions are important in the development of financial planning as a profession. The literature has not offered such definitions; this issue will be discussed in Chapter 8 (Boone 2000; Cull 2009; Overton 2007; Overton 2008; Warschauer 2002). For the purposes of setting a criterion to continue debate, the term ‘financial planning’ is considered to be as defined by the Financial Planning Standards Board (Financial Planning Standards Board 2010a) and by the Financial Planning Association in its Code of professional practice (Financial Planning Association 2013):

[A] process of developing strategies to help people manage their financial affairs to meet life goals. In creating their recommendations and plans, financial planners may review all relevant aspects of a client’s situation across a breadth of financial planning activities, including inter-relationships among often conflicting objectives.

This definition, which has been adopted by the FPA in its Code of Professional Practice, is used in the thesis. Financial planning is undertaken at the request of a client.
Broad categories of potential clients can be identified; for example, young adults, young families, individuals or couples over 40, self-employed workers, high-income earners, high-income couples without children, retirees or business owners (Brandon & Welsh 2009; Kohler 2007; Pasquale 2000).

‘Financial planning’ is the process of identifying, designing and implementing strategies and actions for the achievement of financial goals (Blankinship 1996; Brandon & Welsh 2009; Cull 2009; Gitman & Bacon 1985; Morrow 1994). The output from this process is a ‘financial plan’ or, to use the correct legal terminology, ‘statement of advice’ (SOA): a comprehensive, formal document that covers aspects of investment, superannuation, risk management, money management, social security and estate planning.

The financial planning process begins with an assessment of the client’s current financial position and specific goals and objectives. An SOA outlines a financial path to follow to achieve particular goals and objectives, such as ensuring financial independence. A financial planner will then consider the most appropriate strategies for achieving them. The SOA is a dynamic document, requiring regular review and modification as the client’s personal circumstances and the broader economic, social and legislative context change.

1.2.2 Responses of the accounting profession to financial planning

The accounting profession is regarded as an established profession (Carey 1969; Macdonald 1995; Masters 1915; Matthews et al. 1998; Previts & Merino 1998; West
1996), and the financial planning professional organisations have followed the accountants’ lead in endeavouring to establish a credible professional group. This thesis provides a background to the professionalisation of accountants for two reasons. First, the literature covers in detail the professionalisation of accountants using the theoretical framework of Abbott (1988) and details jurisdictional disputes with other professions. In the process of professionalisation, accountants have actively taken over the control of tasks suitable to their training. For example, accountants in the UK took advantage of the growth in bankruptcy work in early the middle of the 19th century to expand the profession. Abbott (1988) refers to this as a claim for jurisdiction. The tracing of the development of accounting as a profession can be compared with the process undertaken by the financial planning industry to evaluate their claim over the jurisdiction of financial planning.

The second reason establishes why accountants did not use the same processes to claim jurisdiction over financial planning work either as it emerged or more recently, when the public acceptance of financial planning came under much criticism in the public and legal jurisdictions. Abbott (1988) asserts that these are the two most difficult areas over which to claim jurisdiction, and that accountants could have used their professional stature with clients and the Government to assert their control over the industry.

The skills and body of knowledge that financial planners require are explored in detail in Chapter 5. Many of these skills are shared with accountants, who could have applied their current skill set to the additional knowledge areas required so as to offer a full range of financial planning services to their existing client base. Accountants could in
this case have claimed the work jurisdiction of financial planning, which would have had a major impact on the development of the profession. However, major events, or ‘disturbances’ in Abbott's (1988) term, suggests that accountants did not develop the necessary skills to receive a mandate for an outright claim of jurisdiction. The interviews conducted for this study with senior accountants and industry participants suggest a certain disdain for the work of financial planning due to the sales culture associated with it and its development from an insurance-industry platform.

1.2.3 Privilege lost: the accounting profession

The growth of the financial planning industry has occurred at a cost to the accounting profession, particularly the accountant who could be described as a general practitioner in both city and regional practices. In the case of the larger firms the failure to embrace financial planning could be classified as an opportunity forgone, ignored due to arrogance, or abandoned due to independence issues. However, for most accountants, privilege lost is an appropriate description as, since the introduction of the FSRA, accountants cannot give financial advice without a licence or act as an authorised representative of a licence holder. This aspect of the debate is explored as a main theme of the thesis.

Three decades ago it would have been considered normal for accountants in public practice in Australia to provide their clients with advice on financial services (‘Accountants' role in planning advice’ 1994; Brown 2007d; Cull 2009; Harris 1985; Melancon 2005; Spinks 2010a). Today, accountants could lose membership in their professional bodies if they are deemed to have provided financial advice. As discussed
above, such a situation developed because of the introduction of the FSRA in 2001 (effective from March 2004), the removal of the notion of ‘incidental services’ from previous legislation and the narrow scope of exemptions under the FSRA, which prevents accountants from providing the broad range of financial services to clients that they may have provided in the past or unwittingly still provide. For example, after the introduction of the FSRA accountants could provide advice to a client on the acquisition or disposal of a self-managed superannuation fund, but could not advise their clients on specific investments that should be acquired or disposed of within that fund, such as shares in a particular company (CPA Australia and the Institute of Chartered Accountants in Australia 2005, 2014). For this service, the accountant must refer their client to a licensed financial planner.

If accountants offer only general information, or if the communication does not contain a recommendation, they may be safe from prosecution. However, it could be construed as financial advice when such information is presented in a manner that may be reasonably regarded as suggesting or implying a recommendation. In such instances, the accountant is obliged to include a disclaimer. Accountants can still offer taxation advice and, through a specific exemption, provide advice in relation to a financial product when this is a necessary part of those activities. They can still offer what has been loosely described as “traditional accounting services”, provided that the advice does not relate to any financial product that the client may hold within their business (CPA Australia 2016; CPA Australia and the Institute of Chartered Accountants in Australia 2005, 2014).
How this loss of privilege developed over such a short period of time is complex; this thesis explores this question using Abbott’s (1988) theory of professions. Regulation played a part when the Australian Federal Government regulated compliance with appropriate business practices in the financial-services sector. Powerful lobbying by the existing institutions and professional bodies, such as the FPA, and a degree of apathy by the accounting profession all contributed to a ‘loss of privilege’. The thesis will examine from a theoretical view accountants’ response to the financial planning jurisdiction. The jurisdiction is still a source of conflict and the future is uncertain.

It should be emphasised that accountants can address their position individually. An accountant could become PS146 compliant through ICAA, CPA Australia, IPA or any university offering approved financial planning subjects. The accountant is then eligible, with the appropriate experience, to acquire a licence issued by ASIC, or become a representative of a licenced dealer. Another choice, to avoid any risk of contravening legislation, is to refrain from carrying on business as a financial services advisor as defined under S766A of the FSRA. If accountants currently provide financial services as defined by the act, and they are licensed, they also need to comply with the Statement of Financial Services Standard, APES 230\(^{11}\), issued jointly by the ICAA and CPA. After an outcry from the professional bodies and their members, APES 230 was amended so that members could still accept remuneration other than fees for service when conducting their financial planning practices. APS 12 is revisited in Chapter 6, and a detailed review of the implementation and subsequent amendment of APES 230 will be undertaken in Chapter 7.

\(^{11}\) APES 230 replaced the existing professional standard APS 12 *Statement of Financial Advisory Service Standards (APS 12)*. APS 12 was issued in 2005 to guide the professional and ethical obligations for members of the accounting profession who provide financial advisory services.
Accountants find themselves in a position of regulation both from the Australian Government and within the professional accounting bodies. These new regulations and licensing requirements are supported by S911A of the Corporations Act, which requires any person to hold an Australian Financial Services Licence if they are providing a financial service to the public. Failure to do so results in criminal sanctions. Accountants in breach of the act may also be in breach of the joint code of professional conduct and the by-laws and regulations of the relevant professional body, which could result in a penalty, including forfeiture of membership.

1.3 Role of regulation in financial planning

A wide range of laws and regulations apply to the business practices of financial planners. They can be distinguished based on their origin: statute or common law. Common law is developed over time as courts progressively make decisions that establish precedents, which collectively form the common law. Statute laws are enacted laws passed by governments. The main laws, regulations and controls that relate to the financial-services sector are detailed in Table 1-1, which lists the relevant act of Parliament and the administering body of the legislation.
### Table 1-1:
Legal regulations and controls in the financial planning industry

<table>
<thead>
<tr>
<th>Act</th>
<th>Administering body</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporations Act 2001</td>
<td>Australian Securities and Investments Commission (ASIC)</td>
</tr>
<tr>
<td>Financial Services Reform Act 2001 (FSRA)</td>
<td>ASIC (incorporated into the Corporations Act 2001)</td>
</tr>
<tr>
<td>Insurance Contracts Act 1984</td>
<td>ASIC, the common law and the court system</td>
</tr>
<tr>
<td>Superannuation Industry (Supervision) Act 1993</td>
<td>The act and its regulations and ancillary legislation are administered by the Australian Prudential Regulation Authority (APRA); other parts by ASIC</td>
</tr>
<tr>
<td>Superannuation (Resolution of Complaints) Act 1993</td>
<td>ASIC</td>
</tr>
<tr>
<td>Life Insurance Act 1995</td>
<td>Parts are administered by both APRA and ASIC</td>
</tr>
<tr>
<td>Australian Securities and Investments Commission Act 2001</td>
<td>ASIC</td>
</tr>
<tr>
<td>Future of Financial Advice 2011</td>
<td>ASIC (incorporated into the Corporations Act 2001)</td>
</tr>
</tbody>
</table>

(McKeown et al., 2014, Table 1.3, p. 24)

In the period under study, the implementation of FSRA was a major milestone, with a significant impact on the research in this thesis. The FSRA legislation represents the most significant corporate-law reform in the financial services sector in Australia (Financial Services Reform Act 2001; Agland 2001; Bowler 2003; Brown 2007c; Cull 2009; D’Aloisio 2007; Johnston 2002; Lucy 2004; Segal 2002; Wu 2003). Legislation, such as the FSRA, is a major disturbance (in Abbott’s term), causing an imbalance in the tasks associated with financial planning. Abbott (1988) recognised legislation as a major disturbance (1988, pp. 28, 164, 233, 67), and studies based on Abbott’s (1988) work similarly describe legislation as a major disturbance (see Arena & Jeppesen 2010; Edwards et al. 2007; Whitney 2008). The legislation communicated the implied message that the financial planning profession needed to be externally regulated because it could not be trusted to regulate itself.
The legislation was equally important for the accounting profession. Before the enactment of the FSRA, accountants had an exemption from registration as financial planners and could provide incidental advice as part of their professional engagement with clients. The accounting profession anticipated that it would receive a general exemption when the final legislation was enacted. However, no general exemption was included, and accountants were required to possess an AFSL or be an authorised representative of a dealer. The ICCA and CPA provided evidence to the Government inquiries preceding the implementation of the FSRA legislation, but overall accountants could not claim jurisdiction, and any chance of recovering their position was diminished with the enactment of the FSRA.

The regulatory requirements have forced planners to follow the requirements or risk criminal action (‘Criminal sanctions unjust, says FPA’ 2007; Hughes & Patten 2011). This necessity to follow a strict process as detailed in the legislation has meant that the production of the SOA, which is required as part of providing financial planning advice, has become commodified. This commodification of knowledge, where professional activity can be embodied in commodities that can be bought and sold without the involvement of jurisdictional professions (Abbott 1988, p. 146), has resulted in a concentration on process without the development of a body of knowledge.

Financial planning has been regulated in Australia since the inception of the industry in the early 1980s. Full details of the inquiries and Australian Government legislation specific to the financial planning industry is shown in Appendix C. The recent Joint
Committee on Corporations and Financial Services Inquiry into proposals to lift the professional, ethical and education standards in the financial services outlines the history of inquiries relating to the conduct of financial planning in Australia, and discusses the relevant parliamentary committees that have affected the conduct of the financial planning industry. The committee completed its report in December 2014, with its recommended approach covering the following issues: clarifying who can provide financial advice by protecting the title and function; improving the qualifications and competence of financial advisers; enhancing professional standards and ethics; and implementing transitional arrangements.

In this study the analysis of the inquiries and their recommendations up to December 2014, covered in Chapters 6, 7 and 8, demonstrates that the issues affecting the financial planning profession are long-standing and have had a negative effect on the development of the profession. In addition, the review of the recommendations and inquiries has shaped the profession’s current regulatory arrangements. The inquiries have also shown that the business models of some of the larger institutions have resulted in losses to the community and a further loss of confidence in the profession.

1.4 Introduction to theory position and research questions

The theoretical approach employed in this study follows in the tradition of the literature relating to the sociology of work and occupations, and, more specifically, the sociology of the professions. A brief overview contextualises the approach to the study and evaluate the jurisdictional dispute between professions. A detailed analysis of the
nature of professions and the theoretical approach in the thesis is provided in Chapter 3.

1.4.1 Sociology of the professions

Professions have a long history, and how they are perceived has changed over time. In ancient times work that is today classified as professional work was completed by people in dependent positions (Roos 2001). For example, in the Roman Empire physicians were slaves in wealthy households and architects worked as salaried public employees, and lawyers in ancient Greece were merely friends of the litigants who spoke on their behalf (Roos 2001). By medieval times, the classical professions of medicine, law and the clergy approximated the concept of professions in the modern era. In the 19th and early 20th centuries, professionalisation developed in concert with the increasing division of labour and the rational approach favoured in industrialising Europe and the USA (Roos 2001, p. 2260). The definition of a “profession” has been the subject of debate and will be addressed in Chapter 3, which specifically addresses the definitions surrounding the professions.

Many external disturbances date back to the early 1980s; for example, changes to the superannuation rules contributed to the emergence of new tasks, which led to the formation of new jurisdictions. These disturbances culminated in the introduction of the FSRA. The process by which the legislation was framed will be examined, as it is a major disturbance external to the profession that affected the jurisdictional contest between the professions. Abbott (2005, p. 69) explains that these disputes are transformed into settlement. The claim to full and final jurisdiction is only one of the
possible settlements of a jurisdictional dispute. There are at least five other important settlements, which will be discussed in detail in Chapter 3. The form of settlement is of interest not only to address the research questions of this thesis, but to examine the potential impact on the existing participants in the financial planning arena, as this can affect the future strategy of the professional organisation. For example, if it is concluded that the accountants cannot claim full jurisdiction over the work, it still may be viable to exert some control over the jurisdiction by another form of settlement. The research will review the possible forms in detail based on the data and literature, and conclude with the most likely outcome.

Whilst Abbott (1988) has been applied to discussions of the jurisdictional claims of accountants and other professions, there has been limited research on the development of financial planning in Australia (Bennett 2000; Cull 2009). To date, there seems to have been no research on the fight for jurisdiction of the work of financial planning, and accordingly no research on the relationship between financial planners and accountants in the ‘fight’ for the jurisdiction.

Abbott (1988) offers a cogent framework for examining the inter-professional dispute between financial planners and accountants, and describes the link between a profession and its work as its jurisdiction (2005, p. 33). Professions compete within an interacting system to expand and defend their respective jurisdictions. Accountants and financial planners, for example, may compete over the financial planning jurisdiction, and this competition is manifested in skirmishes between the two occupations. Abbott (2005, p. 215) offers a model of disturbances, jurisdictional contests and transformations to describe the development of a system of professions:
[a] characteristic story in the system of professions begins with a disturbance – a new technology requiring professional judgement or a new technique for old professional work. These disturbances undermine the balance between work and professions and lead to a variety of readjustments. Eventually the various parts of the system absorb the disturbance and balance returns. On this analysis, there are three general stages in a system-based historical description: disturbances, jurisdictional contests, and the transformations leading to balance.

Abbott’s (1988) *The System of Professions*, which relates a general theory treating professions as interdependent systems, has been used to frame and inform studies of professions in a variety of fields (Edwards et al. 2007). A detailed analysis of the extensive use of the theory in intra- and inter-professional literature will be covered in Chapter 2, and Abbott’s (1988) theory as a theoretical foundation of the thesis in Chapter 3. Abbott's (1988) framework has not been applied previously to the analysis of the divisions of expert labour within the financial planning industry. This study uses the conceptual tools provided by Abbott (1988) to examine the changes and consequences of jurisdictional competition in the period spanning 1980 to December 2014.

1.4.2 Background to research objectives and questions

The themes of the thesis involve the professionalisation of the accounting and financial planning professions, the responses of the accounting profession to the financial planning jurisdiction and the role of regulation and education in the financial planning profession. The thesis views the development of financial planning from the accountant’s perspective. The aim of the thesis from a theoretical viewpoint is to determine the theory that has been applied to accounting, and then to evaluate the
appropriateness of Abbott’s theory for such an analysis and apply it to the development of the accounting profession’s claim for jurisdiction over the financial planning profession.

Critical-theory scholars have provided definitions of critical accounting. In Fleischman et al. (2013, p. 29), Laughlin’s definition (1999, p. 73) encourages engagement with the accounting profession:

[a] critical understanding of the role of the accounting processes and practices and the accounting profession in the functioning of society and organizations with the intention to use that understanding to engage (where appropriate) in changing those processes, practices and the profession.

This study will provide the impetus for confrontation with the accounting profession advocated by Sikka and Willmott (1997, p. 158) and support Baker and Bettner’s (1997, p. 305) concept that accounting is not a value-free, neutral portrait of reality (Fleischman et al. 2013). Critical researchers have convincingly and repeatedly argued that accounting does not produce an objective representation of economic reality; rather, it pursues a highly contested and partisan representation of the economic and social world (Hines 1989). The thesis uses critical accounting history in developing its main themes. The literature review identifies a gap in the research and develops the literature by applying Abbott’s (1988) theory of the professions to trace the professionalisation process of financial planning in Australia.

In further redefining the appropriate literature, the thesis links contemporary issues of the accounting and financial planning professions to answer the research questions. The overarching research question examines why the accounting profession did not
take a dominant role in the development of the financial planning profession and thus gain access to the lucrative, sustainable fees associated with the tasks of providing financial advice. In this thesis, historical events are placed in the context of the effect on the development of the professions and evaluation of the responses as providing evidence of the application of Abbott’s (1988) theory of professions.

1.4.2.1 Research objectives and questions

The research questions are informed by Abbott’s (1988) theory, which is explained in detail in Chapter 3, and relate to the themes in the thesis. He describes the claim for jurisdiction starting with disturbances which results in a fight for jurisdiction. The jurisdictional claims are resolved by a settlement or transformation of the jurisdiction. This process of jurisdictional claims is ongoing and whilst each chapter concentrates on one key jurisdictional claim the other jurisdictional claims are still applicable in each time-period.

Some research questions cross several chapters; however, the emphasis of each chapter is on aspects of the theory that relate to various key disturbances and claim for jurisdiction in the key areas of work, legal and public jurisdiction. Chapter 5 relates to the disturbances that led to the development of financial planning and the claim for the work jurisdiction. Chapter 6 outlines the regulatory disturbance that affected the legal claim for jurisdiction. The legal claim for jurisdiction refers to the term as used by Abbott (1988) as discussed in Section 3.4.1. This thesis classifies ‘regulation’ as a disturbance using Abbott’s (1988) theory not a stand-alone theory for analysis of data. Chapter 7 emphasises the public claim for jurisdiction. The education of financial
planners and the body of knowledge key to its development as a profession are covered briefly in Chapters 5 to 7, with the results and implications collated as a separate claim for jurisdiction in Chapter 8. This process is illustrated in Table 1-2.

The settlement for each jurisdictional claim is evaluated in the relevant chapter where the claim was dominant. Work in chapter 5, legal in chapter 6 and public in chapter 7. Education is discussed in each of chapter 5, 6 and 7 but summarised as a separate claim in chapter 8. A major research question is the settlement of the jurisdictional claim for accountants. This settlement is summarised in chapter 9.

**Table 1-2 Theoretical links to research questions**

<table>
<thead>
<tr>
<th>Chapter Contents</th>
<th>CHAPTER 5</th>
<th>CHAPTER 6</th>
<th>CHAPTER 7</th>
<th>CHAPTER 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jurisdictional Claims</td>
<td>Social, economic, legislative, cultural</td>
<td>FSRA, regulatory responses</td>
<td>GFC, regulatory responses</td>
<td>Legislative, cultural, social</td>
</tr>
<tr>
<td>Work, Public, Legal, Education</td>
<td>Work (public, legal and education claims still present)</td>
<td>Legal (work public, and education claims still present)</td>
<td>Public (work, legal and education claims still present)</td>
<td>Education (other claims covered in previous chapters)</td>
</tr>
<tr>
<td>Settlement</td>
<td>Work jurisdiction assumed by financial planners</td>
<td>Legal jurisdiction thwarted.</td>
<td>No public jurisdiction.</td>
<td>Lacking an abstract body of knowledge.</td>
</tr>
</tbody>
</table>

The disturbances, claims, and settlement form the basis of the objectives and research questions of the thesis. The four main objectives of this thesis are:

1. To explore the external and internal disturbances contributing to the emergence of financial planning in Australia,

2. To investigate the role of regulation in financial planning in Australia,
3. To evaluate the response of the Australian accounting profession to the jurisdictional claims for financial planning and
4. To examine the extent to which financial planning education in Australia has responded to the professionalisation process of financial planning.

Four key research questions are explored in this thesis:

**RQ1** What external and internal disturbances contributed to the emergence of financial planning in Australia?

**RQ2** How does the regulatory framework affect the professionalisation process of financial planning?

**RQ3** Did the Australian accounting profession claim the jurisdiction of financial planning?

**RQ4** Has the education of financial planners contributed to the professionalisation process of financial planning?

Each key research question is divided into related subsidiary questions. The use of the subsidiary questions is informed by Kotb (2008), who used a similar classification in an accounting environment. The use of the classification for accounting and financial planning provides a structure for evaluating Abbott’s theory. Table 1-3 details the subsidiary questions and outlines the relevant chapters in which the subsidiary questions are addressed in detail.

The disturbances that contribute to a new, or vacant, jurisdiction are the subject of research question 1. Regulation is the subject of research question 2. The claim to jurisdiction of the accounting profession is the subject of research question 3. A key
to the professionalisation of financial planning is the body of knowledge pertaining to the profession. This aspect of the quest for jurisdiction is the subject of research question 4.

Table 1-3 Research questions

<table>
<thead>
<tr>
<th>RESEARCH QUESTIONS</th>
<th>CHAPTER</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. What external and internal disturbances contributed to the emergence of financial planning in Australia?</td>
<td>5 6 7 8 9</td>
</tr>
<tr>
<td>1.1. Cross-national disturbances</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>1.2. Australian disturbances</td>
<td>✓ ✓ ✓</td>
</tr>
<tr>
<td>1.3. Technology</td>
<td>✓ ✓ ✓</td>
</tr>
<tr>
<td>1.4. Education</td>
<td>✓ ✓ ✓</td>
</tr>
<tr>
<td>2. How does the regulatory framework affect the professionalisation process of financial planning?</td>
<td>✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>2.1. Has the regulatory framework contributed to the development of financial planning in Australia?</td>
<td>✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>2.2. How did regulation alter the work practices and public acceptance of financial planning?</td>
<td>✓ ✓ ✓</td>
</tr>
<tr>
<td>3. Did the Australian accounting profession claim the jurisdiction of financial planning?</td>
<td>✓ ✓ ✓</td>
</tr>
<tr>
<td>3.1. What aspects of work, public and legal arenas were operative in accountants’ claims to jurisdiction over financial planning, and how did these aspects create disturbances in the emergence of financial planning?</td>
<td>✓ ✓ ✓</td>
</tr>
<tr>
<td>3.2. What settlement has occurred in the accountants’ claim for financial planning jurisdiction in Australia?</td>
<td>✓</td>
</tr>
<tr>
<td>4. Has the education of financial planners contributed to the professionalisation process of financial planning?</td>
<td>✓</td>
</tr>
<tr>
<td>4.1. What abstract body of knowledge is applicable to the financial planning profession?</td>
<td>✓</td>
</tr>
<tr>
<td>4.2. Have the participants in the financial planning profession embraced the knowledge base of financial planning?</td>
<td>✓</td>
</tr>
<tr>
<td>4.3. What is the role of educational providers in the development of financial planning in Australia?</td>
<td>✓</td>
</tr>
</tbody>
</table>
1.4.3  Concluding remarks

The study has four themes, which are embodied in the four research questions. The historical dimension of the study draws on a variety of sources, including semi-structured interviews with elites. The input of the various participants and the regulatory framework are viewed from an historical perspective to show the intra- and inter-professional claims of accountants and their quest for jurisdiction over financial planning in Australia.

All empirical evidence is directed to the impact on the accounting profession, so as to ascertain their input to the work, public and legal claims to financial planning jurisdiction, using Abbott’s (1988) conceptualisation as a framework. The theoretical structure of the study is guided by Abbott’s (1988) theory, resulting in a claim for jurisdiction. The study is different to previous studies based on Abbott’s (1988) theory. Financial planning is a new profession that commenced, on a large scale, in the late 20th century. The claim is ongoing, with implications for current regulatory and professional practice and broad policy decisions involving the issues highlighted in the thesis.

The thesis adopts several qualitative research methods to explore the research questions and objectives: interviews, Government inquiries, professional publications, newspapers and other secondary sources of data. In addition, the research methods incorporate the experiences of the author in the three fields of professional work relevant to the study: accounting, financial planning and the academic professions, including interview access to ‘elites’ in the accounting and financial planning professions to provide a major input to data and analysis of the research questions in
the thesis. A detailed analysis of the research methods adopted in the thesis is provided in Chapter 4.

Individual contributors to the development of financial planning are still alive and able to relate their history of events. Exploring the development of financial planning in Australia with those intimately involved in the process complements and extends existing knowledge and provides previously unavailable knowledge. The study does not aim to test the theories and findings of prior research, but does draw on them when relevant as points of reference for the study’s own findings.

1.5 Thesis plan

This section briefly explains the plan of the thesis. Emphasis will be given to the underlying themes of the remaining seven chapters, with the overriding emphasis on the claim for jurisdiction of the planning profession from the accounting perspective. The thesis is divided into four parts (Figure 1-1); Part 1 includes this introductory chapter and Chapter 2, which provides a literature review on the two related academic disciplines of accounting and financial planning. The chapter examines the role of accounting in society and traces the professionalisation of accounting in the UK and the USA, particularly in the second half of the 20th century.

In the history of accounting in the UK and the USA, accountants’ role in the process explains their choice of strategies in claiming jurisdiction over accounting-related areas and why these strategies were not employed in claiming jurisdiction over financial planning in the early stages of its development in Australia. The chapter also
examines the nature and growth of financial planning internationally, principally in the USA and UK, since its establishment in the late 1960s and early 1970s; this sets the scene its development in Australia in the early 1980s.

In each of the reviews of the history of accounting and financial planning in the UK and USA, the role of regulation in the phases of development is evaluated to ascertain the need, if any, of regulatory responses to the financial planning industry in the respective countries, and the role that the accounting profession played in the development. The evaluation will also gauge the impact on the accounting profession. The role of regulation is a major theme of the thesis, and the review of overseas countries provides an insight to the regulatory response in Australia to the financial planning profession. The chapter concludes with a detailed review of the inter- and intra-professional accounting-related literature and relevant financial planning literature that provides the background and identifies the gaps in the accounting-related research as it applies to the development of financial planning in Australia.

Chapters 3, 4 and 5 constitute Part 2 of the thesis. Chapter 3 provides a theoretical structure for the thesis. Theory in general is discussed to define the assumptions underpinning the study, including the methodological approach, which in turn is affected by the philosophical assumptions of the researcher. The theoretical foundations of the thesis are discussed as a preamble to the theory that underlies the thesis. The theory of regulation is reviewed, and its application to both the accounting profession and the financial services sector is discussed as a preamble to evaluating the methods of regulation available in the Australian context, and the need for regulation in financial planning. The nature of a profession and the literature on the
history of professions is considered, with a detailed analysis of Abbott’s theory (1988) providing the framework for the thesis.

Chapter 4 provides a detailed description of the research methods used in the thesis, especially the use of semi-structured interviews of ‘elites’. ‘Elites’ are influential, prominent individuals in an organisation. The individuals were selected for the interviews in this study based on their expertise in areas relevant to the research and for their perspectives. The chapter covers the background to the interviews, analysis of the interview structure, data collection and the coding and analysis of interview material. Other data includes government inquiries and other primary data. The chapter concludes with a review of secondary data used in the thesis, including refereed journals, professional journals, books and newspaper articles.

Chapter 5 briefly examines the development of the accounting profession in Australia as a background to the development of financial planning in the context of the themes of the thesis and the examination of the role played by the accounting profession. The chapter traces the early history of financial planning in Australia and the contributing factors in the development of the industry. The roles of the various professional bodies of accountants and financial planners are examined, together with a detailed description of the structure of financial planning in Australia. Whilst some timing overlap is unavoidable, Chapter 5 traces the development of financial planning from its beginning in the early 1980s to the end of the 1990s, when the Australian Government began the legislative background to the implementation of the FSRA. The chapter will use interviews with members of accounting and financial planning ‘elites’ to ratify the literature on the early development of financial planning and provide
additional insights into accountants’ role in the development of the financial planning profession.

Chapters 6, 7 and 8 constitute Part 3 of the thesis. Chapters 6 and 7 relate to major disturbances that occurred in financial planning after the early informative years that, in terms of Abbott’s theory, shaped the course of the claim for the financial planning jurisdiction. Interviews with ‘elites’ in the industry will be used throughout the chapters to trace the themes of the study. Chapter 6 explores the background, enacting and implementation of the FSRA. It is important to fully appreciate that FSRA was a major regulatory change instituted by the Australian Government in response to the need to control the rapid growth of the financial planning industry. The chapter traces the period from the year 2000 to 2007 and covers the enactment of the FSRA in 2002, its transition period to 2004 and its implementation. The chapter will make extensive use of the interviews, as in Chapter 5, to provide primary data from ‘elite’ interviewees in the accounting and financial planning sectors. All the interviewees had an impact on the development of the profession because of the positions that they held in their respective organisations.

Chapter 7 reviews a major disturbance, which affected all financial markets, not just financial planning. The 2008 GFC had a major effect on the financial planning profession, including prompting regulatory intervention, and exposed flaws in the business models of some major financial planning organisations. The industry’s reaction to the GFC will be discussed in detail, with a review of the reaction of the professional organisations and the Australian Government to the changing financial landscape after the GFC and the scandals surrounding the provision of financial advice.
that occurred even after the implementation of the FSRA regime, which stipulated
criminal sanctions for non-compliance.

Chapter 8 considers in detail the role of education in the process of professionalisation
of financial planning. The key issue of whether an abstract body of knowledge exists
and, if so, the extent to which accountants have embraced it is discussed by evaluating
the history of the education process in financial planning and the need for regulatory
control to lift the standards in the industry. The claim for jurisdiction over financial
planning through education is explored, including using Abbott’s theory to predict a
likely outcome.

Part 4 consists of the final chapter, Chapter 9, and concludes by summarising the
themes emerging from the study and forming an overall view of the central research
questions, particularly the role of accountants in the development of financial planning
in Australia. It also summarises the study’s contribution to the literature, including
recommendations for future research, and the implications for professional practice
and Government policy.
Chapter 1
Introduction

Chapter 2
Literature review

Chapter 3
Theoretical structure

Chapter 4
Research methods

Chapter 5
The accounting profession and the disturbances in the development of financial planning in Australia 1980-2000

Chapter 6
Major disturbance: Financial Services Reform Act 2001-2007

Chapter 7
Major disturbance: Global Financial Crisis and regulatory responses 2008-2014

Chapter 8
Contribution of education to the professionalisation process of financial planning in Australia

Chapter 9
Conclusion and recommendations

Figure 1-1: Thesis plan
CHAPTER 2.

LITERATURE REVIEW

‘I hold’ said Bacon, ‘every man a debtor to his profession from the which as men do of course seek to receive countenance and profit, so ought they of duty to endeavour themselves, by way of amends, to be a help and an ornament thereunto.’

Francis Bacon, Maximums of the Law

2.1 Introduction

This chapter examines the role of accounting in society and places the development of accounting in a social context. It also covers a literature review in the context of intra- and inter-professional literature in both the accounting and financial planning disciplines.
The social context in which accounting developed as a profession, particularly in the context of inter-professional and intra-professional claims for jurisdiction, is relevant in this thesis. It provides a link to demonstrate how accountants responded to the growth of financial planning in the UK and the USA in the second half of the 20th century, and to ascertain if they missed an opportunity to claim jurisdiction in the early stages of development.

The literature review covers both the accounting and financial planning disciplines. The body of knowledge, which is a key to the development of a profession, is discussed in detail in Chapter 3. The literature is reviewed to ascertain the status of the development of knowledge in financial planning, as it affects the theoretical approach to the thesis. Intra- and inter-professional literature is explored from the perspective of two themes. First, the literature relating to the sociology of the professions is validated as a suitable approach to this thesis. Second, the use of Abbott’s (1988) theoretical framework in accounting-related literature is evaluated to ascertain the applicability and suitability of his theory in analysing the financial planning jurisdiction in the thesis. Lastly, the literature review establishes a gap in the research wherein the thesis resides. The literature review also includes studies that relate to the financial planning literature, which provides a background to the Australian accounting profession’s response to the claim for jurisdiction.

The chapter is divided into five main sections. The first section discusses accounting in a social context and its wider role in society. The second discusses the milestones
in the professionalisation of accounting in UK and the USA to, first, establish how such a profession developed and, second, to provide a link to how the financial planning profession developed in the second half of the 20th century. The milestones are discussed in the context of intra- and inter-professional claims for jurisdiction. For example, accountants in England claimed bankruptcy work as a jurisdiction in the mid-1800s. Whilst regulation theory is not used in this thesis, regulation has had, and continues to have, a major impact on accounting in the respective countries. The role of regulation in accounting established the way accounting was to confront regulation in financial planning in Australia. The background to the development of accounting as a profession in UK and USA provides a platform for Chapter 5’s discussion of the accounting profession in Australia. The development of an abstract body of knowledge in accounting enables an understanding of the ingredients of such knowledge, and provides some understanding of accountants’ attitude to a separate body of knowledge applicable to the financial planning profession. A discussion on accountants’ body of knowledge is covered in Section 2.2.4 below.

The third section introduces financial planning as a profession, and examines the nature of financial planning. The growth of financial planning internationally, principally in the USA and UK, since its establishment in the late 1960s and early 1970s provides a background to its development in Australia in the early 1980s. The role of regulation in the phases of development is discussed to ascertain the need, if any, of regulatory responses to the financial planning industry in the respective

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12 Regulation theory is discussed in Chapter 3. In this thesis regulation is viewed as a disturbance rather than an actor. This assumption will be reviewed in the final summary of the thesis.
countries and the role of the accounting profession in the development of the profession.

Regulation has had a major impact on the structure of financial planning in Australia. The review of the UK and USA financial planning industries provides an insight into the regulatory response in Australia to the financial planning profession. The section also discusses the characteristics of and differences in the skills and knowledge of financial planners compared to accountants.

The fourth and fifth sections of the chapter detail the accounting and financial planning literature relevant to the study. The literature assists in providing an explanation of why the accountants missed the opportunity to claim the jurisdiction in the early stages of its development. It is this quest for jurisdiction over financial planning that provides the central theme of the thesis. The literature review includes the two related academic disciplines of accounting and financial planning. A review of the inter- and intra-professional accounting-related literature and relevant financial planning literature provide the background and reveal gaps in the accounting-related research. The literature concentrates on the jurisdictional claims between the accounting profession and other professions and evaluates financial planning literature with the same emphasis.
Figure 2-1: Themes of Chapter 2
2.2 Accounting as a profession – role in society

In the historical study of accountancy, three chronological divisions emerge. The first period commences with the earliest times of recording to the beginnings of merchant capitalism; the second extends from the embarkation of capitalistic production to the advent of the Industrial Revolution; and the third opens with the Industrial Revolution and carries on to the present day (Stacey 1954, p. 1). In this study, a summary from the third stage is provided as a background to the rapid ascendancy of accountancy in modern economic society.

2.2.1 Nature of accounting

The professional nature of accountancy is open to question. Criticisms range from the lack of a theoretical body of knowledge (West 1996) to the role of self-interest, rather than the service ideal, in the development of the accounting profession in Great Britain (Puxty et al. 1987; Sikka & Willmott 1995; Willmott 1986; Willmott 1990). Many studies exploring the development of accounting in its social and organisational context have pointed to the range of conditions that have led to the diversity of accounting development within the UK (Cooper & Hopper 1987; Hopper & Cooper 1990; Loft 1986b; Miller 1998).

2.2.2 Milestones in the professionalisation of the UK accounting profession

The accounting literature abounds with histories of the UK accounting profession (Hein 1962; Hein 1963; Lee 1995; Loft 1990a; Macdonald 1984; Matthews et al. 1997; Perkin 1989; Stacey 1954; Walker 1995, 2004b). It is recognised that at least 17 professional accounting organisations exist in the UK (see Matthews et al. 1998, p. xv). This thesis uses
the classification of Annisette and Kirkham (2007), which cites six professional accountancy bodies that constitute the UK accountancy profession: the Institute of Chartered Accountants in England and Wales (ICAEW); the Institute of Chartered Accountants in Ireland (ICAI); the Institute of Chartered Accountants in Scotland (ICAS); the Chartered Institute of Management Accountants (CIMA); the Association of Chartered Certified Accountants (ACCA); and the Chartered Institute of Public Finance Accountants (CIPFA). These six bodies constitute the Consultative Committee of Accountancy Bodies (CCAB), and their members are deemed to hold equivalent-level qualifications.

In the UK two factors made the industrial transformation possible: the flow of population from pastoral areas into urban districts and the growth of the population as a whole (Stacey 1954, p. 3). The Industrial Revolution created the demand for accountants: the new industries were capital-intensive and required investment funds that exceeded those available to an individual or group. Dezalay and Sugarman (1995, p. 227) suggest that “until the late 18th century accountancy was a skill rather than an occupation as such”. However, the early 1800s provided disturbances and a claim for significant work jurisdictions. The creation of the railways and other large public utilities, the rise of the limited company and high levels of bankruptcy forced the state to legislate, resulting in the Bankruptcy Act of 1831, which enabled creditors to appoint ‘official assignees’ to liquidate the estates of bankrupts on their behalf (Dezalay & Sugarman 1995, p. 227).

Accountants emerged as a new profession, beginning in Scotland as a branch of the legal profession, and “in England as an amalgam of solicitors, bankers, and others who had
shared during the middle nineteenth century the jurisdiction of bankruptcy and receivership” (Abbott 1988, p. 74; Lee 2011; Macdonald 1984; Walker 1995).

Accountants were active in claiming jurisdictions from other professions. The jurisdiction of bankruptcy was usurped from the lawyers as “[s]orting out the financial tangles of bankruptcy and liquidation was in fact the chief activity of accountants in those early days of entrepreneurial individualism” (Abbott 1988, p. 25). The overwhelming market for British accountants in bankruptcy is shown by the actual rates of commercial failures: 87 in a typical week in 1889 (Abbott 1988, p. 370; Dezalay & Sugarman 1995; Martens & McEnroe 1991; Martens & McEnroe 1998; Pong 1999).

In the UK, even though accountants emerged through the transformation of receivership into a full-time occupation, the work of bankruptcies abated. Just as the Bankruptcy Act of 1869 had allowed receivership into the private sector, the Bankruptcy Act of 1883 returned most duties of receivership to the Board of Trade (Abbott 1988, p. 270). The other contributing factor to the reduction in bankruptcy work was that “[t]he English capitalists got so good at what they were doing that there were few bankruptcies for accountants to settle” (Abbott 1988, p. 101; McClelland & Stanton 2004; Walker 2004a, 2004b).

The accountants expanded into other work to replace the bankruptcy work. They proceeded to provide a preventive treatment to circumvent bankruptcy: conducting the annual external audit of corporations openly traded on the stock exchanges; moreover, “[a]ccountants in England – moved to monopolize the business of auditing” (Abbott 1988, pp. 25, 101). The shift toward prevention had a profound impact on the work of accountants, as “it changed
their market from certain corporations at one point in their existence to all corporations every year” (Abbott 1988, p. 101; Dewing & Russell 2004; Hein 1963; Masters 1915).

UK regulation of professions has remained a legislative affair. Parliament has registered only a few professions, preferring to protect professional names legally, while leaving workplace and public jurisdiction over inter-professional competition to private qualifying associations. For example, it remains possible for anyone to claim to cure illness in the UK, although rights to the name ‘physician’ and to payments from the National Health Service are restricted (Abbott 1988, p. 166). The same applies in Australia, where anyone can be called an accountant.

A battle over the jurisdiction of taxation services has a long history. Competing professions often fight each other through competing external authorities. The battles between lawyers and accountants over tax practice illustrate this complexity well. The commercial world would prefer accountants to control an area, and has said so, but the courts and legislatures, who are populated by lawyers, do not agree (Abbott 1988, pp. 169, 73; Frecknall-Hughes & McKerchar 2013; Napier & Noke 1992).

In the 1930s the term accountancy remained undefined in the legislation and subject to conjecture. Carr-Saunders and Wilson (1933, p. 208) report that the Board of Trade appointed a committee to determine whether it was desirable to restrict practice of the ‘profession of accountancy’. The committee found it was no easy matter to say what constituted ‘the profession of accountancy’, reporting that ‘accountancy’ had been established as a profession in England for more than a quarter of a century and in Scotland
for half a century. The authors acknowledge the period during which professional associations or accountants in independent practice had existed. Accountants assumed the attestation function from bankers and were becoming go-betweens with manufacturers (Head 1924; Lowes Dickinson 1908; Roberts 1907), and the accountants were as much a necessary condition of the new function as they were a result of them.

### 2.2.3 Milestones in the professionalisation of the accounting profession in the United States (USA)

From their beginnings in the last years of the 19th century, American accountants did less bankruptcy work and more public accounting. During the Second World War cost accountants monitored the flow of labour, materials and capital. Public accountants presented financial statements to investors and USA Government under the regulatory control of the newly established Securities and Exchange Commission (Abbott 1988, p. 235).

While the beginnings of the accounting profession in the USA involved cost accounting, public accountants suddenly lost interest in working within industry. Legislation created a vast new work area in the form of tax work:

A series of acts—the Corporate Excise Tax Act of 1909, the Income Tax Amendment and Federal Revenue Act of 1913, and the Excess Profits Tax Act of 1917—opened to the public accounting profession the enormous province of tax work; the area was duly invaded and subdued, not without substantial warfare with lawyers (Abbott 1988, p. 233).

In the late 1980s, many eminent practitioners and academics asserted that the culture of the profession was changing to more of an industry. Toffler and Reingold (2003) expose the
slow deterioration of values that led not only to Enron but also to the earlier financial
scandals of the firm Arthur Andersen. These scandals illustrate the practices that paved the
way for the accounting fiascos at WorldCom and other major companies. They chronicle
the build-up of the culture in the large accounting firms of "keep the client happy" rather
than the valuing of quality work. Zeff (1987, p. 65) referred to a letter he had received a
letter from a retired partner of a Big Eight\textsuperscript{13} firm who was a leader of the profession when
he was in practice. It illustrated the apprehension of senior accounting practitioners:

When the Wall Street Journal began using the term “accounting industry”, I wrote them
a letter of objection. Now I wouldn’t dare, because I’m afraid the label is all too accurate.

The large multinational firms had an impact on how the profession grew in the 1980s. It
was estimated at the time that the forthcoming merger in 1986 between Peat, Marwick and
Mitchell and KMG could create a firm with 58,000 professional staff in 85 countries (Zeff
1987). The merger did go ahead, and the total number of employees grew from 58,000 in
1987 to 189,000 in 2016. More significantly, the revenues for the firm grew from US$20.63
billion worldwide in 2010 to US$25.42 billion dollars worldwide in 2016\textsuperscript{14}. The quantum
and growth of revenue and personnel have been similar with other firms, and the total fees
worldwide for the Big Four was US$127.75 billion in 2016\textsuperscript{15}. This growth indicates that
accounting firms have expanded to be major businesses in financial markets.

\textsuperscript{13} The Big Eight refers to the 70s and 80s when there were eight large multinational accounting firms: Arthur
Andersen, Coopers and Lybrand, Deloitte Haskins and Sells, Ernst and Whinney, Peat Marwick Mitchell,
Price Waterhouse, Touche Ross and Arthur Young. Most, except for Arthur Andersen, which was the largest
in the 80s, were the result of alliances between large USA - and UK-based firms in the early 20th century.
Today there are only the Big Four after mergers and the 2002 closure of Andersen following the Enron
collapse and subsequent litigation: Deloitte, PwC, EY and KPMG.

\textsuperscript{14} Refer for details https://www.statista.com/statistics/484041/number-of-employees-of-kpmg/.

The major firms in the USA provided financial advice, but some regarded this as tantamount to giving investment advice (Zeff 1987, p. 67). However, as early as the late 1960s, Peat Marwick focused its financial planning services on wealthy individuals and closely held corporations. Following wage and price controls introduced by the Nixon Administration, rising inflation and the growth of tax shelters in the late 1970s, Peat Marwick added expertise as needed to handle the increasingly complex array of available products and strategies. It was also reported that Coopers and Lybrand had conducted financial planning for their clients since the early 1970s (Lauterbach 1984, p. 99).

2.2.4 Accounting body of knowledge

The knowledge contained in the accounting literature has historically been studied as a ‘strategic resource’, primarily in the context of intra- and inter-professional battles over jurisdictional rights. Abbott’s (1988) research has been used in numerous accounting-related inter- and intra-professional literature (Covaleski et al. 2003; Dezalay & Sugarman 1995; Dyball et al. 2007; Evans & Honold 2007; Joyce 2014; Walker 1995, 2004a, 2004b). Abbott (1988) describes the necessity of maintaining and controlling an abstract system of knowledge to maintain and defend a professional jurisdiction and to penetrate other professional jurisdictions (Joyce 2014, p. 591). Knowledge is embedded in accounting techniques. It is used to claim a jurisdiction (Loft 1986a), and to allow the practitioner to receive high economic rewards in exchange for specialist knowledge (Joyce 2014; Richardson 1988, 1990).

Accountants not only control the definitions of auditing and other such tasks, they also have exclusive legal rights to certain names; for example, Certified Public Accountant in
the USA, and Incorporated Accountant in the UK. Accountants also have “fairly complete legal control of the meaning of words like ‘depreciation’ in formal financial contexts” (Abbott 1988, p. 62).

2.3  Financial planning as a profession

2.3.1 Rise of the UK financial planning profession

The overriding reason for the growth of personal financial planning is the growth in the real personal incomes of individuals in advanced industrial countries. Up until the 1950s most families, even in Europe and North America, had little income to spare after paying for basic necessities (McRae 1995, p. 1).

Beginning in the 1980s, neo-liberal policies were implemented in the UK, shifting the emphasis from dependence on the state towards individuals in the community making provision for their own future. As a result, the need for consumers to access financial advice has increased to help them prepare for retirement and maximise personal savings (Moss 2013).

The growth of financial planning in the 1980s and 1990s also resulted in the growth of financial institutions. A large percentage of personal savings are channelled through contributory pension funds and life assurance funds, “providing UK financial institutions with immense financial power and influence on the UK economy” (McRae 1995, p. 2) The substantial growth and range of financial products created a highly competitive market, with large institutions paying substantial commissions to agents to sell their product
(McRae 1995). This growth at a time when institutions were initially self-regulatory led to mis-selling scandals that were perpetrated by an industry driven by targets and providing poorly trained sales advisers to a mainly financially incapable population (Moss 2013). This constituted a failure by the financial services sector to engender consumer trust.

2.3.1.1 Regulation of the UK financial planning profession

The UK financial planning sector developed from self-regulation, under the umbrella of several different professional bodies. Prior to the 1986 Financial Services Act, which introduced legislation to regulate financial advisers, almost no qualifications were required to practise as a financial adviser (Moss 2013, p. 231). The Act applied to various investment and long-term insurance products, but excluded bank and building society accounts, mortgages and general insurance. Later, the Financial Services and Markets Act (2000), which introduced a single regulator, along with subsequent amendments, increased the regulator’s scope to bring these excluded product areas under its authority.

The UK’s current regulatory framework has been restructured recently. The central bank, the Bank of England, is unchanged in its authority and is responsible for monetary policy and financial stability. The Financial Services Authority regulated most financial services markets, exchanges and firms in the United Kingdom until it was abolished on 1 April 2013, after which its responsibilities were split between two new regulatory authorities: the Prudential Regulation Authority and the Financial Conduct Authority.
The Prudential Regulation Authority, which is part of the Bank of England, is responsible for the prudential regulation and supervision of banks, building societies, credit unions and major investment firms. It sets standards and supervises financial institutions at the level of the individual firm. The Financial Conduct Authority (FCA), established under the Financial Services Act 2012, regulates the UK’s financial services industry. The FCA operates independently of the UK government, and is financed by charging fees to members of the financial services industry (Kaplan 2016).

Significant changes to the regulation of financial advisers in the UK came into force on 31 December 2012\textsuperscript{16}. Under these changes, financial advisors in the UK may either provide independent advice (which can consider all types of investment products and product providers within the market, and which must be free from any bias or undue influence) or restricted advice (which can only consider certain products and/or providers within the market). These changes prohibit financial advisors from receiving commissions on regulated retail investment products sold to clients, and introduce requirements for ongoing fees to be disclosed to and agreed by clients (Kaplan 2016).

\textbf{2.3.2 Rise of the USA financial planning profession}

The birth of financial planning in the USA took place in the late 1960s and early 1970s, with the formation of the International Association of Financial Planning and the college for Financial Planning (Rich 1984, p. viii). Rich indicates that financial planning in the USA had gone through the trials and tribulations of infancy and early childhood, and he

\textsuperscript{16} For details of the two forms of advice under the Financial Conduct Authority see https://www.fca.org.uk/.
saw the profession as going through a troublesome adolescence while reaching for maturity (Rich 1984, p. viii), with the emerging profession of personal financial planning faced with many of the problems expected from a restless, dynamic adolescent. Rich (1984) was referring to the growth of financial planning in the USA from a background of life insurance and the emphasis on sales and tax-driven investments. The quest for professional status in the USA was hampered by the lack of trust in financial planners. The reference to the emerging profession in the USA in the 1980s can be applied to the Australian position in the 1990s and beyond.

In the USA very affluent individuals had access to the financial planning process for many years prior to the emergence of the financial planning industry in the late 1960s (Cooper & Worsham 2005, pp. 1-3), and it is still principally for the wealthy in the USA. Interviewee D confirms this:

[T]he USA conversation is very different. Everybody over there, of course as you probably know, believes that they can aspire to great wealth but still the financial planning industry...I believe the financial planning industry in the US is still a cottage industry, it’s still for the purely wealthy or the interested.....It’s not mainstream at all, and so you have these deep pockets of very skilled people, but they’re running tiny shops in tiny environments, there’s no greatly collectivised professional community. And despite the numbers of people giving financial planning services, by comparison it’s nowhere near what we have here (Interviewee D 2013, interview, 2 May).

Financial advisors such as accountants and life insurance agents argued that they had been practising financial planning all their professional lives (Cordell & Poole 2003). A major growth in financial planning in the USA occurred when accountants entered financial planning, “many of whom had been offering financial advice for their whole career” (p. 7). It is generally recognised that financial planning services became available to most Americans in the middle and upper-middle income brackets only in the early 1970s.
Financial advisors claiming to be practising financial planning first appeared in numbers in the late 1960s, a period of rising inflation and interest rates, and the financial planning industry expanded during the 1970s as the general trend of prices continued upward (Cheng et al. 2009). By the late 1970s and early 1980s consumers required assistance with investing in an environment of high inflation and interest rates combined with high taxation rates. Much of the financial planning consisted largely of ‘get rich quick’ products and income tax avoidance by the use of tax shelters, accompanied by much selling ‘hype’ (Cooper & Worsham 2005).

Economic conditions improved by the mid-1980s, and when income tax reform abolished the tax shelters, many of the financial planners disappeared from practice (Cooper & Worsham 2005). Many financial planners, especially those advocates of the comprehensive approach to financial planning “came to realize that this type of financial planning is practical for only a small, affluent clientele, especially when provided solely on a fee-for-service basis” (Cooper & Worsham 2005). The focus also changed to retirement planning as the ‘baby boomer’ generation entered their forties (Cooper & Worsham 2005).

CPAs in the USA have a history of being involved in financial planning17 (Bernstein et al. 2000). In 1987, the American Institute of Certified Public Accountants (AICPA) developed a specialisation, designated the Personal Financial Specialist (PFS) (Cordell & Poole 2003, p. 7). This provided accounting practitioners with the first formal specialisation they could

17 The personal financial planning resources section within the AICPA site helps members to keep up with the latest planning strategies and trends in personal financial planning services so that they can practice competently and profitably; http://www.aicpa.org/InterestAreas/PersonalFinancialPlanning/Resources/Pages/default.aspx.
use in the growth of their practices. The program, wherein accountants could qualify for the designation and maintain the relevant skills, was conceived as a generic model that could apply to any subset of the work undertaken by the profession (Cordell & Poole 2003; Fogarty & Parker 2010). Whilst other specialisations were developed, including business valuation in 1996, information technology 2001, and forensics in 2008, it is significant that the PFS specialisation was the first (Fogarty & Parker 2010). However, the accreditation directly associated with major practice areas, such as tax and auditing, have not been embraced by the profession (Fogarty & Parker 2010, p. 3).

Commentators have noted that accountants were not comfortable with financial planning, and the designation is not a major component of accounting in the USA (Benson Jr 2015; Chessler et al. 1995; Kess & Mendlowitz 2015; Mednick & Previts 1987). However, Fogarty and Radcliffe (1999) observed that the literature failed to reveal a single negative comment on the PFS initiative. According to the CPA Letter, 1995 (cited in Fogarty & Parker 2010, p. 13) the number of practitioners who have undergone the necessary education and examination for this designation has steadily grown, indicating that the demand for it has been neither fleeting nor limited. A survey conducted in 1990 by the personal financial planning (PFP) division confirmed that the accreditation program addressed the financial planning competency issue, and as many as 79% of the survey respondents agreed that the PFS accreditation requirements improved their PFP skills and allowed them to be more competitive in the marketplace (Shambo & Eveloff 1993, p. 42).

In the USA, accountants (especially those who are self-employed business people), have more influence on a client than any advisor. Rich (1984, p. 135) suggests that an accountant
can “kill a deal with the slightest nod of the head or blink of the eyes. Many times, an accountant will kill a deal not because the deal is bad but because the accountant does not really understand it”. This summary assumed that the accountant was not a competitor, but a potential threat to the financial planner.

The background to the financial planning industry was very different in the USA to the Australian experience, as it had evolved from the stockbroking industry. Interviewee B, a former CEO of a financial planning professional organisation, comments,

[I]n the USA, the growth in financial planning came out of the stockbrokers’ industry (Interviewee B 2012, interview, 28 November).

2.3.2.1 Regulation of USA financial planning as a profession

The regulation of financial services providers in the USA is quite fragmented. Broadly, there are investment advisers and brokers/dealers. Investment advisers are those who advise about the buying or selling of securities.

The federal law in the USA regulating financial planning is the Investment Advisers Act of 1940 (Investment Advisers Act of 1940 1940). The Act of 1940 requires an investment adviser with more than 15 clients and over US$25 million in assets to register with the SEC and comply with its regulations unless exempt. An investment adviser is defined (Barbash & Massari 2008, p. 629) as any person who, for compensation, engages in the business of advising others as to the value of securities or as to the availability of investing

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18 As amended and approved January 3, 2012.
in, purchasing or selling securities. The Advisers Act was enacted by the US Congress as mainly a registration and anti-fraud statute to protect investors by ensuring adequate disclosure by investment advisers. It is often interpreted as holding investment advisers to a fiduciary standard on behalf of their clients and having an affirmative duty to act in their clients’ best interests (Angel 2011; Barbash & Massari 2008, p. 628).

In the wake of the GFC, legislative changes were enacted in the USA to protect investors. With the adoption of the Dodd-Frank Act amendments in July 2011, investment advisers must be registered with the Federal Securities and Exchange Commission (SEC) if they have more than US$100 million of assets under continuous and regular management (Kaplan 2016). If they have less than US$100 million under management, they must register with the state or states in which they do business. The amendments have extended the registration requirement to ‘private fund’ advisers who were previously exempt from registration with the SEC (Kaplan 2016). Some other special cases require registration with the SEC; for example, where the firm has operations in more than 30 states or is an internet-based business (Kaplan 2016).

2.3.3 Financial planning body of knowledge

Financial planning covers a large range of content and subject matter. The professions change continually, and the changes include technology, politics and other social forces that divide tasks and regroup them (Abbott 1988, p. 35). The first key claim for jurisdiction is in the work that is performed. The tasks of professions are related to human problems

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amenable to expert service (Abbott 1988, p. 35). Financial planning is such an activity, and is similar to the tasks described by Abbott, such as sickness and salvation for individuals and fundraising and auditing for groups. The specific tasks are detailed later in the chapter, and any specific situations that apply to Australia are detailed in Chapter 5 of the thesis.

**Figure 2-2**

Financial planner areas of competency

(FPSB *Financial Planning Competency Profile*, p. 7, 2015)
FPSB’s ‘Financial Planner Areas of Competence’\textsuperscript{20}, as summarised in Figure 2-2, outlines the competencies required of a financial planning professional during financial planning engagements with clients, regardless of practice type, setting or location, and across a variety of situations and contexts. The financial planning professional draws on one or more of the financial planner competencies, in addition to job-related skills, attitudes, judgements and knowledge to deliver financial planning advice to clients. The detailed subject areas are shown in Appendix A. The eight broad knowledge categories are: Financial Planning Principles, Process, and Skills; Financial Management, Tax Principles and Optimisation; Investment Planning/Asset Management; Risk Management and Insurance Planning; Retirement Planning/Financial Management; Estate Planning and Wealth Transfer; and Integrated Financial Planning. Within these eight broad categories there are 70 subsections of competencies.

The many subject areas that relate to financial planning may be a reason for the difficulty in any one professional being able to claim jurisdiction. Abbott (1988) makes the point that “management… is an area that lacks any particular content [abstraction that refers to many subjects interchangeably]; that management has not been ‘professionalised’ by any group that has tried to do so confirms my view of abstraction” (1988, pp. 346-7). Abstraction in the financial planning profession is discussed in Chapter 3 in the detailed examination of Abbott’s (1988) theory, and the role of education is discussed in Chapter 8.

\textsuperscript{20} FPSB works in conjunction with its members to develop and promote rigorous international competency, ethics and practice standards for CFP professionals in member territories to ensure that consumers looking for qualified financial planners understand and value CFP certification; \url{https://www.fpsb.org/certificationandstandards/competencyprofile.html}. Accessed 15th January 2016.
2.3.3.1 Financial planning body of knowledge literature

The following section provides a background to the current literature on the attempts to identify and establish a body of knowledge for financial planning. Table 2-1 identifies the different topics together with typical authors. This table serves as a reference point for a detailed description of the literature.

**Table 2-1**

Financial planning body of knowledge – literature

<table>
<thead>
<tr>
<th>Theme</th>
<th>Typical Authors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Financial planning theory</td>
<td>(Overton 2008); (Peck 2004); (Overton 2007)</td>
</tr>
<tr>
<td>2nd Efficient markets</td>
<td>(Wyatt 1983); (Whitley 1986)</td>
</tr>
<tr>
<td>3rd Delivery models</td>
<td>(Black et al. 2002)</td>
</tr>
<tr>
<td>4th Theory and inter-disciplines</td>
<td>(Altfest 2004); (Whitley 1986)</td>
</tr>
<tr>
<td>5th General</td>
<td>(Boone 2000); (Cummings 2015)</td>
</tr>
<tr>
<td>6th Competencies</td>
<td>(Financial Planning Standards Board 2015a);</td>
</tr>
<tr>
<td></td>
<td>(Financial Planning Standards Board 2010b)</td>
</tr>
</tbody>
</table>

The first theme in the literature is the general theory of financial planning. Overton’s contribution to the development of financial planning theory is significant. It included a survey of the financial planning literature over the previous 50 years, with certain basic theories from many existing disciplines identified. The theories identified from the literature were compared with the financial planning educational topics list of the CFP Board of Standards and the core financial planning process. In discussing investment planning and portfolio management, Overton notes that “most of the theories are used just as they come from the finance discipline” (Overton 2008, p. 29). Overton’s conclusion is the theoretical body of knowledge of financial planning represents the integration of a variety of theories from multiple disciplines. The disciplines identified in her thesis (Overton 2007) include strategic management, modern portfolio theory, life cycle finance, the permanent income hypothesis, the law of large numbers, prospect theory, decision
analysis, the time value of money, counselling theories and behavioural finance. Peck acknowledges that the body of knowledge “lays the foundation for the profession’s expertise” (Peck 2004).

The second theme is related to efficient markets and the role of finance theory in financial planning. Wyatt (1983) indicates that the real world of accounting ignores the efficient market hypothesis (EMH). He comments that ‘the real world of accounting either ignores or disputes the validity of the hypothesis and thus of the research” (p. 65). Whitley (1986, p. 188) points to financial economics combining a high degree of theoretical abstraction and formality with considerable empirical uncertainty and strong connections to financial institutions and employers. He indicates that the combination is attributed to academic expansion in business schools by encouraging scientific research, on the one hand, and to changes in the organisation of USA financial markets, especially of investment analysis and management, on the other hand. The resulting databases, which relate to models of perfect markets in equilibrium with regard to stock market price changes and similar phenomena, enabled the leaders of financial economics to claim ‘positive’ scientific status for their programme and to control the production of a massive amount of research (Whitley 1986).

The third theme relates to delivery models that reflect the desire to control client relationships and realise economies of scale in a comprehensive manner. Black et al. (2002) indicate that modern portfolio theory is a foundation theory of personal financial planning. They argue that the need for comprehensive personal financial planning is well-grounded
theoretically, although research to guide the appropriate application of the theory remains lacking.

The fourth theme continues the development of theory, but from an interdisciplinary perspective. Altfest (2004) argues that PFP is a new and growing discipline in the USA, and explains the under acknowledged contribution of the finance related theories of Modigliani, Fama, and Markowitz (Fama 1970; Markowitz 1952; Modigliani & Brumberg 1954; Modigliani & Miller 1958). Altfest (2004, p. 57) encourages academic recognition, additional academic research in the area and the development of a separate personal financial planning theory. His research provides building blocks for such a theory.

Whitley (1986) discusses the emergence of financial economics in the USA postgraduate business schools. He explains that economists’ extension of equilibrium models of perfect markets to capital markets led to the business finance area concentrating on theoretical models of asset valuation (Whitley 1986, p. 188). While beyond the scope of this research, the placement of such research into the capital markets and “[t]he institutionalisation of this research ‘machine’ concentrating on financial markets legitimatated the abstract and theoretical modelling work on capital markets” (Whitley 1986, p. 188).

The fifth theme concerns the key issues surrounding the financial planning body of knowledge. Boone (2000) views that reaching a definition of financial planning and then spreading the word is the single most important thing that can be done to further the profession, both in the breadth of its public acceptance and usage and in the increased professionalism it would encourage. Boone (2000) suggests one way to approach the
A definition of financial planning is to look at what financial planners do. He indicates that the CFP board in the USA is “well on the way to establishing practice standards, defining the professional behaviour of a ‘financial planner’” (Boone 2000, p. 32), but suggests that this approach is not appropriate. Boone (2000) refers to the six basic steps in financial planning, which form the basis of the definition adopted by the FPA and enshrined in the Australian approach to the presentation of SOAs. The problem with using the six-step financial planning process is that it does not involve a body of knowledge. Boone commented if he followed the criteria set by the six-step process, “I believe my plumber would qualify [as a financial planner] … and just following the financial planning process does not qualify you as doing financial planning” (Boone 2000, p. 32). This issue will be further explored in Chapter 3.

Cummings (2015) identifies five journals that focus on financial planning: the *Journal of Financial [Counseling] and Planning; Financial Services Review*21; *Journal of Personal Finance; Journal of Financial Planning;* and *Journal of Financial Service Professionals*. He reports that,

> over the last decade, financial planning practitioners continued to make significant contributions to the core financial planning journals…. Of the authors with primarily academic affiliations, Texas Tech University, University of Georgia, Kansas State University, and The American College were the institutions with the most prolific financial planning authors (Cummings 2015, p. 50).

The five journals mentioned by Cummings (2015) confirm an earlier study by Grable (2006), who reported that the same five journals were the prominent financial planning

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21 Effective from 2016 the *Financial Services Review* Journal is no longer in publication.
journals in the USA. The issue of focused research into financial planning will be further discussed in Chapter 8.

The sixth theme involves the financial planner competency profile and the education framework (Financial Planning Standards Board 2015a, 2015b) which describe the abilities, skills, attitudes, judgements and knowledge a financial planner needs when working with clients. The FPSB, through its member organisations, plays an active role in establishing standards for the global financial planning profession (Financial Planning Standards Board 2010b, p. 12). In the publication, the FPSB articulates its vision for regulation and the role of professional bodies, and comments that because of the specialised knowledge of a profession, it would be difficult and expensive for a government to determine and monitor standards of practice. A wider issue of the role of financial planning in society is that professional bodies can anticipate trends in the profession and in consumer needs, and drive changes that will benefit society. The behaviour of the financial planning industry does not support this view, as will be demonstrated in later chapters.

2.4 Inter and Intra-professional accounting-related literature

2.4.1 Sociology of professions in accounting literature

In this thesis, financial planning is viewed from the context of the accountant. Before detailing Abbott’s theory in Chapter 3, it is important to validate the use of historical sources in reviewing the claims of various professions. The scholarship is firmly in the sociology of professions, a theory that appears frequently in the accounting literature. Napier (2006), in analysing how accounting history developed in the journal Accounting,
Organizations and Society (AOS), comments that “the accountant and the allure of professionalisation” (2006, p. 464) are identified as a theme in the new accounting history over 30 years of historical research. He identifies a number of contributions to AOS that adopt the sociology of professions as a theory (see Ballas 1998; Carnegie & Edwards 2001; Chua & Poullaos 1993; Chua & Poullaos 1998; Chua & Poullaos 2002; De Beelde 2002; Dezalay 1995; Larsson 2005; McKinstry 1997; Mills & Young 1999; Preston et al. 1995; Robson et al. 1994; Sikka & Willmott 1995; Simmons & Neu 1997; Uche 2002; Walker 1991, 1995, 2004b; Willmott 1986).

The following review traces themes in the literature that relates to the sociology of professions. Willmott (1986) was one of the earliest writers to move beyond the official histories of professional accounting bodies in the UK to apply ideas from the sociology of professions, describing how the organisation of the accountancy profession in the UK could be affected by broader political processes (Napier 2006, p. 464). Dezalay (1995), Robson et al. (1994), Sikka and Willmot (1995) and Walker (1995) are covered in detail in other sections of this chapter, as their work relates to inter-professional rivalries.

The impact of the state\textsuperscript{22} early in the process of professionalisation is very relevant to this study. Different aspects of the quest for and conflict over the audit profession are the subject of several journal articles on the sociology of professions. De Beelde (2002) evaluates the emergence and development of an auditing profession in Belgium in the late 1940s and 1950s and illustrates the significant role of the state. He notes that the parties in

\textsuperscript{22} The definition of ‘state’ in the thesis is provided in Chapter 6.1 as part of introducing a detailed analysis of the FSRA as a major disturbance under Abbott’s theory.
the claim for jurisdiction supported different professional models, depending on what they considered the main role of auditors to be. Larsson (2005) focuses on the strategies of the major actors in the process involving the political and professional battle over auditors’ responsibilities in Sweden. An aspect of interest to this thesis is that the process did not just involve a reaction to fraud or scandals, but was part of wider social-democratic policies during the period.

Ballas (1998) examines the emergence of the auditing profession in Greece and how it was used by the state to further its strategic interests during the late 1940s and early 1950s. Carnegie et al. (2001) examine the professionalisation trajectory of a group of accountants in Melbourne, culminating in organisational fusion with the formation of the Incorporated Institute of Accountants, Victoria (IIAV) in 1886. The study portrays professionalisation as a dynamic process involving a diversity of ‘signals of movement’ towards occupational ascendancy that arise in periods before as well as after the formation of occupational associations. The findings reveal that intra-professional rivalries fuelled by international relations of power and nationalist self-interest provided the impetus to organisational assembly.

Chua and Poullaos (1993), in their review of the Victorian accountants to attain a Royal Charter, question the assumption of a tightly defined concept of occupational monopoly or closure and support the contention that professions are the dynamic outcome of the mutual interaction of ‘state’ and ‘profession’. The same authors use Weber’s (1968) class-status-party model to enable an in-depth understanding of the cross-border professionalisation projects of accountants. Analysis of the activities of the Incorporated Institute of
Accountants (VIC) from 1886 to 1903 indicate that the concept of monopolistic closure is imprecise, and significantly shaped by multiple and changing divisions within the association and between it and competing colonial and imperial associations, as well as the actions of autonomous state agencies and wider political and communal tensions (Chua & Poullaos 1998). In another study the authors conclude that accounting associations that developed in various colonies were not clones of the UK model, but hybrids reflecting their location and the accommodation of colonial demands, with the result being an emergence of an imperial accountancy arena (Chua & Poullaos 2002).

Mills and Young (1999, p. 243) also highlight the role of the state in controlling the ways accounting, licensing legislation and the courts have intersected over time, shaping CPAs' economic jurisdiction and the competition between CPAs and the uncertified. They highlight the use of statutes as a meaning of expanding jurisdictions of work. The discussion on the use and significance of the ‘CPA’ nomenclature and who can call themselves an accountant is relevant to the Australian debate concerning the designation ‘financial planner’, and the state involvement in the process.

In the 1980s, the functional approach was viewed as inadequate to explain the development of professions, and a more critical approach was promoted in the literature. Uche (2002) discusses conflicting theories attempting to explain the development of professions, and asserts that the ‘functionalist’ and ‘interactionist’ theories have since lost the spotlight to a more critical approach based on the Weberian concept of closure. The study also confirms the limitations in the concept and practice of this neo-Weberian concept, which have led to suggestions that research into the sociology of professions should also include historical
analyses of professionalism that capture historical specificities, with the aim of generating theory that sees beyond ‘just massive historical variation’. The study critically examines the relationship between the state and the professions, which is relevant to this thesis. The theoretical background of the sociology of professions is covered in detail in Chapter 3.

Walker (1991) also explores the critical approach in an account of the development of chartered accountancy in Scotland. He explains that, from 1854 to 1880, Scottish chartered accountants achieved a monopoly of practice founded on the unique acquisition of the credentials ‘CA’; however, after 1880 other professions challenged their economic domination in the form of this monopoly as being contrary to prevailing social and political philosophy. By employing an analysis of professional privilege, it is shown the CA monopoly was publicly defended by assuming a “functionalist” interpretation of the role of professions in society as being protected by superior resources, linkages with the legal profession and contemporary political circumstances (Walker 1991, p. 257).

Much of the debate on the professionalism of financial planning relates to the ethics of the profession. Preston et al. (1995, p. 507) argues that while the accounting profession in the USA has claimed to be a moral or ethical body throughout the 20th century, its moral schema and code of ethics have in fact undergone many changes. Their study argues that these codes of ethics appeal to the narratives of legitimation within the social realm. The use of ethics, which has been studied in the financial planning context in Australia (Elvy 2015; Meyer 2007a; Smith 2009; Smith et al. 2007), has been continually espoused by accountants as a prerequisite to the attainment of a profession. The importance of ethics is covered in various sections of the thesis. See Sections 2.5, 3.3.1, 3.4.1, 5.4.1, 6.3.2, 6.5.4,
7.2, 7.3, 7.4.2, 7.7, 8.4.2, 8.5.2 and 8.8. Chapter 9 summarises the impact of ethics on the jurisdictional claim for financial planning in Australia.

Linked to the concept of ethics is the legitimacy and status associated with professions. McKinstry (1997) highlights the status-building by the Institute of Chartered Accountants in England and Wales to confirm and enhance its professional status in the early phase of its existence. He draws upon the sociology of the professions literature and links the architectural history of the Chartered Accountants’ hall with the emergence of the professional headquarters of the main legal and medical bodies on which the Institute of Chartered Accountants based much of its behaviour.

External events caused professional associations to react in various ways to convince the membership that the leaders were in control of strategy. Simmons and Neu (1997, p. 799) address the question of “how external events are interpreted by occupational elites and represented for the consumption of lay members”. They analyse editorials from professional accounting association publications and conclude that during periods of perceived crisis, “hegemonic leadership requires occupational elites to construct the appearance of leadership to be seen as being responsive to events that impact on the profession” (Simmons & Neu 1997, p. 802). The thesis covers the professional accounting and financial planning journals; a similar analysis is conducted in evaluating the impact of major ‘disturbances’ in the development of financial planning in Australia. The disturbances resulting in the early development of financial planning in Australia are discussed in chapter 5, the regulatory disturbance of FSRA in chapter 6, and the GFC disturbance in chapter 7.
2.4.2 Abbott’s position in accounting literature

The following section provides a review of the accounting literature that incorporates Abbott’s (1988) research as a major theoretical foundation. Table 2-2 summarises the accounting-related literature into themes and authors using Abbott’s conceptualisation of disturbances (introduced in Chapter 1) in the development of a profession. The classification enables the literature to be reviewed with a focus on the emphasis that informs the current thesis and provides the link between the accounting literature and the application of Abbott’s (1988) theory to the financial planning profession in Australia.

In reviewing the literature, the inter-professional battles between, first, accountants and engineers and, second, accountants and lawyers are covered to provide a background to the disputes between the professions. Next, the disturbances that caused the jurisdictional claims between accountants and other professions are discussed from three aspects: internal disturbances arising from within the group; exogenous sources beyond the boundaries of the group; and other professions’ encroachment on accountants’ territory, or jurisdiction. Finally, studies on the reservations of Abbott’s (1988) theory are evaluated to provide a balance to the literature. Many of the references apply to several categories, and many are discussed in detail in later chapters. The encroachment upon accountants’ territory is of relevance to this thesis. Whilst most of the studies indicate an expansion of accountants’ jurisdiction, financial planners, together with the institutions, encroached on their mandate to provide financial advice.
Table 2-2
Abbott in accounting literature

<table>
<thead>
<tr>
<th>Topic</th>
<th>Typical Authors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1\textsuperscript{st} Accountants and engineers</td>
<td>(Armstrong 1985; Samuel et al. 2005)</td>
</tr>
<tr>
<td>2\textsuperscript{nd} Accountancy and law</td>
<td>(Bromwich &amp; Hopwood 1992; Dezalay &amp; Sugarman 1995; Napier &amp; Noke 1992)</td>
</tr>
<tr>
<td>3\textsuperscript{rd} Internal disturbances (within professional group)</td>
<td>(Arena &amp; Jeppesen 2010; Caramanis 1999; Covaleski et al. 2003; Evans &amp; Honold 2007; Richardson 2002; Robson &amp; Cooper 1990; Shafer &amp; Gendron 2005)</td>
</tr>
<tr>
<td>5\textsuperscript{th} Encroachment upon accountants’ territory</td>
<td>(Kotb et al. 2012; Kurunmäki 2004)</td>
</tr>
<tr>
<td>6\textsuperscript{th} Reservations about Abbott’s Systems of Profession</td>
<td>(Dezalay 1995; Sikka &amp; Willmott 1995; Walker 2004a)</td>
</tr>
</tbody>
</table>

Adaption of description in Kotb et al. (2012, p. 471)

Engineers and accountants have a long history of disputes over claims for jurisdiction. Armstrong (1985) shows that engineers, accountants and personnel specialists have all sought to advance by working from their original specialised techniques to develop relatively comprehensive strategies for controlling labour, and documents the subordination of engineers to accountants in key decision-making in the corporations. The study concludes, in accordance with Abbott’s (1988) theory, that where the knowledge basis is too accessible to outsiders, professional usurpation may be possible. Loft (1990b) and Burns et al. (1999) made a similar conclusion in their studies in management accounting. Samuel et al. (2005) analyses the claim for jurisdiction between rival professions such as accountants, engineers, economists and physicians. This research suggests that accountants “have encroached upon the domain of the physician not by
directly contesting medical practices or their knowledge base but rather by dominating entirely the process of the financial representation of medical costs” (Kotb et al. 2012, p. 471). The relevance to this thesis is that financial planning knowledge was commodified and became too available not only to other professions but to institutions.

Accountancy and law have similar backgrounds in their professional development. Law has been classified as a profession for many centuries and accounting has assumed some of the roles previously undertaken by lawyers; for example, bankruptcy in the mid-19th century (Bromwich & Hopwood 1992). The inter-professional disputes between accountants and lawyers are relevant to this study in that the reaction of accountants to financial planners corresponds to the attitude of lawyers to accountants in the formative years of the accounting profession.

Accountants usurped the tasks of lawyers to control jurisdictions. A dispute and ultimate settlement between accountants and lawyers was initiated by changes in the law for business combinations (Napier & Noke 1992). The change in law was described as a ‘disturbance’, according to Abbott’s framework. Solicitors forfeited their claim to be the principal advisers to the middle classes’ personal affairs by the 1950s; this indicates the rise of the accountancy profession and corresponding decline of the solicitors’ profession (Dezalay & Sugarman 1995, pp. 230-5).

Walker (2004a) explores inter-professional conflict between accountants and lawyers over insolvency work in Victorian England using Abbott’s The System of Professions, identifying the Bankruptcy Act, 1869 as the key disturbance to the inter-professional
relations and “unleased competition between accountants and lawyers for insolvency work” (Walker 2004a, p. 247). He comments that some elements of jurisdictional settlement over bankruptcy were achieved through intellectual division of labour, judicial decision-making and organisational change, in conformity with Abbotts’s (1988) observation that “these forms of settlement seldom proved conclusive and statutory changes effectively perpetuated inter-professional competition for insolvency work into the 20th century” (Walker 2004a, p. 247).

A theme for the claim of jurisdiction, using Abbott’s framework, is the issue of where the disturbances have occurred internally within the professional group. The accounting literature includes several relevant studies emanating from within the professional accounting associations and sub-groups. The inter-professional competition of the external audit profession over the internal audit jurisdiction resulted in an intellectual jurisdiction over internal auditing (Arena & Jeppesen 2010). Internal audit was outsourced to international external audit firms, with a resultant commodification of knowledge and the attempt to legitimate a transformation of jurisdictions (Covaleski et al. 2003). The complex manoeuvring by the Greek Government to grant international accountants access to the market for statutory audits emphasises the dynamic interplay of economic, social and political forces and the prominent role of professional groups in the protection of jurisdictions (Caramanis 1999).

Accounting standards are used in inter-professional conflicts to advance a claim for the knowledge base of the tasks associated with the jurisdiction, a claim for the work and legal jurisdiction. The Auditing Standards Board (ASB) substantially rewrote parts of the
exposure draft for Statement on Auditing Standards (SAS) 54 to accommodate the wishes of a special interest group, the legal profession (Martens & McEnroe 1991). A later study applied the methods of the earlier research to SAS 72, which exemplified another example of conflict between lawyers and accountants. It concluded that the lawyers maintained advisory jurisdiction over the ASB (Martens & McEnroe 1998). The different settlements of jurisdiction in Abbott’s theoretical framework are discussed in Chapter 3; full jurisdiction is only one type of settlement.

Inter-professional conflict relating to off-balance sheet finance and the subsequent issue of Technical Release 603 and Exposure Drafts 42 and 49 by the Accounting Standards Committee in the UK resulted in a contest for jurisdiction between accountants and lawyers. The eventual settlement arising out of the dispute was in the form of a divided jurisdiction (Pong 1999).

Richardson (2002) examines the dominance of financial accounting and managerial accounting and the jurisdictional disputes by which managerial accounting was subordinated to financial accounting. He analyses the technical, organisational and professional mechanisms used to subordinate managerial accounting, concluding that contemporary events suggest that the “intersection of financial and managerial accounting remains disputed territory” (2002, p. 91). In a study of the dispute between state-recognised auditors and less-qualified competitors indicated that Abbott’s theory required some refinement to include all actors, including the state and third parties (Evans & Honold 2007, p. 61). A further dispute, viewed from a Weberian social closure approach, relates to the
tension between abstract and concrete knowledge bases (Abbott 1988; Robson & Cooper 1990).

Shafer and Gendron (2005) examine the global credential project, promoted by the American Institute of Certified Public Accountants (AICPA), which aimed to professionalise consulting services in the USA and worldwide. The inability to enrol its membership meant that the project never passed the theorising stage. The knowledge base and the control over knowledge is relevant to the financial accountants claim for jurisdiction, and constitutes a theme in this thesis.

Another theme in the literature involves exogenous sources of disturbances: those occurring outside the boundaries of the group. The previous examples of jurisdictional battles of accountants, lawyers and other professionals are included in this category. Abbott reviews how accountants extended their profession by assimilating bankruptcy, taxation and audit work in the UK (Abbott 1988, pp. 226-33), and details how accountants expanded the jurisdictional domain into different tasks and made a claim for the jurisdiction (Abbott 1988).

Edwards et al. (2007) use Abbott’s work as a conceptual base to explain the emergence of “public accountants” prior to organisational fusion with the formation of professional accounting associations in 1880; overall, they conclude that his theory provides a meaningful framework for explaining the history of public accounting during the period 1800-1880.
Most of the accounting-related literature involves an expansion of the jurisdictional claims of accountants; for example, accountants usurping the role of costing from engineers and bankruptcy and taxation from lawyers, and the use of accounting standards to demonstrate their knowledge base over lawyers. There are few examples of any encroachment upon accountants’ territory by other professions. A notable exception is Kotb’s research (Kotb et al. 2012; Kotb 2008), which uses Abbott’s conceptualisation as a platform to examine the impact of technological change on the external audit function of e-businesses and, specifically, the professionals involved in executing these businesses. The findings suggest that the traditional authority enjoyed by external financial auditors is being, and will be, increasingly challenged by IT audit specialists. The role of the professional bodies as responsible for the education and training of financial audit professionals is highlighted as key to the outcome if financial accountants are to fend off challenges in this expanding arena and retain jurisdictional control. The study used the disturbance, jurisdictional conflict and settlement sequence espoused by Abbott (1988). The study is not historical; instead, it examines a current, pivotal point on the professionalisation trajectory of accountancy that has the potential to veer in several different directions and is, to a large extent, dependent on the actions of the profession itself (Kotb et al. 2012, p. 472). Kurunmäki (2004) provides a useful nuance to Abbott’s theory, arguing that rather than generating jurisdictional battles, inter-professional encounters may result in knowledge hybridisation; that is, the appropriation of knowledge-based tools and techniques developed within other professions.
Several researchers have expressed reservations about aspects of Abbott’s (1988) theory. Whilst acknowledging that “Abbott’s work is increasingly cited by students of the accountancy profession”, Sikka and Willmott (1995, p. 548) assert that his approach is wanting in at least three respects. First, by focusing on systems of professions within different nation-states, Abbott takes little account of how supranational pressures increasingly condition both the local practice and national standing of professional groups. Second, Abbott’s approach suffers from a professions-centric treatment of jurisdiction disputes, and largely neglects the importance of groups that do not themselves seek to occupy the disputed territory but unsettle the claim for jurisdiction. Third, the vagueness of Abbott’s concept of jurisdiction becomes particularly awkward when considering a profession whose members work in industry. Sikka and Willmott (1995) note that Abbott (1988, p. 125) does recognise that “professionals work in a variety of settings”. Sikka and Willmott (1995, p. 549) comment as part of their overall criticism that there is scant consideration of the micro-politics of how professions organise to define, defend or enlarge their area(s) of jurisdiction, and that Abbott (1988) largely omits consideration of the role of associations in dealing with jurisdictional threats and opportunities.

The conflicts between professions described in the literature review provide a framework to review the professionalisation of the financial planning profession in Australia. Abbott (1988, p. 279) explains that “studying inter-professional conflict provides one of the best possible avenues to analysis of professional development”. This aspect provides a link to the interrelationship between accountants and financial planners. His model embraces and explains inter-professional conflicts ignored by both professionalisation theorists and functionalists (Abbott 1988, p. 316).
2.5 Financial planning-related literature

Although the financial planning industry is in its infancy compared to the more established professions like medicine, law and accounting, several overseas and Australian research articles and publications are applicable to this current study. The following review covers areas that either confirm a gap in the literature or provide a basis for further research.

Table 2-3 summarises the financial planning-related literature into topics and authors applicable to the current literature that informs this thesis, especially the professionalisation of financial planning. The table serves as a reference point for a detailed description of the literature in the section. The literature review is not exhaustive, and many articles in the professional press cover technical material relating to financial planning; moreover, finance research is dominated by statistical analysis incorporating a positivist epistemological position not appropriate to this research.
### Table 2-3

Financial planning literature

<table>
<thead>
<tr>
<th>Topic</th>
<th>Typical Authors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professionalism and financial planning</td>
<td>(Baker et al. 2014; Bruce &amp; Ahmed 2014; Murphy &amp; Watts 2009; Watts &amp; Murphy 2009)</td>
</tr>
<tr>
<td>Ethics and financial planning</td>
<td>(Sanders 2010)</td>
</tr>
<tr>
<td>Professionalism and ethics</td>
<td>(Smith et al. 2007)</td>
</tr>
<tr>
<td>Trust in financial planning</td>
<td>(Cull 2015; Cull &amp; Bowyer 2017; Cull &amp; Melville 2018; Cull &amp; Sloan 2016)</td>
</tr>
<tr>
<td>Financial planning – Australia</td>
<td>(Bennett 2000; Cowen et al. 2006; Cull 2009)</td>
</tr>
<tr>
<td>Financial planning education</td>
<td>(Bruce &amp; Gupta 2011) (Brimble &amp; Murphy 2012) (Cull &amp; Davis 2013)</td>
</tr>
<tr>
<td>Financial planning – USA</td>
<td>(Cohen 1996; McClure 2014; Overton 2007; Overton 2008)</td>
</tr>
<tr>
<td>Financial planning – UK</td>
<td>(Moss 2013; Redhead 2011)</td>
</tr>
<tr>
<td>Financial planning journals – Australia</td>
<td>(Brimble et al. 2012; Smark et al. 2009)</td>
</tr>
</tbody>
</table>

Financial planning professionalism has been the subject of a number of articles (Baker et al. 2014; Bruce & Ahmed 2014; Murphy & Watts 2009; Watts & Murphy 2009). Watts and Murphy (2009) and Baker et al. (2014) address the issue of professionalism in financial planning from a ‘trait’ approach (detailed in the following chapter). Whilst this approach has been used by scholars, analysis of the study of the sociology of professions has moved to a more critical theory approach.

Bruce and Ahmed (2014) have reported on the professionalism of financial planning and how stakeholders in the certification of financial planners experience the phenomenon of the ‘professionalism of financial planners’, including the different ways certified financial planners, lecturers of the CFP curriculum and association managers understand or experience the phenomenon of ‘professionalism’. Again, this professionalism theme was
identified in a dealer group summit group output statement that asserted that “the average person doesn’t like advisers, but they like their adviser” (Hoyle 2013b, p. 10). Sanders (2010) reports a similar conclusion from a survey he conducted noting that if financial planners do not view themselves as professional then external parties, including the general public, can hardly be expected to hold a more optimistic view.

The professionalisation of financial planners and the role of a body of knowledge in that process is a central aspect of the sociology of professions. Accounting-related literature has been discussed in Section 2.2.4; however, there is scant literature on the body of knowledge associated with financial planning. Murphy and Watts (2009) conducted a survey of financial planners in the middle to upper socio-economic strata of Australian society. The evidence suggested that the financial planners did not believe that “a systematic body of knowledge” was a necessary ingredient of professionalism (p. 19). It seems that the financial planners themselves do not view themselves as professional. Whilst the data is limited, as noted in the study, it offers a new focus on the debate between industry and profession.

The professionalism of financial planners is linked to trust and ethics. Smith et al. (2007) draws on previous studies of individual characteristics such as ethical reasoning and the values and ethical development of financial planners, and considers the influence of situational and contextual factors such as organisational ethical climate and culture within an organisation. Smith’s (2009) thesis identifies the existing gaps in ethical frameworks within financial services organisations. The ethical framework that underpins the financial planning profession is pivotal to the ability of financial planners to provide professional
and effective independent advice. Cull (2015) emphasises the importance of trust and the relationship between trust and ethics (See also Cull & Bowyer 2017; Cull & Melville 2018; Cull & Sloan 2016).

Several articles on financial planning in Australia cover the historical development of financial planning (Bennett 2000; Cowen et al. 2006; Cull 2009). Cull (2009) provides a brief history of the profession and the impact of social, cultural, political and economic factors on the development of the financial planning industry. She mentions that theoretical development “is still in the early stage as is research in many areas of financial planning” (Cull 2009, p. 35), and argues that accountants lost control of the financial planning profession. In a later study, Cull (2015, p. xvi) concurs with Hoyle (2010, p. 1) that “[t]he GFC has also provided a turning point for the industry as it moves from a ‘transactional, investment-and-product-focused industry, to one offering principally strategic advice and services’”. She also notes that regulatory reform was a direct result of the Parliamentary Joint Committee (PJC) on Corporations and Financial Services, commissioned after the collapse of prominent financial product and services providers. This Inquiry is covered in Chapter 7. Brimble and Murphy (2012, pp. 105-22) concur that the GFC accelerated the pace of change in the financial planning profession, with increased regulatory requirements because of unsatisfactory developments within and external to the industry.

The education and training of financial planners is key to the development of a profession. Bruce and Gupta (2011) examine the training and education standards set by the Australian Securities and Investments Commission and those set by professional bodies such as the Financial Planning Association of Australia. The authors suggest that minimum training
standards set by the Australian regulator have allowed private education providers to capture the training and education agenda away from the profession, with the result that financial planning in Australia may not yet be a profession, but simply an industry (Bruce & Gupta 2011, p. 61). Other authors have addressed the training requirements of financial planners within universities. For example, Cull and Davis (2013) reported that scaffolding techniques show strong potential to assist university educators and their students in financial planning.

Academic studies in the U.S.A have contributed to the understanding of the influences on the financial planning profession. Cohen (1996) covers the various actors involved in the USA financial planning industry. He suggests that for the “last twenty-five years, practitioners of personal financial planning have competed with one another to determine what this work of financial advising is and what kinds of groups should have jurisdiction over it” (Cohen 1996, p. iv). The development of financial planning was uneven and uncertain, and “several factors contributed to this lack of firm jurisdictional control by any one group, including the turbulence of the larger financial services environment, the inconsistent support from major institutional players, and the diversity and contentiousness of the financial planning participants” (Cohen 1996, p. iv). The conclusion at the time was that as new competitors were entering the jurisdiction of financial planning, bringing different logics and the potential for shaking up the jurisdictional competition, there was no pattern in the claim for jurisdiction in the USA (Cohen 1996, p. iv).

The UK has provided input to the debate of the professionalisation of financial planning. Redhead (2011) reviews five contributions to the development of financial planning as an
academic discipline. Moss (2013) provides a similar background to the UK position to that provided by McClure (2014) for the USA, where the responsibility has been placed on the individual to make informed financial decisions.

Even though financial planning is a relatively new profession, academic input has been evident over the last decade. Research is an issue for academics; this issue is discussed in detail in Chapter 8 of this thesis. At least one university has offered a special edition for the last decade to provide an outlet for academic research. For example, Brimble et al. (2012); Smark et al. (2009) have provided current financial planning research topics over many years. More recently the Financial Planning Research Journal23 provides an avenue for academic research in financial planning in Australia.

2.6 Summary and conclusion

The gap in research in the accounting literature is the claim for jurisdiction of accountants in financial planning. The accounting literature contains numerous studies that refer to one or more elements of the jurisdictional claims of accountants and other professionals, especially lawyers; however, there are no studies that review the claims for jurisdiction of financial planning in Australia by accountants or any other profession.

The literature contains examples where accounting was the dominant group usurping control over other professions, and only two where other professions encroached on

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23 Published online twice a year, the journal incorporates six peer-reviewed academic articles covering the full spectrum of the financial planning profession, with Griffith providing the editorial services (https://fpa.com.au/education/financial-planning-research-journal/)
The academic study of financial planning, given that the profession commenced in the early 1980s, is limited in academic journals. A great deal of literature is available through the publications and journals of the professional associations and in trade magazines. This material will be used to emphasise or trace the main themes of the thesis. The academic studies in financial planning to date are descriptive in nature or trace the development of financial planning over time without making any meaningful comment on the impact of the development of the financial planning profession on society or on the fight for the jurisdiction of financial planning through the work, public or legal frameworks instrumental in gaining it.

The chapter reviewed the sociology of professions literature and the inter-professional accounting-related literature using Abbott’s theory. The literature established that Abbott’s theory is an appropriate theoretical lens to trace the claim for jurisdiction for the financial planning profession, and this thesis thus adopts Abbott’s (1988) theory. The next logical step in the thesis is to explain the study’s theoretical structure.
CHAPTER 3.
THEORETICAL STRUCTURE

Histories make men wise; poets witty; the mathematics subtle; natural philosophy deep; moral grave; logic and rhetoric able to contend.

Francis Bacon in *Of Studies* (1597-1625).

3.1 Introduction

The aim of this chapter is to explain the theoretical positions adopted for this study, the theory surrounding the sociology of work and occupations and, specifically, the sociology of professions. In this broader framework of the sociology of professions, an appropriate theory is required to act as a foundation to study the role of the accounting profession in the ongoing claim for the jurisdiction over the fledgling financial planning profession in Australia. The objectives are, first, to explain the relationship between ontology, epistemology, methodology and the methods adopted in the thesis; together, these constitute the study’s research philosophy and approach that locates it in the interpretive and historical traditions.
The chapter is organised into five sections including the introduction. Section 3.2 discusses theory in general, including theoretical assumptions underlying the study. This includes regulation theory, together with the methods of regulation. Section 3.3 examines the nature of a profession and the three broad categories covered in the sociology of professions literature: the functional, interactionist and critical approaches. Section 3.4 provides details of a critical approach from Abbott’s *System of Professions (1988)*. Abbott’s theory underpins this thesis, and the balance of the section is devoted to a detailed discussion that includes the role of disturbances in the system of professions, the jurisdictional conflict and contest and the range of settlements in the jurisdictional claims. The section concludes with a summary of the knowledge systems applicable to the professions. Finally, Section 3.5 summarises and concludes the chapter.
Figure 3-1: Themes of Chapter 3

- Section 3.2 Theoretical foundations
  - Assumptions underpinning the study
  - Theory of regulation
  - Methods of regulation
- Section 3.3 Nature of a profession
  - Functionalist approach
  - Interactionist Approach
  - Critical approach
- Section 3.4 Systems of professions
  - Abbott's system of professions
    - Disturbances
    - Jurisdictional contest
    - Settlement
    - Abbott's system of professions as a general theory
    - Professions' knowledge systems
- Section 3.5 Summary and conclusions
3.2 **Theoretical foundations**

3.2.1 Assumptions underpinning the study

The research topic, the research problem and the philosophical assumptions underpinning the research determine the methodological approach. Cull (2015, p. 64) highlights Tomkins and Groves (1983) assertion that research methodology is dictated by the nature of the phenomena to be researched. Others, such as Burrell & Morgan (1979) and (Sterling 1972), suggest that the research question itself influences the choice of research methods. Finally, Hussey and Hussey (1997) who posit that understanding the underlying philosophical assumptions is required to place the research in the appropriate theoretical framework and thus identify the most appropriate research methods. Furthermore, Ryan et al. (1992) emphasises the importance of a theoretical structure to guide the researcher (Cull 2015, p. 64).

A study’s philosophical assumptions depend on what the researcher claims makes knowledge valid. Epistemology concerns what “constitutes acceptable knowledge in a field of study” (Saunders et al. 2007, p. 102). Ontology is concerned with the nature of reality, with ontological assumptions raising “questions of the assumptions researchers have about the way the world operates and the commitment held to particular views” (Saunders et al. 2007, p. 108). These epistemological and ontological assumptions then guide the researcher’s methodological assumptions, which ultimately affect the methods chosen in research process (Gaffikin 2008).

Methodological assumptions set the foundation for the type of research that will be conducted. Research may be primarily objective (quantitative) or subjective (qualitative)
in nature, depending on the philosophical position taken. For example, positivist thought generally assumes quantitative methods of data analysis and collection, while interpretivists and critical theorists use more qualitative evidence, such as ethnography, case studies and participant observation (Chua 1986).

In reviewing the methodology for the thesis and drawing the research philosophies together, the work of Burrell and Morgan (1979) is particularly helpful in its summary and clarification of the epistemologies and ontologies appropriate for the thesis. Whilst the functionalist paradigm falls within the area in which most business and management research operates (Saunders et al. 2007, p. 113), Burrell and Morgan note that “it is often problem orientated in approach, concern to provide practical solutions to practical problems” (1979, p. 26). Burrell and Morgan (1979) illustrate the subjective-objective dimension as follows:
Figure 3-2: Burrell and Morgan’s subjective-objective dimension

Figure 3-2 illustrates a theorist’s point of view and places the literature in the appropriate dimension, which then indicates the appropriate approach. The non-realist (nominalist) ontological assumption of the thesis is premised on the belief that reality is socially constructed. It follows that the epistemological assumptions are anti-positivist, with the belief that no phenomenon can be explained purely objectively and without bias. The methodological position in this thesis is ideographic, and will draw from qualitative evidence and interviews from prominent senior individuals responsible for, or aware of, the development of the financial planning profession since the establishment of the industry. The individuals have a background in different aspects of the profession and belong to different institutions and organisations claiming control over the financial planning jurisdiction. The thesis adopts a qualitative research methodology that uses qualitative evidence and publicly available documents. The data from semi-structured
interviews is explored and interpreted through the lens of Abbott’s (1988) *System of Professions*, which is detailed later in this chapter.

Burrell and Morgan (1979, p. 22) suggest that the assumptions outlined in Figure 3-2 can be located within one of several paradigms, which offer different views of social reality; these are summarised in Figure 3-3.

**Figure 3-3:** Four paradigms for the analysis of social theory

<table>
<thead>
<tr>
<th>The Sociology of Radical Change</th>
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<tbody>
<tr>
<td>Radical</td>
</tr>
<tr>
<td>SUBJECTIVE</td>
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<tr>
<td>humanist</td>
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(Burrell & Morgan, 1979, p.22)

Burrell and Morgan (1979 p.25) emphasise that the four paradigms are mutually exclusive as they offer alternative views of social reality, four different views of society;

They are alternatives, in the sense, that one can operate in different paradigms sequentially over time, but mutually exclusive, in the sense that one cannot operate in more than one paradigm at any given point of time, since in accepting the assumptions of one, we defy the assumptions of all the others” (p.25)

Considering the four paradigms in these terms allows the competing points of view to raise awareness of the boundaries of the subject. Figure 3-3 has been used as a tool for mapping where various theoretical foundations are situated to guide the perspective and approach to
the theory underpinning this research. The sociology of radical change on one extreme and
the sociology of regulation on the other (Figure 3.3) allows a researcher to locate their
research into not just a paradigm but any point in the paradigm. For example, a researcher
could be located on the point between two paradigms. The paradigm drives the
methodology and the research methods. The terminology attached to the different
paradigms is not relevant for the thesis as the important process is to identify the
perspective of the research being undertaken in the thesis. This analysis is contained in the
following commentary of the different perspectives.

The functionalist perspective is concerned with providing rational explanations, effective
regulation and control of social affairs. It tends to be realist, positivist, determinist and
nomothetic, as it lies on the ‘objective’ side of the spectrum (Burrell & Morgan 1979, pp.
25-8). This is the paradigm within which most business and management research operates
(Saunders et al. 2007, p. 113).

The interpretive perspective assumes that the social world is socially constructed and
emphasises the spiritual nature of the social world. It is nominalist, anti-positivist,
voluntarist and ideographic (Burrell & Morgan 1979, pp. 28-31). The concern in this
paradigm is “not to achieve change in the order of things, but to understand and explain
what is going on” (Saunders et al. 2007, p. 113).

Both the radical humanist and radical structuralist focus on wider social relationships such
as power and class (Burrell & Morgan 1979, pp. 32-4). The radical humanist adopts a
critical perspective on organisational life and is concerned with changing the status quo.
Finally, the radical structuralist paradigm is concerned with achieving fundamental change.
based on “an analysis of such organisational phenomena as power relationships and patterns of conflict” (Saunders et al. 2007, p. 113). Ryan et al. (1992) further categorises these sociological paradigms in accounting and finance research into mainstream (functionalist), interpretive and critical (radical humanist and structuralist).

The interpretative paradigm is the philosophical position that refers to the way humans can make sense of the world. This thesis is more in accord with the interpretive paradigm: that is, not to achieve change in the order of things, but to understand and explain what is occurring in the world (Saunders et al. 2007, p. 113). The impacts of social, economic, institutional and political changes are the acknowledged themes in this thesis. The social impact of financial planning and the role of the respective professional associations are viewed through an interpretative approach. The role and impact of government through the complex regulation surrounding the financial services sector and the role of the various institutions in the financial sectors will be evaluated through an interpretative lens. It should be noted that although the thesis is labelled interpretative, it is acknowledged that research philosophy is not exclusively one philosophy or another (Saunders et al. 2007, p. 116).

Qualitative research processes are especially important in financial planning as they involve a complex mix of social, cultural, economic, political and institutional factors. As a result, the research methodology used in the thesis is a qualitative, subjective, ideographic approach that provides detailed insights into the accounting and financial planning professions in claiming control over the jurisdiction of financial planning. However, information will be collected to support or illustrate more general issues. This data may prove useful in verifying the more specific data from the interviews and, in some cases, may be used to highlight trends or problem areas identified as themes in the thesis.
3.2.2 Theory of regulation

Regulatory theory is defined as a set of propositions or hypotheses about why and how regulation emerges. It traces which actors contribute to that emergence, outlines typical patterns of interaction between regulatory actors and may contain a mixture of explanatory and prescriptive elements (Morgan & Yeung 2007, pp. 16-7).

While Abbott’s theory is used in this thesis to explore the jurisdictional claims for the financial planning profession, three regulation theories relate to the regulatory framework of financial planning: capture theory, public interest theory and, more broadly, political economy theory. The different theories have been briefly explained below to illustrate other theories that could explore financial planning. The theories are not compatible with Abbott’s (1988) theory as he views regulation as a disturbance, or a part of the legal jurisdiction pursued by the respective professions, a position adopted in this thesis.

Capture theory explains state-ordained accreditation. It is an application of self-interest. For example, financial planning professionals may ‘capture’ the regulations, the regulator or the governing licensing authority and structure these to limit the supply of financial planners, thereby increasing personal income. In Australia, the financial planning services have been regulated by the Australian Securities and Investments Commission (ASIC) since the introduction of FSRA. Individuals and organisations are licensed by applying to ASIC and are granted an AFSL. However, most individuals providing financial planning services do so as authorised representatives of a licence holder. This involves, amongst other requirements, meeting the training requirements outlined under RG 146 of the Act.
Abbott (1988) views ‘capture theory’ in terms of power, a situation where such a position prevails for a short time until the incumbent’s jurisdiction is invaded.

Public interest theory, by contrast, suggests that professional licensing occurs due to some market ‘failure’, and that its intent is to increase the welfare to society. Whilst it is a general theory, its application to professional services presumes that consumers of financial planning services lack complete information about the quality of such services due to the complex nature of the service and uncertainty about the efficacy of competent service. Public interest theories of regulation “attribute to legislators and others responsible for the design, intervention and implementation of regulation, a desire to pursue collective goals with the aim of promoting the general welfare of the community” (Morgan & Yeung 2007, pp. 17-8). Therefore, according to the public interest theory, professional licensing corrects this market deficiency by ensuring that financial planning professionals reach a sufficiently high and standard quality of qualifications. This can be further subdivided into theories that articulate regulatory goals in terms of economic efficiency and those that include other political goals (Morgan & Yeung 2007, pp. 17-8). Abbott (1988) views such a position occurring due to the inability of professions to claim ‘public’ or ‘legal’ jurisdiction.

Political economy theory is another general regulation theory. In contrast to both capture theory and public interest theory, applying the theory to financial planning entertains the possibility that both the public and financial planning professionals have an impact on the existence and form of professional licensing regulations for financial planning. This view sees the political economy theory as a theory of checks and balances.
The application of both capture theory and public interest theory predicts a decrease in the supply of financial planning professionals, an increase in existing financial planning professionals’ income, and possibly an increase in the fees paid for professional services. With the application of political economy theory, the prediction is that financial planning professionals will sometimes, but not always, be able to use licensing to limit supply and increase prices and income. While financial planning professionals may wish to shape regulations to suit their self-interest, this is tempered by the competing self-interest of the ‘public’.

A functional approach to regulation, often referred to as a cybernetics perspective, recognises that any control system in art or nature must, by definition, contain a minimum of three components. There must be some capacity for standard-setting, to allow a distinction to be made between preferred states of the system. There must also be some capacity for information-gathering or monitoring to produce knowledge about current or changing states of the system. Overriding these components must be some capacity for behaviour-modification to change the state of the system (Hood et al. 2001, p. 23 quoted in Morgan 2007 p.3). Thus, competition is a crucial assumption of in this market model, however, where competition is seriously impaired by monopolies and anti-competitive practices there is market failure and regulatory intervention becomes necessary (Ogus 1994 quoted in Morgan 2008 p.19).

3.2.2.1 Methods of regulation

The accounting profession has a history of self-regulation (Baker 1993; Willmott et al. 1993), where the state does not directly interfere with the profession’s functions, including
the regulation and policing of its members. However, increasingly over the last century, government preference has been to focus more strongly on consumer protection and the primacy of government as the vehicle for that consumer protection; therefore, self-regulation has waned as a government preference for regulatory practice. Other models, such as statutory licensing and registration of occupations, have predominated (Sanders & Roberts 2014, p. 20).

Regimes, including the UK (Better Regulation Taskforce), international developed economies (the OECD) and Australia (Office of Best Practice Regulation), have captured governments’ typical regulatory options on common spectrums. These options are generally along one-dimensional continuums, and tend to range from ‘no regulation’ at one end of the options’ spectrum to the assumed most interventionist position of prescriptive ‘statutory regulation’ at the other (Figure 3-4) (Sanders & Roberts 2014, p. 20).

The regulatory settings are the outcome of governments’ responses to differing levels and types of community risk. Although self-regulation and ‘principles-based regulation’ bring benefits in costs, efficiency, market independence and alignment of knowledge and oversight, this approach is hard to maintain in the face of a crisis, as demonstrated by the recent financial planning scandals in Australia. The GFC caused a lack of confidence in the financial planning industry. The subsequent financial planning scandals – for example, Storm Financial, Opus Prime and, more recently, the Commonwealth Financial Planning Limited (CFPL) – has meant that self-regulation is not possible. The public demands stronger government controls to save “the market system from its excesses and inadequacies” (Summers 2008, p. 13).
3.3 **Nature of a profession**

In the 19th and early 20th centuries, professionalism developed “in concert with the increasing division of labor and rationalisation characteristic of industrialising Europe and the United States” (Roos 2001). Carr-Saunders and Wilson’s (1933) study offers a starting point for the systematic study of specific professional groups (West 1996).

The debate on how a profession should be defined and what distinguishes the professions from other occupations has changed over time. Professions Australia (Professions Australia 2015) defines a profession as:

> a disciplined group of individuals who adhere to ethical standards and who hold themselves out as and are accepted by the public as possessing special knowledge and skills in a widely recognised body of learning derived from research, education and training at a high level, and who are prepared to apply this knowledge and exercise these skills in the interest of others.
The definition of a profession has been contested. In the Australian context, it is often reported that a footballer is very professional. Olympic swimmers are positioned as professional swimmers, so this raises the question of what the term ‘professional’ means. The literature abounds with different interpretations of profession and professionalisation (Birkett & Evans 2005; Cooper & Robson 2006; Cooper 1995; Edwards 2001; Evetts 1999; Lee 1995; Richardson 1987; West 1996; Wilensky 1964). Despite attempts to resolve the definition problem, the conclusion seems to be that there is no universally accepted definition of professions. The definitional precision is now regarded as a time-wasting diversion that did nothing to assist the understanding of the power of particular professions, such as law and medicine, historically, or of the contemporary appeal to the discourse of professionalism in all occupations (Evetts 2006, p. 134).

The need to define a profession has limited the discussion on professions, and does not focus on their inter-professional relationship of their work, social and cultural environments. Abbott (1988, p. 7) indicates that “for many years the definitional question was the focal issue of studies of professions, obscuring the substantive questions that made professions interesting in the first place”. His view is substantiated by the extent of the critical literature on the issue (see Evetts 2006; Johnson 1972; Martens & McEnroe 1991; Saks 2012).

The diverse sociology of the professions literature incorporates several approaches. Roos (2001) divides the approaches into three categories. First, the ‘trait approach’ is where scholars defined professions by generating an exhaustive list of characteristics. In the early literature on the sociology of the professions, a certain level of traits, discussed later in the chapter, dictated the level of professionalism. Second, the ‘power approach’ is where the
theorists viewed the professions as monopolistic organisations intent on gaining and retaining professional control. Third, ‘The System of Professions’ refers to Abbott’s (1988) book *The System of Professions*. The theory, which is outlined later in this chapter, forms the theoretical framework for this thesis. As Roos (2001) describes Abbott’s theory as the third and most recent category in the study of the professions, this indicates that the theory is generally recognised as a significant approach.

Macdonald (1995, p. 15) summarises Abbott’s categories of existing sociological work on professions in two ways. First, he shows that sociological conceptions of professionalisation vary in their formal properties and demonstrates their substantive differences. His examples of ‘formal’ variation, with typical authors, are as follows:

1. A series of steps – Wilensky (1964)
2. A sequence of functions – Caplow (1954)
3. Each case is unique – Millerson (1964)

Second, the views of Abbott (1988) on professionalism, with typical authors, are grouped:

1. Functionalist – Carr-Saunders and Wilson (1933); Marshall (1963); Parsons (1939)
2. Structuralist – Caplow (1954); Millerson (1964); Wilensky (1964)
3. Monopoly – Berlant (1975); Johnson (1972); Larson (1977)

While a detailed discussion on the different theoretical approaches to the sociology of professions is beyond the scope of this thesis, it is useful to summarise the different theories into three broad approaches: functionalist, interactionist and critical. Willmott (1986, p. 557) uses this classification when he notes that the ‘functionalist’ and ‘interactionist’ perspectives were dominant in the early 1970s, and that since then a more ‘critical approach’, which draws heavily upon the work of Weber and Marx, has emerged. Willmott’s analysis is referred to as the appropriate location “for a summary of the
dominant sociological approaches to the study of the professions previous to the publication of Abbott’s work” (Edwards et al. 2007, p. 63). The trait approach as described above is included in the functionalist and interactionist perspectives and the power approach included in the critical approach. Abbott (1988) is included in the critical approach. This relationship between the two different classifications is illustrated in Table 3-1;

Table 3-1 Sociology of Professions Approaches

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<tbody>
<tr>
<td>Willmot (1986)</td>
<td>Functionalist</td>
<td>Interactionist</td>
<td>Critical</td>
</tr>
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</table>

3.3.1 The functional approach

After World War II, the trait approach was dominant in literature written on the professions (Freidson 1986), where definitions of professions generated an exhaustive list of characteristics to distinguish them from non-professions (Roos 2001, p. 2260). The description of traits related to the distinctive attributes of the professional, such as possession of specialised knowledge, independence, altruism and self-discipline, was emphasised and largely unquestioned. Protection from competition and high levels of prestige and reward were regarded as a necessary and fair exchange for the services professions rendered to society. The professional association was seen as needing to provide a functionally appropriate means of regulating the competency and conduct of those undertaking the activities. The attributes approach tended to be limited to the natural stages of professionalisation through which a professional occupation must pass before becoming a profession. Four main criteria, or traits, were used to evaluate whether an
organisation met the test of the ideal or typical profession. First, professionals are experts with abstract, esoteric knowledge and skills that set them apart from others. Second, because of their unique expertise, professionals exercise autonomy on the job, and codes of ethics help to ensure autonomy from outside control by permitting professionals to police misconduct internally. Third, their esoteric knowledge allows professionals to claim authority over their clients and subordinate occupational groups. Finally, the professions are altruistic; that is, service- rather than profit-oriented. Underlying these four traits is a fifth trait: the public must recognise the occupation as a profession. Regardless of an occupation's claim of unique expertise, if the public does not view the occupation's knowledge as abstract, it is difficult for those working in it to claim professional status (Roos 2001, p. 2260).

3.3.2 The interactionist approach

The interactionist approach is committed to studying professions as interest groups that strive to convince others of the legitimacy of the claims of professional recognition. Instead of assuming the attributes of professions, interactionists analyse professional work as a process of constructing and maintaining an occupation, a role which enables them to provide legitimacy in their dealings with clients and colleagues. In this light, the professional body is regarded as a basic organisational instrument for defining and securing a respectable and valued social identity (Willmott 1986, p. 557).

3.3.3 Critical Approach

The critical approach draws on the writings of Weber and Marx to situate the formation and development of professional associations within the material context of capitalist
society. The emergence of professional bodies is seen as a means of achieving collective social mobility by securing control over a niche within the market for skilled labour (Larson 1977). Professional associations are used as a strategy for controlling an occupation by closure, and by regulating the supply of professional workers to the market, which provides a basis for the domination of institutions, organisations and other occupations associated with the professional body (Willmott 1986, p. 558).

Each of these three perspectives has made important contributions to the understanding of professions. The functionalist perspective highlights the significance of the traits in relation to the complex social systems; the interactionist perspective recalls the socially constructed nature of the traits; and the critical approach deepens the insights of the interactionist approach by placing them in the wider economic and political context (Willmott 1986, p. 559). For a time, the three approaches to the sociology of professions dominated the literature. However, none provided a robust theory of the development of professions. Within the critical approach, Abbott’s (1988) theory used sections of all preceding theories to develop an approach that is used in this thesis to explore the professionalisation of financial planning in Australia.

3.4 System of professions

The treatment of the sociology of professions has shifted over the decades. As discussed earlier in the chapter, professional power is informed by Weber’s definitions of power and authority, and Johnson (1972) observes control over professional associations. Birkett and Evans (2005) endeavour to bring all the fragments together in theorising a model for organising and understanding histories of the professionalising activities of occupational
associations of accountants and create a conceptual ‘whole’ from fragmentary concepts. The concept draws together a wide range of variables relating to professionalisation (Birkett & Evans 2005, p. 101). In this study exploration will be restricted to Abbott’s model, which emphasises the jurisdictional battle for work. Work is central to his theory, as “[i]t is control of work that brings the professions into conflict with each other and makes their histories interdependent” (Abbott 1988, p. 19).

The analysis of workplace claims of expertise is focused on the way financial planning is performed, and how financial planners acquire their professional knowledge. After the evaluation of the claim for financial planning ‘work’, the legal environment is evaluated, with the focus on the recognition of financial planning in an institutional setting. Abbott (1988) argues that “[j]urisdictions are renegotiated in work places over two- to three-year periods, in public over ten- to twenty-year periods, in the law over twenty- to fifty-year periods” (p. 135). The order of evaluation in this thesis is different to the normal order of claims for jurisdiction, where equilibrium forces prevail. A reason for the change of order is that the legal requirements of the FSRA caused a major disturbance in the claim for jurisdiction and enactment of legislation that required the financial planning associations to comply with an enforced legal structure before any public acceptance. Another reason is a result of the scandals associated with the GFC, as the public claims for jurisdiction are ongoing. The analysis of the public claims is focused mainly on the activities of the professional organisations, including the professional journals. This is augmented by a review of financial and newspaper articles surrounding the events relevant to financial planning over the years under study. Professional associations are the main channel where financial planners can stake their claim of expertise before the public. In Australia, the main accounting organisations are the ICAA, CPA and IPA.
Abbott emphasises the importance of university education in the professionalisation process because it adds legitimacy to jurisdictional claims. Universities have a central role in developing professional knowledge, which in turn can be used to support jurisdictional claims. “In the twentieth century, the university’s role as site of competition eventually came to overshadow its role as legitimating ally in interprofessional competition” (Abbott 1988, p. 201). The fight for jurisdiction is currently being fought in the universities, with a recent Parliamentary Inquiry recommending a major upgrading of educational requirements. The recommendations of the Inquiry (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014) have now been enacted (Corporations Amendment (Professional Standards of Financial Advisers) Bill 2016). The future claim for jurisdiction depends on the implementation of the Act. This thesis will use Abbott’s work to predict the outcome of the claim in the education arena; this is discussed in detail in Chapter 8.

3.4.1 Abbott’s System of Professions

Abbott has been criticised for not acknowledging the impact of those before him in formulating his theory; however, some aspects of his predecessors’ work are recognised. He provides a critique of six prior paradigms associated within the realm of the sociology of the professions: functionalist, externalist, individualist, internalist monopolist, trait-based, structuralist and bureaucratic co-opted power. The previous theories are considered in Abbott’s analysis, and the previous literature reflects the use of his work in the specific area of this thesis: the interrelation between professions.
Abbott's theoretical model of professionalisation (1988) offers a model that serves as a basis for the study of the development of financial planning as a profession in Australia, and for an examination of the role that accounting has played in the development of and contest for this new jurisdiction. His theory is richly descriptive, and is the closest thing to a general theory for professions that the literature contains (Krone 1989, p. 97), even though he does not provide predictions or prescriptions for particular professions in their quest for jurisdictional control.

Abbott (1988) is the first study that establishes a systems approach to the subject of professions. He uses an historical analysis within an analytical model from the viewpoint of the tasks they do, the expert knowledge needed for those tasks and how competitive forces internally and externally work to change both the jurisdictions and the tasks (Krone 1989, p. 65). Importantly for this thesis, his model can also explain why professions sometimes fail, why some become dependent or subordinate and why others disappear entirely (Abbott 1988, p. 316). His theory contains a complex mix of comparative analysis of professions. A summary is provided in the remainder of this section; however, in subsequent chapters, Abbott’s theory will be related to the primary and secondary data in exploring the research objectives and questions in this thesis.

3.4.1.1 Disturbances

Chapter 1 of this thesis introduced Abbott’s system of professions by describing the characteristic story where chains of effects in the system of professions begin with a disturbance. These chains of events, or disturbances, start in two ways: by external forces opening or closing areas for jurisdiction and by existing or new professions seeking new
Abbott describes these changes as being begun by vacancies or bumps. The changes lead to chains of disturbances that propagate through the system until absorbed either by professionalisation or deprofessionalisation or by absorption within the internal structure of one or more existing professions. The disturbances challenge the established balance between work and professions and lead to jurisdictional contests. Abbott’s theory provides an effective model of professional development. His analysis involves the understanding of the beginnings and endings of these disturbances, the ways they propagate and the conditions that determine them. The disturbances lead to a range of readjustments, with the various parts of the system absorbing the disturbances and returns to balance (Abbott 1988, p. 215) This thesis follows the same analysis in exploring the development of financial planning in Australia, and the role of the accounting profession in the process.

The thesis will follow the three stages in Abbotts’ system-based historical description: disturbances, jurisdictional contests and the transformation leading to balance. In analysing these stages, one could list all the disturbances, then all the consequences, then all the terminal balances; however, the individual sequences would be difficult to follow. If each disturbance is followed to its termination, the effects of one disturbance attenuate before the next arrives (Abbott 1988, p. 215). This thesis follows Abbott’s approach in “telling the story chronologically, tracing disturbances, consequences, and temporary settlements as they arrive” (1988, p. 215). In the case of financial planning, several disturbances resulted in the need to perform in a new task area. The development of the task areas and the involvement of the accounting profession will be discussed in Chapter 5. After the initial establishment of financial planning, the major disturbances initially resulted from government legislation in the form of FSRA, and subsequently from the GFC.
Each profession is bound by a set of tasks through ties of jurisdiction, the strength and weaknesses of these ties being established in the processes of actual professional work (Abbott 1988, p. 33). Work is a key aspect of Abbott’s (1988) theory; it will be explored when considering the work involved in the new jurisdiction of financial planning. The thesis will not only explore the aspect of work, or tasks, as Abbott (1988) refers to them in his theory, but the tasks that accountants possess that could be used in the new jurisdiction of financial planning.

In summary, chains of effects in the system of professions begin sometimes in external events, sometimes within the professions themselves. A claim for a vacant jurisdiction ends when a profession can make a new claim without weakening its other jurisdictions and without suffering vulnerability. Each contest terminates in one of a variety of settlements, ranging from full jurisdiction to division of labour, subordination, intellectual and advisory jurisdiction and clientele differentiation. Occasionally the contest may terminate in the destruction of some particular professional group (Abbott 1988, p. 111; Krone 1989, p. 96).

The details of the various settlements are detailed later in this chapter. Full jurisdiction is only one type of settlement. Accountants may not be able to claim full jurisdiction, but a categorisation of events to ascertain whether a weaker jurisdictional settlement, as detailed in Table 3-2, is attainable and allows accountants to focus on strategies to remain part of the financial planning profession.

Chapter 5 shows that the profession of financial planning is a new jurisdiction in terms of Abbott’s theory. A new jurisdiction opened in Australia in the 1980s and early 1990s that
required a new set of tasks for the jurisdiction to flourish. It is hypothesised that the accountants did not foresee the growth of the nascent financial planning profession and did not change their abstract body of knowledge to accommodate the changes in the financial planning industry. The new jurisdiction required different tasks, and the accountants remained on the periphery while disturbances arose to such an extent that the accountants were then thwarted in their attempt to claim jurisdiction over financial planning.

Abbott’s system model transcends its predecessors: functionalism, with its naïve reification; monopolism, with its equally naïve fear of the dominant classes; or professionalisation, with its wistful belief in a sort of corporate nirvana. Abbott emphasises that “[h]istory is not a simple pattern of trends and development, but a complex mass of contingent forces” (1988, p. 316). His system model achieves a theory of that contingency that is much wider than previously theorised and is eminently suitable as the foundation theory to be applied to the financial planning profession, and indeed to any profession.

In Abbott’s (1988) model, an abstraction of knowledge is the only unique attribute that allows an occupation to gain and control professional jurisdiction. He identifies abstract knowledge as the signpost of a true profession, defining its jurisdictional boundaries through control of knowledge and skill sets. The role of abstract knowledge has been introduced in the literature review in Chapter 2 as it applied to the accounting profession and the financial profession in the UK and USA. The applicability of an abstract body of knowledge in the Australian context will be covered in detail in Chapter 5.

Key to the thesis is Abbott’s conclusion on the change in professions, which can be analysed by detailing forces that affect the content and control of work, and by
investigating how disturbances propagate through the system of professions and jurisdictions. He refers to this unit of analysis as the jurisdiction, or, more generally, the larger task area (Abbott 1988, p. 112).

Jurisdiction is central to Abbott’s theory, and forms a crucial segment of this thesis. The title of this thesis, ‘a contest for jurisdiction’, indicates the importance of the concept. Abbott argues that the central phenomenon of professional life is the link between a profession and its work, a link he calls ‘jurisdiction’. The analysis of professional development involves exploring how this link is created in work, how it is anchored by formal and informal social structure and how the interplay of jurisdictional links between professions determines the history of the individual professions themselves (Abbott 1988, p. 20).

In all examples of professionalisation offered by Abbott, whether medicine, law or engineering, the terms of membership are established through formalised education followed by examination as a form of confirmation of abstract knowledge. It is important to note that both preparatory education and continuing education are required for maintaining membership. As a result, jurisdictional competition becomes central to the development, evolution and maintenance of a profession over time, and abstraction of knowledge is the only unique attribute that allows an occupation to gain and control professional jurisdiction. Technical skills can be transferred to others with training; however, professions can develop abstract knowledge from a basis of education and use it in the diagnosis, inference and solution phases of problem-solving. This process represents a more sophisticated level of functional ability, and is a hallmark of professions. In fact,
the degree to which a profession abstracts its knowledge determines its ability to survive in the system of professions.

Abbott’s system of professions “determines its emphasis on the knowledge system and its degree of abstraction, since these are the ultimate currency of competition between professions” (1988, p. 9). Crucially, Abbott indicates that any occupation can obtain licensure (for example, beauticians) or develop an ethics code (for example, real estate agents). However, a knowledge system guided by abstractions can redefine its problems and tasks, defend them from intruders and seize new problems (1988, p. 9). This issue is very topical in that the current legislation covering lifting the education standards of financial planners has enforced a statutory requirement on the profession to implement a code of ethics. Whilst the current legislation is outside the scope of this thesis, the issue will be addressed further in Chapter 9.

Abbott (1988) theorises that professions exist in a system in which one jurisdictional boundary bumps into the adjacent one; an increase in the boundary of one automatically produces the loss of jurisdiction in another. Likewise, when a jurisdiction of knowledge becomes vacant, a new profession develops to fulfil the jurisdictional boundary. This is further complicated by the fact that the work of a profession, its jurisdiction, is not always easily definable. Often the tasks themselves overlap, have a high degree of similarity or are of a parallel nature, to the point that often they are done by more than one profession. This is the situation with financial planning in Australia, as accountants’ skills do overlap the skills required in financial planning.
The system of professions is interactive, never absolute or permanent, and is based on the precept that "[e]ach profession is bound to a set of tasks by ties of jurisdiction, the strength and weaknesses of these ties being established in the processes of actual professional work” (Abbott 1988, p. 33). These ties are interactive and form the basis of professional legitimacy. In addition, as previously noted, there are numerous external forces that add, subtract and alter these tasks, and therefore the profession doing them. The principal work of a profession is the solving of problems.

Work has two foundational aspects: objective and subjective. The nature of a given problem has great bearing on how, and if, it can be solved by a profession. This is especially true in the USA, where new problems are commonly seized by a profession, labelled, and appropriated to be treated within its own jurisdiction (Abbott 1988, p. 36).

Objective aspects of problems are those given by natural or technical imperatives, whereas subjective aspects are imposed by the present and past of a culture itself. A clear example cited by Abbott (1988, p. 37) is alcoholism, containing both objective and subjective aspects. Depending on the interpretation at a time, the issue of alcoholism has been dealt with as a social issue to be handled by social workers, an illness to be handled by the medical profession, a legal issue to be dealt with by politicians or a mental health issue to be addressed by psychiatrists. Depending on the timeframe and the perception of society, the issue of alcoholism has been claimed as part of these professional jurisdictions.

Objective aspects of tasks can make a jurisdiction vulnerable from external forces, such as shifts in societal economy or politics, whereas subjective aspects can weaken a jurisdiction through the actions of other professions’ framing of an issue or problem, and thereby the
associated task. Jurisdictional claims are subjectively framed. In practice, this refers to the way a profession views and thereby approaches an arena of practice with the deliberate intent to incorporate it into its own jurisdiction.

These claims have three basic components and that operate in most professions: (a) diagnosis, the claim to classify a problem; (b) inference, the claim to reason about the problem; and (c) treatment, the claim to act against the problem. Diagnosis involves classification of issues, distinguishing pertinent from non-pertinent issues. It is an act of mediation to classify subjective information and assign it to the objective problem. The second stage of activity is inference. Abbott (1988, p. 48) claims that this is the only purely professional act, as it relies on the abstraction or judgement of knowledge and the formulation of a surmised outcome. Inference occurs through two techniques. The first is exclusion, in which decisions are based on eliminating options in the examination of the facts and when second chances are available, such as in the medical profession. The second technique is construction, where only one chance is given to select the action to take, such as in military tactics.

As inference relies on the abstraction of knowledge, failure at this stage of the operation is most detrimental to a profession and any jurisdictional claims it is making. A profession's understanding of how much inference to use and when to use it is crucial to its survival. If too much inference is used, and the string of logic is too tenuous or unfathomable, the profession will lose its credibility, as a “profession that is purely esoteric has trouble demonstrating the cultural legitimacy of the basis for that efficacy” (Abbott 1988, pp. 51-2). However, if too little inference is used, the profession is viewed as being associated with routinisation, and the common consequence is either poaching by other professions
or deprofessionalisation by the state or, as in Australian financial planning, the large financial institutions, especially the large banking organisations. This is the natural outcome, as the knowledge base of the profession is no longer viewed as abstract or unique.

The final part of the three-phase task undertaken by a profession in claiming a problem is that of treatment, and like diagnosis, it too is an act of mediation. Abbott (1988) comments, "Like diagnosis, treatment imposes a subjective structure on the problems with which the profession works" (p. 44). As the link between diagnosis and treatment is somewhat mysterious, due to the abstraction of inference, the public cannot clearly understand the relationship. In this way, the profession can protect its professional claim of jurisdiction. Treatment is the claim to act on a problem, such as a doctor prescribing certain drugs as a treatment for a diagnosed illness.

Diagnosis, treatment, inference and academic work provide the cultural machinery of jurisdiction. They construct tasks into known ‘professional problems’. The practical skills of professions grow out of an abstract system of knowledge, and the control of professional work lies in the control of this abstraction. The tasks of professions are turned into professional problems through the profession engaging in ‘cultural work’ (Spilsbury 2004, p. 126). This cultural work ensures that clients, competitors, the state and the public acknowledge that the problem warrants the granting of jurisdiction to that profession. Three acts of professional practice emanate from the cultural work: claims to classify a problem, to reason about it and to take action on it; in more formal terms, to diagnose, to infer and to treat (Abbott 1988, p. 40).
A problem arises when treatment is delegated to subordinates such as nurse anaesthetists in the USA, highly trained but without a medical degree, or orthoptists working with ophthalmologists (2017, pers. comm., 15 December). This negatively affects the profession by pushing a portion of their jurisdiction towards routinisation and therefore closer to deprofessionalisation. At the least, this behaviour decreases part of their jurisdiction. Either is likely to cause professional vulnerability. This vulnerability also can be caused if the link between treatment and the actual results are difficult to measure. In this way, the client may question the efficacy of the treatment or the value of one treatment over another, and as a result also question the expertise of the profession administering it. In contrast to this situation are treatments that are too easily measured. They too can cause the profession loss of control, as the treatment can be evaluated by anyone, and the mystery is once again compromised.

An issue in accountants’ reaction to financial planning is that prescribed treatments are sometimes limited in delivery due to their cost, with the by-product being the stratification of the profession. Often it is difficult to get clients to accept the treatment. However, if the professional is successful in this effort, the status of the profession is greatly increased. However, the opposite also can occur, should a competing profession give clients the treatments they have demanded, on the clients’ terms and with the clients’ acceptance. A profession that forces clients to take treatment completely on its own terms risks heavy competition from those who talk to clients in their own language (Abbott 1988, p. 47). Accountants followed this approach in offering financial advice to their clients.

Diagnosis, treatment, inference and academic work provide the cultural machinery of jurisdiction. They construct tasks into known ‘professional problems’ that are potential
objects of action and further research, but to perform skilled acts and justify them cognitively is not yet to hold jurisdiction. In claiming jurisdiction, a profession asks society to recognise its cognitive structure through exclusive rights; jurisdiction has not only a culture, but also a social structure. The social structural aspect of jurisdiction refers to the how jurisdictional claims are made in several arenas: “[o]ne is the legal system, which can confer formal control of work. Another is the related arena of public opinion, where professions build images that pressure the legal system. An equally important, but less studied, arena is the workplace” (Abbott 1988, p. 59).

3.4.1.2 Jurisdictional contest

In the public arena, professions claim the legitimate control of a kind of work and the exclusion of other groups from the performance of such work. These claims can take decades to develop, with public images of professions remaining stable. Abbott (1988) suggests that public jurisdiction concerns an abstract space of work, in which professions institute clear boundaries between themselves and objectively define their tasks (Spilsbury 2004, p. 126). However, a profession cannot exist without public validation by the current cultural and societal standards.

Often professions use the media to inform the public of their worth or capabilities, using professional jargon to reinforce the mystery of their abstract knowledge base. As important an avenue as this may be in developing or established professions’ success in maintaining or increasing their jurisdiction, the public's perception is slow in developing. It can take 10 years for the public to become aware of a profession's credentials, barring any disastrous mishap. In addition, the public's perception is stable, and tends to create a homogeneous
image of the practitioners involved in the profession, based on one renowned television character/practitioner, such as, for example Perry Mason, the lawyer in the 1960s television drama. Furthermore, the public romanticises the daily activities of practice and believes that a lawyer tries exciting homicide cases all day, rather than getting buried in tedious research and exhausting meetings. Neither the homogeneity of practitioners nor the vision of daily activities is true. However, both have worked to the benefit of professions in maintaining their jurisdiction, as well as in its recruitment of future professionals.

The legal system presents itself as the second most powerful arena that validates the professional jurisdiction. It is also the most formalised and specific in nature. Contests for legal jurisdiction occur in three places: (a) the legislature, in granting statutory rights to a group; (b) the courts, a realm in which the granted rights are enforced and (c) the administrative/planning structure, consisting of the bodies that set the rules. All three of these arenas assure the durability of a profession’s legal jurisdiction, causing it to appear more rigid and absolute than is possible by its very nature. Of course, recognition within the legal arena prescribes control. Its nature is to monopolise defined activities such as work, payment, work settings, titles and the formal control of the working language.

The third arena where jurisdictional claims can be made is the workplace. It is in the workplace that the power or control over the work or project is decided, as well as who is qualified to carry out the tasks of the work. The workplace is the most intimate arena, though powerful, in that this is the arena in which newly developing jurisdictions first gain a foothold in the professional world. Simultaneously, it also represents the most difficult arena for the established professions to maintain jurisdictional boundaries. This phenomenon occurs most often as new jurisdictions are formed, commonly at the hands of
the incumbent professions themselves. However, making claims of jurisdictional tasks in the public arena is usually difficult, especially for the pioneers of the newly forming profession. It is here that the dominant profession's standing and credentials dominate. Often this jurisdictional claim is played out in the media by the dominant profession for the purposes of fortifying the public's perception, the most critical arena for claims of jurisdiction.

In evaluating the three arenas of jurisdictional claims – public opinion, legal and the workplace – it is important to note that there have been shifts in relative importance among them. This has occurred as prescribed by society over time and through advances in mass communication as it relates to informing the public. Full claims are maintained in several ways; legislative licensing rules, organisational rules and formulation and maintenance of "border guards" such as lobbyists and state rules boards (Abbott 1988, p. 71). These actions are made in public and or legal arenas and must always be substantiated with explicit information regarding their own claims or the inadequacies of the incumbent's profession. For example, in the medical field, when a nurse administers injections, a holder of a medical licence supervises the procedure, including meeting with the patient (2017, pers. comm., 15 December).

The issues that arise when a professional jurisdiction claims a problem and its associated tasks make it evident that maintaining a professional jurisdiction requires maintaining control of the tasks (Abbott 1988). This is achieved through media claims, legal discourse and negotiation in the workplace, none of which is ever stagnant.
Abstract knowledge is a by-product of education. It is unsurpassed in establishing jurisdictional boundaries for an emerging profession or maintaining jurisdictional control for an existing profession. Though many professions abandon their theoretical basis during the conventional operation of the jurisdiction, if they disregard it for too long, other professions’ attacks on the jurisdiction become more likely. The most powerful jurisdictional boundary tool is the ability to abstract knowledge, as many occupations fight for turf, but only professions expand their cognitive dominion by using abstract knowledge to annex new areas, defining them as their own proper work (Abbott 1988, p. 102). The role of education and the universities in establishing and expanding an abstract body of knowledge for financial planning is explored in Chapter 8.

Even though abstraction performs a paramount role for a professional jurisdiction, the degree to which it is used is crucial to the existence of the profession. Extreme abstraction, to the point of lacking content, weakens a jurisdiction, as it is difficult to connect even successful treatment with abstract theory. The chain of abstraction must be clear for this to be a positive force on the jurisdiction. Furthermore, without effective treatments these loosely connected abstractions become mere generalities. This causes the profession to be open to threats of jurisdiction using similarly loose generalities (Abbott 1988, p. 103). Too little abstraction can weaken a professional jurisdiction.

People in the USA work in various work settings, though the two principal groups are heteronomous employees, those employed in a firm or organisation not "headed by others of their own profession," and autonomous employees, persons employed by a professional of their own profession or those working for themselves. The number of heteronomous
employees has grown steadily since World War II, along with the number of very large firms (Abbott 1988, p. 125).

Professional power is a key element in evaluating a profession's jurisdictional control. However, no matter how dominant a profession may be, the system of professions acknowledges that over the long term, power will not compensate for poor professional service. The timeline involved in maintaining a level of power is automatically negotiated within the system; two to three years in the workplace, 10 to twenty 20 in the public, and 20 to 50 years in the legal arena. Abbott (1988) notes that this is how system equilibrium is maintained. Abbott operationally defines professional power as "the ability to retain jurisdiction when system forces imply that a profession ought to have lost it" (p. 136).

There are three primary sources of professional power: subjective jurisdiction, objective aspects of tasks and sources from outside the system. Subjective jurisdiction refers to the ability to retain power for as long as the public believes that the jurisdiction has it. This is largely controlled by the incumbent profession, which has control in terms of stating and defining the problem that its jurisdiction is claiming. Three aspects of subjective jurisdiction relate directly to the subjective qualities of jurisdictional claims reviewed previously: diagnosis, inference and treatment. With all three, the incumbent profession is certainly in the preferred position. They can define the problem in a manner that minimises special issues to reduce the chance of another jurisdiction making a claim. As their successful treatment takes precedence, its selection and application can seem more legitimate, thereby undermining the treatment outcome of another jurisdiction and making that jurisdiction appear less professional. In addition, the incumbent controls situations where treatment can only be administered once, and in that way, should the competition
succeed, they can claim that the circumstances were not equal. The example that springs to mind involves the power of the medical profession and their competition with acupuncture or chiropractic medicine, and formerly, physical therapists.

Another source of power is the objective aspect of tasks themselves. This refers to the tie of the profession to its machinery, organisation and institute, such as the lawyer's attachment to the court system and that of journalists to newspapers and publishers.

Forces from outside of the system are the third source of professional power. This is exemplified by a profession's reliance on the state to legislate their existence. It also commonly refers to a profession's use of the trappings of the upper class, through elite forms of support provided by such institutions as foundations or universities and their money, publicity, legitimacy or alliance with a social class. Elite professions often call upon these forms of support to fortify their power base. A national consequence of this power source is the profession's attainment of recruits and clients from the same class. The clients thus have a vested interest in the success and control of the profession, with ‘gentlemanliness’ a built-in statute (Abbott 1988, p. 137).

In addition, power held by the incumbent profession is employed in all three settings of jurisdictional claims. It occurs at the legal level through state-established boards poised to protect them against challengers, and in the public perception as manipulated by the media. In the workplace, it occurs when the incumbent will attempt to enforce legal jurisdiction through professional language and symbolic subordination of competing jurisdictions (Abbott 1988, p. 138). Power plays a huge part in jurisdictional competition, and it flows in a specific manner through these three arenas: from the workplace to the public and
eventually the legal arena. However, the incumbent fights this by applying power in the opposite direction, from the legal or public arena to the workplace, in its "effort to slow or thwart processes of jurisdictional interchange" (Abbott 1988, p. 139). In this way, the incumbent attempts to settle the contest of jurisdiction in a manner that is superior to what existed before in terms of a settlement. The pattern represents itself first as a jurisdiction shared through subordination, to a jurisdiction partitioned through division of labour based on differentiation of function. Later it manifests itself as advisory or intellectual jurisdiction, and, if all fails, ultimately a total loss of jurisdictional control.

3.4.1.3 Settlement

Jurisdictional claims from competing professions can be settled in many ways. The ultimate is to retain full exclusive jurisdiction through the legal system. However, a spectrum of jurisdictional settlements ranges from the strongest, full jurisdiction, to the weakest, client differentiation (Table 3-2). Other types of settlements include subordinate jurisdiction, intellectual jurisdiction, divided jurisdiction and advisory jurisdiction.

A subordinate jurisdiction is established when a profession admits nonprofessional groups to do some of its routine work. Abbott (1988, p. 25) gives several examples of such a relationship, with the most important being in the medical field between doctors and nurses. He details the various manners in which medicine has retained dominant and full jurisdiction, with nursing in a subordinate role. Whilst this can become a permanent status, if a nonprofessional group becomes assimilated into an existing profession and seeks professional status it can potentially break out and create a new profession as a part of the jurisdiction. “For this reason, settlement by subordination is inherently unstable over time”
(Arena & Jeppesen 2010, p. 115). As the subordinate occupation professionalises and is assimilated, “the superior profession attempts to move to a position of intellectual jurisdiction, where it controls the knowledge base of the subordinate profession” (Arena & Jeppesen 2010, p. 115). In time, the subordinate profession is likely to seek to gain control over the institutions that are responsible for the development of its knowledge base. If it is successful, the last resort for the superior profession to avoid dividing the jurisdiction is to gain an advisory jurisdiction, where it retains the right to interpret or modify the work of the subordinate profession (Arena & Jeppesen 2010). An example of a subordinate profession in the medical field in terms of Abbott’s theory is an orthoptist, majority of whose work is specifically with ophthalmologists.

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Table 3-2:
Jurisdictional settlements spectrum according to Abbott (1988)

Weakest

- **Client differentiation**
  - The professions divide the jurisdictions not according to control of work, but according to the nature of client.
  - Example: organisation of accountants into distinct groups in Britain: cost and management accountants, public sector accountants and auditors

- **Advisory jurisdiction**
  - The superior profession controls the work of the subordinate profession.
  - Examples: the clergy to medicine and of law to accounting and banking

- **Divided jurisdiction**
  - The jurisdiction is divided between two professions.
  - Example: Accountants and lawyers relating to taxation in the USA

- **Intellectual jurisdiction**
  - The superior profession controls the knowledge base, but allows other occupations to practice more or less
  - Example: psychiatry

- **Subordinate jurisdiction**
  - The superior profession controls the work of the subordinate profession.
  - Example: nursing

- **Full jurisdiction**
  - One profession controls the jurisdiction and excludes competitors
  - Examples: law over social disputes, medicine over sickness

Strongest

Based on Abbott (1988) and adaption of Table in Arena (2010 p.115)
3.4.2 Abbott’s system of professions as a general theory

The purpose of this section is not to provide a detailed literature review but to establish that Abbott’s theory has been used as a theoretical foundation in a range of disciplines in addition to accounting. In this way, its claim to be a general theory is established, thereby validating the use of Abbott in this thesis.

Table 3-3 Theses based on Abbott’s theory

<table>
<thead>
<tr>
<th>Title</th>
<th>Intra/Inter Professional</th>
<th>Author</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contested turf: The development of California's licensed marriage, family, and child [counselors] within the system of professions</td>
<td>Marriage Counsellors, Family and child [counselors]</td>
<td>(Richlin-Klonsky 1991)</td>
</tr>
<tr>
<td>The education evaluator: An emerging profession</td>
<td>Education evaluator</td>
<td>(Fybish 1994)</td>
</tr>
<tr>
<td>Professionalization: Architecture, interior decoration, and interior design as defined by Abbott</td>
<td>Architecture, interior decoration and interior design</td>
<td>(Martin 1998)</td>
</tr>
<tr>
<td>Professionalism in dental hygiene: An investigation of knowledge of oral cancer and public policy</td>
<td>Dentist, dental hygienist</td>
<td>(Clovis 2000)</td>
</tr>
<tr>
<td>Physicians Providing Alternative Medicine: Boundary Crossing and the Emergence of Integrative Medicine</td>
<td>Medicine, alternative medicine</td>
<td>(Lockwood 2008)</td>
</tr>
<tr>
<td>The formation of social work professions in Japan</td>
<td>Social work</td>
<td>(Yoshimura 2009)</td>
</tr>
<tr>
<td>Advancing Nursing Jurisdiction in Diabetes Care</td>
<td>Nursing, diabetes nursing</td>
<td>(Davis 2011)</td>
</tr>
<tr>
<td>Jurisdictional and Professional boundaries: The growth and maintenance of a parallel profession</td>
<td>Osteopathic profession</td>
<td>(Tsai 2015)</td>
</tr>
</tbody>
</table>
As Table 3-3 shows, Abbott’s theory has been used consistently since *The Systems of Professions* (1988) was published. The first use of his theory in a thesis was in 1991 and the most recent in 2015. The list of theses only includes those in which Abbott (1988) is used as the main theoretical framework, as opposed to merely a reference along with other contributors to the sociology of professions. Accounting-related theses have been included in the literature review in Chapter 2 (Kotb 2008; Sian 2006).

All these theses use the basic processes of the claim for jurisdiction: the disturbance, the claim for jurisdiction through the public legal and work jurisdictions and the ultimate settlement of the jurisdiction. The following observations provide input to some differences in the approach that may affect the current thesis.

The study of the medical profession has been a theme through the various stages of the sociology of professions, as detailed in earlier in this chapter. Many topics are contained within the health environment. The foundation of knowledge as the basis of a profession is explored in Clovis (2000), and follows Abbott’s conceptual framework, which emphasises the foundation knowledge of professions in their practices and the relationships of professions with other professions, the public and the state. This study applies knowledge as a measure of the strength of the workplace jurisdictional claim, and the political status describes the legal jurisdictional claim. Interviews were used as a significant research method in the study (p. xiv).

A new area of specialisation, described as a professional strategy of client differentiation through the social boundary mechanism using specific complementary and alternative medicine (CAM) therapies to satisfy consumer demand, was the subject of research by
A settlement involving client differentiation informs this thesis, as it is the most likely outcome of the jurisdictional claim for financial planning. In Lockwood’s thesis, workplace claims were deemed important to ratify conceptual claims to jurisdiction, similar to the importance of workplace claims for the financial planning profession. Thompson (2008) examined the elements, processes and products of jurisdictional competition between occupational health nurses (OHNs) and occupational health physicians in the USA. The role of professional institutions, including materials by occupational health professions, were used to examine the outcomes of jurisdictional competition. Tsai (2015) examines Osteopathic Medicine and supports Abbott’s (1988) theory that a range of settlements are possible, not just full jurisdiction.

The theoretical concepts and perspectives from interactionist and monopoly theories were integrated with the system theory of professions proposed by Abbott (1988) in Richlin-Klonsky (1991). This is understandable, as the thesis was one of the earliest to use Abbott’s (1988) theory. The theoretical approach contrasts with those concerned with addressing the degree to which various occupations exhibit certain traits associated with professionalism that were in evidence prior to scholars’ adoption of Abbott’s theory. The thesis uses several qualitative historical methods, including interviews and content analysis of a wide range of organisational documents (Richlin-Klonsky 1991, p. xiv). Relevant to the current thesis, the study covers a range jurisdictional disputes, including inter-occupational, legislative, public, academic and regulatory arenas.

Some theses adapted Abbott’s (1988) theory based on changes to organisations and the structure of professions since the emergence of his theory. Davis (2011) discusses the impact of diabetes care on the nursing profession. While she concurs with Abbott, she
proposes “that Abbott’s framework be modified to put more emphasis on the task of work to achieve optimum patient outcomes than on the jostling of professions; acknowledging the growth in multi-disciplinary team-working and rise in the power of organisations at the expense of the power of individual professions since his work was first published” (Davis 2011, p. iv). The current thesis illustrates the importance of recognising the possible effects of changes to the structure of the professions; for example, the growth of the big four accounting firms into multi-discipline work environments.

The role of legal jurisdictional claims was the major focus of Whitney (2008), in her thesis involving the evolution of interior decoration as it existed in the 1950s into interior design. Even though the components of a profession seemed to be in place through the 1970s, it was not until the 1990s that the final transformation made interior design into a profession. Whitney documents the changes and “posits that the conflicts inherent in the process of licensure transformed it into a profession” (p. ii). The use of historical case studies and the influence of the legislative process in the process of professionalisation is of particular interest in her thesis, as is the data collected, which consisted of “interviews with participants of the process of licensure and with the leadership of the interior design community. In addition, primary and secondary documents examined include books, journals, trade magazines, and documents from professional organizations” (Whitney 2008, p. ii). The key research questions are similar to those of the current thesis. In a similar manner, Martin (1998) applies the theory of professionalisation as defined by Abbott (1988) to the practices of architecture, interior decoration and interior design to determine which are professions (p. ii), and focuses on the process by which practices establish professional jurisdiction. The practices of the various professions are examined through the literature, as informed by the trade press, practitioners and educators, in relationship to
Abbott's theory. The data examined in Martin’s research is relevant to the current thesis.

The involvement of existing professions is the main component of Fybish (1994) thesis. A major theme and focus of the thesis follows Abbott’s observation that when a profession emerges, one of the issues that need to be examined is the relationship of its jurisdictional claims to those of existing professions. This involves questions of boundaries and boundary conflicts (Fybish 1994, p. iv). The jurisdictional claims – legal, public and workplace – were examined, with the conclusion that Abbott may have underestimated the power of bureaucratic and external forces in his theory, an issue taken up in this thesis.

All the theses recognise the social process in the development of professions. Interestingly, in a thesis on the formation of social work professions in Japan (Yoshimura (2009), this issue provided an alternative view of the professionalisation process. The thesis referred to “Abbott's ecological model” (p. ii), concluding that the appearance of a profession is never an evolitional process; rather, it is a recursive social process: a profession appears from conflicts and competition, and its formation induces inter- and intra-occupational contentions, possibly precipitating the emergence of other professions. Thus, ‘profession’ is a temporary state produced by a dynamic movement of larger occupational structures in society (Yoshimura 2009, p. ii). The emergence of another profession, financial planning, rather than a claim by existing professions, is of relevance to this thesis.

3.4.3 Professions’ knowledge systems

Virtually without equivocation, the sociology of profession literature emphasises the importance of ‘specialised knowledge’ in explaining the professionalisation of professions.
It is persistently identified as either a benign but distinguishing trait of professions or, in the more critically inspired literature, the primary source of professional power (West 1996). West (1996, p. 82) provides a number of examples (quoted below) from a cross-section of paradigms showing a clear link across the broad spectrum of the sociology of professions literature. It is crucial to appreciate that the quotes trace the different approaches to the professions over the years, beginning with Carr-Saunders & Wilson (1933) in the early 1930s, the traits approach in the 1950s such as that used by Greenwood, (1957), through to Wilensky (1967) in the 1960s. The power theories in the 1970s are firmly represented by Eliot (1972), Larson (1977) and Freidson (1986). Finally, Abbott (1988) is represented as the most recent major contribution to the sociology of the professions.

It has emerged that special competence, acquired as the result of intellectual training, is the chief distinguishing feature of the professions (Carr-Saunders & Wilson 1933, p. 307).

The crucial distinction is this: the skills that characterize a profession flow from and are supported by a fund of knowledge that has been organized into an internally consistent system, called a body of theory (Greenwood 1957, p. 11 emphasis in original).

Any occupation wishing to exercise professional authority must find a technical basis for it...[and] the success of the claim is greatest where the society evidences strong, widespread consensus regarding the knowledge or doctrine to be applied (Wilensky 1964, p. 138).

The professional group controls a body of expert knowledge which is applied to specialised tasks (Eliot 1972, p. 11), [and is] already ordered, sorted and interpreted within the theoretical position currently shared within the profession.

The main instrument of professional advancement...is the capacity to claim esoteric and identifiable skills – that is, to create and control a cognitive and technical basis (Larson 1977, p. 180)

[Professionals are] the carriers of formal knowledge (Freidson 1986, p. 13) [which remains] separated from both common, everyday knowledge and nonformal specialized knowledge (p. 3).

A [profession's] full jurisdictional claim is based on the power of the profession's abstract knowledge to define and solve a certain set of problems (Abbott 1988, p. 70).
It has emerged that special competence, acquired because of intellectual training, is the chief distinguishing feature of the professions. The level of abstract knowledge and how it is socially organised is crucial (Collins 1990, p. 18). This position is accepted and developed in the current thesis.

3.5 Summary and conclusions

The chapter has provided a background to the theoretical structure of the thesis. The nature of a profession and the different approaches all have had an input into the development of the theory of the sociology of the professions. The research questions of the thesis relate to inter- and intra-professional claims for the jurisdiction of financial planning in Australia. The claims are fought in three arenas: work, legal recognition and public acceptance. The chapter asserted that external and internal forces disturb the system by opening new tasks, and when a new task appears, as the case of financial planning in Australia, a profession endeavours to claim jurisdiction. The chapter discussed Abbott’s theory in detail, and the thesis adopts this theory as its theoretical foundation. Abbott (1988) notes that each profession has activities under various kinds of jurisdiction. The settlements can range from full control, subordination or some other settlement. However, jurisdictional boundaries are perpetually in dispute. Abbott observes that the history of jurisdictional disputes is the real determining factor in the history of the professions (Abbott 1988, p. 2).

In examining the history of professions over the last century, including Abbott’s System of Professions, this chapter has shown that the key ingredient in all theories is the use of abstract knowledge. Abbott argues that “abstract knowledge is the foundation of an effective definition of professions” (Abbott 1988, p. 102; Edwards et al. 2007, p. 63). This
theme is pursued in the thesis as underpinning the basis of claiming a jurisdiction. Chapter 8 addresses this issue in detail and provides a framework for predicting the future education process for financial planning using Abbott’s (1988) theory.

The research methods to be employed were briefly discussed in this chapter in the context that the theoretical foundation dictates the appropriate methods to be used in the thesis. Semi-structured interviews were mentioned as a method to explore the opinions and perspectives of the interviewees. The design and description of the interview process and the analysis of the interviews, together with a description of the other research methods used in the thesis, including Government Inquiries, other primary data and a range of secondary literature sources, are discussed in detail in Chapter 4.
CHAPTER 4.

RESEARCH METHODS

Observation and experiment for gathering material, induction and deduction for elaborating it: these are only good intellectual tools.


4.1 Introduction

The aim of this chapter is to make clear the methodological positions adopted for this study and discusses the actual methods of research. As detailed in chapter 3 the epistemological and ontological assumptions guide the researcher’s methodological assumptions, which ultimately affect the methods chosen in the research process (Gaffikin 2008). The methodological assumptions set the foundation for the type of research that will be conducted, which may be primarily objective (quantitative) or subjective (qualitative) in nature, depending on the philosophical position taken. This study is interpretative which generally use more qualitative evidence, such as ethnography, case studies and participant observation (Chua 1986). Several qualitative research methods are used in this thesis to explore the research questions and objectives: interviews, Government inquiries, professional publications, newspapers and other secondary sources of data.
The chapter is organised into seven sections including the introduction. Section 4.2 discusses the research methods used in the thesis. Section 4.3 gives a detailed analysis of the exploratory interviews with 19 ‘elites’, which form a substantial part of the primary data. The background to the interviews, including participant selection, questions and interview schedule, are addressed, together with the coding and analysis of the interviews. Section 4.4 outlines the Government inquiries relevant to the research questions, and Section 4.5 the other primary data such as theses. The secondary literature sources that support the research questions associated with the thesis, such as refereed journals, professional journals, books and newspapers, are outlined in Section 4.6. Finally, Section 4.7 summarises and concludes the chapter.
Figure 4-1: Themes of Chapter 4

Section 4.2 Research methods
- Research questions and methods
  - Researcher's experiences

Section 4.3 Exploratory interviews
- Semi-structured interviews
  - Ethical considerations
    - Interview bias
      - Interview questions
        - Interview schedule
          - The interviews
            - Validity and reliability
              - Analysis of interviews

Section 4.4 Government inquiries
- Inquiry reports
  - Hansard reports
    - Government inquiries data analysis

Section 4.5 Other primary data

Section 4.6 Secondary literature sources
- Refereed journals
  - Professional journals
    - Books
      - Newspapers
    - Secondary sources data analysis

Section 4.7 Summary and conclusion
4.2 Research Methods

4.2.1 Research questions and methods

In reviewing the methodology for the thesis and drawing the research philosophies together, the work of Burrell and Morgan (1979) is particularly helpful in its summary and clarification of the epistemologies and ontologies appropriate for the thesis. This thesis uses a range of reference material, as described below.

The research methods that were used in the research design to address the research questions are detailed in Table 4-1. Semi-structured interviews of ‘elites’ provide the basis of the claim for the addition to knowledge, but several research methods are utilised to answer the research questions, therefore providing a triangulation of the data.

The use of different data has been utilised to provide insight into Abbott’s (1988) theory through several different sources. The professional journals provide an avenue for the professions to make a claim for public jurisdiction, and the newspapers provide a gauge of public sentiment towards accountants and financial planning. Government inquiries and legislation provide a valuable insight into the legal claim for jurisdiction. As the claim for financial planning has not been previously analysed using Abbott’s (1988) theory the use of refereed journals and theses have been incorporated into the research methods to provide a background not only to the theory but the literature on the accountants fight for jurisdiction with other professions.
Table 4-1 Research questions and methods

<table>
<thead>
<tr>
<th>Research Questions</th>
<th>Research Methods</th>
<th>Respondent</th>
</tr>
</thead>
</table>
| RQ1 What external and internal disturbances contributed to the emergence of financial planning in Australia? | Semi-structured Interviews  
                              Government Inquiries  
                              Theses  
                              Refereed journals  
                              Newspapers  
                              Professional journals | ‘Elite’ interviewees  
                              Inquiry submissions  
                              and witness transcripts |
| RQ2 How does the regulatory framework affect the professionalisation process of financial planning? | Semi-structured Interviews  
                              Government Inquiries  
                              Theses  
                              Refereed journals  
                              Newspapers  
                              Professional journals | ‘Elite’ interviewees  
                              Inquiry submissions  
                              and witness transcripts |
| RQ3 Did the Australian accounting profession claim the jurisdiction of financial planning? | Semi-structured Interviews  
                              Government Inquiries  
                              Theses  
                              Refereed journals  
                              Newspapers  
                              Professional journals | ‘Elite’ interviewees  
                              Inquiry submissions  
                              and witness transcripts |
| RQ4 Has the education of financial planners contributed to the professionalisation process of financial planning? | Semi-structured Interviews  
                              Government Inquiries  
                              Theses  
                              Refereed journals  
                              Newspapers  
                              Professional journals | ‘Elite’ interviewees  
                              Inquiry submissions  
                              and witness transcripts |

4.2.2 Researcher’s experiences impacting on research

In addition to relying on primary and secondary sources, the thesis incorporates the experiences of the author in the three fields of professional work: accounting, financial planning and the academic professions. These experiences are used as a reference point for the clarification and amplification of the findings from the data. My experience spans a period of over 40 years. First, I had a career of over 25 years as a chartered accountant, including 18 years as a partner in one of the Big Four accounting firms, in both a large practice unit and a smaller practice unit. The second phase of my experience was a six-year period in professional practice as a financial planner,
including owning my own financial planning practice for four years. My remaining experience consisted of 10 years as an academic at three different universities in financial planning education programs.

In my professional career, I had the highest level of professional experience. I was involved in the formation of financial planning within the professional accounting firm prior to a secondment overseas. On my return, I commenced employment in the financial planning field. I purchased a financial planning practice, initially as part of a smaller accounting practice and then as a stand-alone financial planning practice. Whilst I owned the practice, I was an authorised representative of a major financial institution and held a dealer’s licence. In my academic position, I was involved in establishing the academic program at one institution, and, in the other two, developing the program at post-graduate level in addition to teaching at the undergraduate level. Whilst in my academic positions I was active in developing financial planning as a separate academic discipline (Brimble & Murphy 2011, 2012; Brimble et al. 2012; Murphy & Watts 2009; Rossetto & Murphy 2010; Smark et al. 2009; Watts & Murphy 2009). A summary of refereed publications allied to this thesis is included as ‘Publications allied to this thesis’ on page xxii in the front matter of this thesis.

These three fields of professional practice, which form the background of the thesis, enabled me to both witness and show the unfolding history of financial planning in Australia. My experience is unique and, therefore, has formed my views as outlined in the thesis. The range of experience has given me the benefit of reviewing all aspects and opinions in the debate and, it could be argued, minimised the bias that would be applicable if I had worked in only one aspect of the profession. The level of knowledge
in the three professional fields reduces one limitation of the interview process, “as a well-informed interviewer has a basis for assessing the accuracy of some of the information offered” (Healey & Rawlinson 1993, p. 349).

The benefit of my experience is that I have had access to ‘elites’ in the accounting and financial planning professions to provide input to the thesis, and all the interviewees are authoritative, as their selection was based on their influential and prominent positions in the fields of accounting and financial planning. The interviews were conducted with accounting and financial planning executives drawn from a range of participants who had an impact on, or witnessed, the development of the financial planning profession during their professional career.

4.3 Exploratory interviews

The purpose of the interviews is to provide a major input to data and analysis of the research questions in the thesis. The interviews also act as a triangulation of the research already conducted using documentation available in the public domain. The interviews are designed to provide data from the individuals and organisations involved in the professionalisation process at the crucial stages of the development of financial planning in Australia. It is fortunate that, as financial planning is still an emerging profession, the individuals who had a major impact on its development are still alive and willing to provide their input.

The next section will outline the motivation and suitability of conducting semi-structured interviews as an appropriate method to investigate the applicability of the
theory adopted in this thesis. The approaches to interviewing and the advantages and disadvantages of interviews in this process are discussed. The interview method adopted is a semi-structured approach; the balance of the section will describe the how the interviews were conducted. The information from the interviews will be used throughout the thesis to provide answers to the research questions as detailed in Chapter 1.

4.3.1 Semi-structured interviews

Interviews are used extensively in social-science research, including accounting and finance related fields. Unstructured interviews give the researcher an opportunity to uncover additional avenues of enquiry and elicit accounts of events that are based on personal experience, unlike a narrow and restrictive set of standard questions (Burgess 1982, p. 107).

Weiss (1994, pp. 9-10) advocates seven reasons why a researcher would use interviews as a research method: developing detailed descriptions, integrating multiple perspectives, describing processes, developing holistic descriptions, learning how events are interpreted, bridging intersubjectivities and identifying variables and framing hypotheses for quantitative research. Many of these reasons are applicable to this study, which led to the conclusion that semi-structured interviews would be an appropriate research method.

Research is limited in the financial planning area; in particular, scant research has been conducted on inter-professional jurisdictional claims between accountants and
financial planners in Australia. Interviews provide a detailed description of events, and an opportunity to probe into their background and interpretation. Whilst the research questions were framed before the interviews, the results of the interviews are used as a primary data source in answering the research questions, and the interviewing of ‘elites’ in the financial planning and accounting professions is a significant contribution of the thesis to the current literature.

Abernethy et al. (1999, p. 5) support the use of semi-structured interviews in collecting data as an appropriate choice, as they are a useful method where the researcher is eager to secure the participants’ viewpoint or where contemporary research does not permit a restrictive definition, concept or hypothesis development.

In semi-structured interviews, questions are open-ended, which allows interviewees to expand on their answers while the interviewer directs the interview to the predetermined research objectives and questions. In this thesis, the theory was established prior to the framing of the interview questions, and although inductive, the thesis does not adopt grounded theory (Corbin & Strauss 1990; Llewelyn 2003; Marshall & Rossman 2016). As a result, the research questions can be framed with reference to theory. The interview questions, in turn, link to the research questions and theory.

The purpose of the interviews is to act as a method of triangulation with the other sources of data, rather than as a stand-alone research methodology. Elites are influential, prominent and/or wilfully forming an organisation community and selected for interviews based on their expertise in areas relevant to the thesis. ‘Elites’ involved
in the accounting and financial planning professions were selected to provide a variety of perspectives, but concentrating on those of the accounting and financial planning associations and practitioners. The selection of participants particularly included several from the major accounting firms, as they were able to direct the adoption of a successful strategy to claim the jurisdiction of financial planning on behalf of the accounting profession. A detailed justification of the use of ‘elites’ and discussion of the skill set for interviewing ‘elites’ is covered in Section 4.3.5.1 in this chapter.

4.3.2 Ethical considerations

A number of ethical issues arise in relation to the research methods in this study, especially interviews, such as participant privacy; the voluntary nature of participation, including the right to withdraw from the process; participant consent; maintenance of confidentiality; effects on participants of how the data is used, analysed and reported; and the behaviour and objectivity of the researcher (Saunders et al. 2007, p. 181). Application to the University of Wollongong’s Human Research Ethics Committee for ethics approval to conduct the interviews was made in February 201225, and an extension was made and approved in June 2014, and a further extension in March 2017. The ethics approval covered the purpose of the project, description of the research design and justification, and described the main ethical consideration as being confidentiality, as all participants were professionals in the finance industry and its regulators. The ethics application also stated that participants could withdraw at any time, that no personal information would be gathered, that all commercial information

25 Ethics approval no HE12/418.
would be aggregated, and that individuals would not be identified. The risks of the process were considered but deemed minimal.

The specific interview process was considered, including how the individual participants would be approached, where the interviews were to take place and the number of participants to be interviewed. All letters of invitation, information packs and consent forms (contained in Appendix B) were included with the application. The consent forms and information letters clearly indicated how the privacy of the individuals would be protected, how the information gathered would be recorded, analysed and published. The application also included the details of how the information would be stored on completion of the research.

The selected interviewees were emailed a participant’s information guide, a consent form and a list of questions (included in Appendices B 3, B 4 and B 5 respectively). The participant’s information sheet reiterated the purpose of the research, the methods used in the interview and the demands on participants. Typical questions were included as a guide for interviewees. The funding source and the benefits of the research were outlined. Interviewees were also given a statement that the study had been reviewed by the Human Research Ethics Committee of the University of Wollongong and provided an avenue for them to lodge any complaints or concerns about of the interview process.

The interviewee consent form covered the risks of the interview process, outlined the rights of the interviewee to withdraw from the process at any time and confirmed that the interviewee had the opportunity to ask about the research and their participation.
Contact information was included to communicate to the University any concerns or complaints. It was requested that the consent form be signed before the interview date, or taken to the interview so that the interviewee could sign before the interview started. By signing the consent form the interviewees indicated that they consented to: an individual interview of approximately 60 minutes; the audio recording of the interview; the fact that the interviewee’s name would not be used to identified in the study; and the use of the data collected primarily for a PhD thesis, and in summary form for journal publications.

4.3.3 Interview bias

Conducting semi-structured interviews as a key research method has the potential of introducing interviewer bias by imposing the interviewer’s own reference frame on the interviewees, both when the questions are asked and as the answers are coded and interpreted. Easterby-Smith et al. (1991) provide some strategies to reduce bias, such as researchers using open-ended questions that allow interviewees to answer in their own words. Easterby-Smith et al. (1991, p. 80) provide seven ways probes can be used, ranging from the basis probe and the silent probe to mirroring or reflecting.

Lillis (1999, pp. 86-7) notes that a semi-structured interview method is “subject always to the intrusive effects of interviewer bias, both during the interview and in the analysis transcripts. This bias can affect significantly the credibility of theory building apart from qualitative data”. The strategies to limit bias recommended by Lillis (1999, p. 84) were adopted in planning for the interviews. First, the interview guide was designed with the aim of ensuring complete and consistent coverage in each interview
of the themes under study, as well as minimising researcher intrusion through the perspective location of neutral question and probes. Second, a systematic auditable process was used to develop theoretical propositions from qualitative data. This provided for the development of an audit trail from transcribed text to the development of propositions. Third, the interview guide was designed to ensure completeness in covering the study’s terms of reference in each interview. To elicit full and undirected accounts from participants on the themes in the study, the interview guide was designed to be used flexibly, and did not require that the questions be addressed in a specific order. The format and structure of the interview guide and implications for bias are further discussed in the sections 4.3.4 and 4.3.7. The questions in the interview guide are guided by Abbott’s theory, thus limiting the capacity for the interviewer to interpret the questions.

4.3.4 Interview questions

Letters to all organisations were emailed prior to the interview. The form letter requesting interviews, ‘Approval to Conduct Interview’, is included as Appendix B 2. In the letter attached to the email the recipient was invited to participate in the research project, which was being conducted by the University of Wollongong on behalf of the Department of Accounting and Finance, and given the title of the project, ‘Financial planning in Australia: A contest for Jurisdiction, 1980 to 2004’\(^{26}\), together with a short background.

\(^{26}\) The original thesis was to include the period up to the FSRA legislation. As the thesis developed, current material was included, and the time frame extended to include all relevant developments in the financial planning profession. The time frame in the covering letters did not affect any response from the interviewees. The update of the time-period was advised to the Human Research Ethics Committee as part of an approval for an extension to the project.
My experience in the industry allowed me to select suitable interviewees. After telephone and email requests had been sent and responses received, interviews commenced in late 2012 and were progressively held over the next four years. The reason for the lengthy time frame was that the first three interviews were used to test the interview transcription and coding procedures before progressing with the balance of the interviews. For one interview, 18 months elapsed from when the interviewee agreed to an interview until the actual interview, due to numerous postponements by the interviewee. Another reason for the lengthy time frame was that events were continually unfolding in the financial planning industry, and it was desirable to obtain input on the evolving issues, as the interviewees would not have a chance to re-interview as a number were retired and unavailable in the future, and it would have been difficult to arrange for the CEO’s and senior industry participants to schedule future interviews. Also, since the interviews, two interviewees have moved overseas.

The overriding view with the ‘elite’ interviewees was that they were willing to give their time based on the knowledge that only one hour of their time was utilised and did not expect any further review or re-interview.

It was clearly stated that a time of 60 minutes would be required for the interview, and that the interview would be audiotaped to assist collation. A brief background for some of the questions was included and interviewees were told that confidentiality was assured, and that no participant would be identified in the thesis. Finally, it was indicated that the University had granted ethics approval to conduct the research.
The list of questions to be explored in the interviews was sent in advance to the interviewees on confirmation of the interview time and location. In some cases, where interviews were organised well in advance, copies of the questions were forwarded again closer to the interview for the interviewees’ review. In one interview, the interviewee was emphatic that all the concerns and questions be covered and had completed several pages of notes ahead of time. Several other interviewees had made bullet points; others had made no notes at all. However, all interviewees were prepared to address the questions and had reviewed them prior to the interview.

The questions were framed to explore the interviewees’ knowledge and beliefs about the development of financial planning in Australia and the extent to which financial planning had attained the status of a profession. The questions were derived from the research questions, themes and theoretical framework of this thesis. The interviewees were briefed in the interview on the reason for various questions, and the questions were not necessarily covered in strict order, except for the first question concerning their background.

The interview guide consisted of seven questions. All the questions in the interview related to the research objectives and questions, although the terminology in the question sheet was not technical or academic. For example, the word ‘jurisdiction’ in question 3 has a specific meaning in Abbott’s theory. The interviewees were briefed that it means control over the three areas of work environment, public acceptance and legal jurisdiction. All interviewees were content with this explanation, which introduced relevant aspects of Abbott’s theory without the need for an in-depth
explanation. This process also meant that when coding the interviewees, searching on specific words was more fruitful.

After an introduction to the study, the first question established the interviewee’s background in and relationship to the financial planning industry, which established the interviewee’s credibility. This process also allowed the interviewee to speak first and to feel relaxed before progressing. The second question requested input on the factors that had caused the growth of the need for financial planning. The question was intended to elicit the reasons for the growth of the financial planning tasks, which, according to Abbott’s theory, could lead to conflict surrounding who would claim jurisdiction over the right to complete the tasks. As the interviewees had different backgrounds, the responses were reviewed to ascertain if accountants had any different reasons for growth when compared to the financial planning interviewees that may have influenced the accounting profession not to actively claim the jurisdiction. While this is a straightforward question, only a few details in financial planning text books and a limited number of academic publications address it. Several of the interviewees were involved in the financial planning industry throughout the early phase of development, and their views of history provide a new and deeper insight into the growth factors. The responses were collated to confirm or modify current literature. The question directly links to research question 1, ‘What external and internal disturbances contributed to the emergence of financial planning in Australia?’ The interview question primarily addressed to the external disturbances contributing to the emergence of financial planning.
The third question addresses the theory component of the thesis, with input on the three jurisdiction areas applicable to Abbott’s work: the work environment, public jurisdiction and legal jurisdiction. The linking of professional associations representing financial planning and their role in the fight for jurisdiction is addressed in the last subsection of question 3. This question links directly to research question 3: ‘Did the Australian accounting profession claim the jurisdiction of financial planning?’, and specifically subsection 3.1, ‘What aspects of work, public and legal arenas were operative in accountants’ claims to jurisdiction over financial planning, and how did these aspects create disturbances in the emergence of financial planning?’.

The fourth question relates to the core question of the thesis, the role of accountants in the development of the financial planning profession. Whilst the evidence is that accountants did not actively claim jurisdiction, the question is framed with an open mind about their role. In the interview, probing questions were asked to explore the interviewees’ answers on the role of accountants in the financial planning sector, with the results collated from the different sectors and professional backgrounds. If the interviewees responded that they saw a role for accountants, subsection (b) of the question asked why the accountants had not absorbed the jurisdiction as part of the accounting profession. The question was framed in the knowledge that this assertion might be challenged in the interview. The question links to research question 3.2, ‘What settlement has occurred in the accountants’ claim for financial planning in Australia?’ The question also links to research question 2, which refers to the regulatory framework of financial planning in Australia; this is addressed in question 5 of the questions list.
Question five addresses another key theme in the thesis, the role of regulation in the Australian financial planning sector, and specifically addresses research question 2, ‘How does the regulatory framework affect the professionalisation process of financial planning in Australia?’ The question is framed under the assumption that financial planning is heavily regulated in Australia. It seeks the interviewees’ input on the two subsections of the regulatory input: first, has the regulatory framework contributed, positively or negatively, to the development of the financial planning profession; and second, how did regulation alter the work practices and public acceptance of financial planning in Australia.

Question six asks the interviewees a key question in the thesis: Is financial planning a profession? The question seeks input on a topic that is repeated in the literature, especially from the professional associations. In the interviews, the definition of a profession was not requested, and all interviewees had strong views on whether financial planning was a profession. The interviewees were asked why they held the position they did, and the responses covered several of the research questions, including research question 4, ‘Has the education of financial planners contributed to the professionalisation process of financial planning?’ Research question 4 was also addressed in the interviewees’ other responses, especially subsection 4.1, ‘What abstract body of knowledge is applicable to the financial planning profession?’

The last question allowed the interviewee to provide any other comments or return to previous questions. The questions were semi-structured, with the questions being addressed directly in the first 35 minutes or so of the interview, with the remaining time unstructured, during which the interviewee provided input or expanded on the
issues. If the interviewee continued discussion on a point for a considerable time, they were asked to address the remaining questions, so that all questions were covered by all interviewees.

4.3.5 Interview schedule

To identify key themes in the thesis, 19 semi-structured interviews with individuals who had held or currently held senior positions in the accounting and financial planning professions were conducted covering the period of the development of the financial profession in the early 1980s until recent years. The perspectives of those individuals are those Marshall and Rossman (2016) term ‘elites’, the individuals likely to be highly knowledgeable about the progress of financial planning since its inception in the early 1980s.

The interviewees in the sample were identified initially as representing the professional associations in the quest for the jurisdiction of financial planning in Australia. Given the emphasis in this thesis on the role of the accounting profession and of the Big Four accounting firms, several interviewees with partners were conducted in various locations in Australia. The ICAA, CPA and IPA represented the accounting bodies, and the FPA and AFA were selected as the financial planning organisations. Three interviews were held outside the above classifications: with individuals from a financial institution, a Government organisation and an academic institution. The interviewees are detailed in Appendix B 1 and summarised into categories in Table 4-2.
As explained in the following section, all interviewees accepted the invitation except the regulatory authorities, who did not have a suitable person available due to staff turnover. In reviewing the interviewees, they selected themselves, as most were CEOs and senior executives of the organisations being invited to provide a suitable interviewee. All the organisations listed above provided their most senior person involved in financial planning for the interviews. The range of interviewees, as detailed in Table 4-2, consisted of 11 accounting-related, seven financial planning-related and one academic. One interviewee classified as a financial planning executive was interviewed in a former role; however, the interviewee’s current role was as a CEO in a Government organisation related to professions. In this situation, both sets of the interviewee’s experiences were used in the interview.

Table 4-2 Industry participants

<table>
<thead>
<tr>
<th>Interviewees</th>
<th>Total</th>
<th>Accounting</th>
<th>Financial Planning</th>
<th>Academic</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Professional Association</td>
<td>Big Four</td>
<td>Small Firm</td>
</tr>
<tr>
<td>Academic Professional Associations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banking</td>
<td>10</td>
<td>5</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Accounting Practitioners</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AFSL License holder</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>19</td>
<td>5</td>
<td>4</td>
<td>2</td>
</tr>
</tbody>
</table>

Table 4-2 provides details of the industry participants in the interviews. The horizontal axis provides a description of the industry background: accounting, financial planning or academic. Of the accounting-related interviewees, five were employed by their
professional organisation, four were partners or recently retired partners from Big Four firm city practices and two were practitioners or former practitioners from small firms (one city and one regional). Of the financial planning-related interviewees, five were employed by their professional organisation, one was a senior executive of a major financial institution and one was an AFSL Licence holder. Finally, one interviewee was an experienced academic in the financial planning field. Table 4-2 also describes the interviewees’ professional role. Ten were employed by their professional organisation, six were accounting practitioners, one was a banking executive, one was an AFSL License holder, and one was an academic. The range and emphasis of interviewees and their roles were appropriate to provide primary data to address the research questions in the thesis.

Theory suggests that the researcher should stop collecting data when ‘saturation’ has been achieved; in other words, “when incremental learning is minimal because the researcher is observing phenomena seen before” (Lee & Humphrey 2004). Nineteen interviews were deemed sufficient, and saturation was reached by the conclusion of the first 17. The interviewees in the 18th and 19th interviews had been recommended to provide invaluable insight into the development of financial planning in Australia. It was possible, given the range of interviews and the quality of the data, to extract themes in the 19 interviews to provide a basis to answer the research questions. The interviews were conducted on a one-on-one basis, which required interstate travel, preparation for the interviews and subsequent processing of transcription and data coding. Given that the interviews provided over 100,000 words of coded, transcribed material and analysis was limited to the resources of one researcher, 19 interviews provided sufficient data.
4.3.5.1 Skill set for interviewing elites

To conduct any successful interview, an interviewer must possess a range of skills, including the ability to listen to the interviewer and to avoid advancing thoughts or opinions during the interview. Easterby-Smith et al. (1991, p. 76), in discussing skills, stated, “The skills of an interviewer centre around the ability to recognise what is relevant…to be sensitive to events, so that lines of inquiry can be changed and adapted during the interview. Above all, interviewers need to be able to listen.”

Elites are considered to be influential, prominent and/or wilfully forming an organisation community: they are selected for interviews on the basis of their expertise in areas relevant to the search and for their perspectives (Marshall & Rossman 2016, p. 159). Delaney (2007 cited in Marshall and Rossman 2016) identifies organisational elites, such as CEOs or presidents of companies, as a type of elite. This type of elite is applicable to this thesis. All interviewees were in a position of authority or had the knowledge of processes that occurred in the development of financial planning in Australia, and the interviews ranged over the various organisations and institutions and practices that had influenced decision-making in the development of financial planning. The impact of the major accounting firms was established by interviewing several individuals in one of the Big Four accounting firms and using this analysis as representative of all four.

The only elites that were absent from the interview schedule were the regulators. At the early stages of the thesis, the regulators were contacted on numerous occasions by
telephone and email through references of people who had worked with ASIC. A response was received from a recent employee of ASIC, who was responsible for financial planning policy, that she was not able to provide any information as she had left the organisation. The author received a formal response through ASIC that due to high staff turnover there was no one on staff who would have been familiar with the happenings in the early process of the development of financial planning. All other interviewees accepted the invitation for an interview and no rejections were received in the process.

The interviewing of elites has many advantages. Valuable information can be gained from these participants because of the positions they held in their respective organisations. They provide an overall view of the relationships of the various entities with each other through their own experiences. They are familiar with the legal and financial structures, and are usually able to discuss the organisation’s policies, histories and plans from their own perspective. All the interviewees recounted their own experiences willingly, and provided a unique input to the development of the financial planning profession and accountants’ role in the process.

Elite interviewing also presents some challenges. It is often difficult to gain access to elites because they are usually busy people operating under demanding time constraints; they are also often difficult to contact initially. Due to my previous experience in comparable positions, this did not cause an issue. The only issue was the inability to contact and plan for one of the accounting professional associations. The first interview was postponed as the chief executive who was to be interviewed needed to travel interstate urgently. The interview was postponed. Despite various attempts,
direct contact with the individual was difficult, and I was continually advised through a personal secretary that the person was not available. The second interview was also postponed. The third interview, some 12 months later, did proceed, and it appeared in the interview that the interviewee was not aware of the delays that had been experienced. The interview was very successful, and the executive was enthusiastic about the research project and offered access to an extensive library of the association’s journals back to the late 1980s that were not available to the academic or general community. The interview completed coverage of the three accounting bodies that had an input into the financial planning in Australia during the time examined by this thesis.

Another issue in working with elites is that it often places great demands on the ability of the interviewer to establish competence and credibility by displaying knowledge of the topic or, lacking such knowledge, by projecting an accurate conceptualisation of the problem through thoughtful questioning (Marshall & Rossman 2016). Due to my full knowledge of all areas covered by the interview questions, this aspect was not an issue in the interview process. In one instance, the interviewee requested my advice after the interview on various financial planning policy issues being considered at that time in their organisation. While the I did not venture into such territory, the request does give a clear indication that the interviewer had gained the trust of the interviewees.

The range of the interviews covered all the professional organisations claiming jurisdiction over the financial planning profession, which provided a unique insight into the interaction between the professions not previously detailed in academic
publications, and made a significant contribution to the academic literature in both theory and methodology. The results of the analysis are detailed in future chapters and summarised in Chapter 9.

4.3.6 The interviews

All interviews were conducted one-on-one to establish my credibility and to ensure confidentiality. After the interviewees had been given a background to the thesis topic, they seemed at ease and comfortable with providing answers to the questions in a thoughtful and detailed manner. In a one-on-one interview it is also possible to explore several questions and related topics. One interview was scheduled before the interviewee left for an extended period overseas, and due to domestic transport issues was not able to return as scheduled and attend the meeting. Given that the individual would not be available for an extended period, it was agreed to hold a telephone interview the following day after the interviewee arrived at his destination. Whilst gathering qualitative data by telephone contact is usually not recommended, telephone interviews in such circumstances are an appropriate method of making contact with participants with whom the interviewer is not able to conduct face-to-face interviews because of distance (Saunders et al. 2007).

If interviews needed to be conducted by telephone, a separate participant’s sheet was sent to the interviewee to mitigate any disadvantage associated with telephone interviews. The additional telephone sheet, which had been approved by the Human Research and Ethics Committee at the time of the project’s initial approval, contained details of how the interview would be introduced, including confirmation of receipt of
previous correspondence, and the format of the interview. The interviewee was also advised that during the interview they would be asked if they wished to continue with the interview. Full details of the telephone sheet are contained in Appendix B 6.

Disadvantages (Saunders et al. 2007) of telephone interviews include the lack of establishing personal contact, difficulties in establishing trust, the inability to view interviewee’s respond and body language during the interview, difficulties in switching direction in or controlling the pace of the interview and inability to record the interview. In the interview, these circumstances were mitigated as prior contact had been made with the interviewee and the interviewer had previous professional and personal contact.

The interviews were recorded using specialised recording equipment and software to record the exact wording in the interviews. All interviewees provided consent to the interviews being recorded, and were reminded at the commencement of the interviews that all recordings would be transcribed and only viewed by the researcher, and their identity kept confidential. Each interviewee was emailed a copy of the transcription together with a covering page requesting a review for any substantive amendments.

4.3.7 Validity and reliability

It is acknowledged that that the findings from the interviewees may not be appropriate to apply more generally, as the number of interviewees was very limited. This is to be expected in this research, as the interviews were semi-structured and related to the opinions of individuals at a point of time. This is consistent with Abbott (1988), who
makes the point that the process of professionalisation he proposes is not generalisable. This research endeavours to collate all the views from the various organisations that have laid claim to the financial planning jurisdiction. Abbott’s (1988) theory tracks the history of the claim for jurisdiction not to make a prediction as to the outcome of the claim, but merely to indicate the possible settlements of the claim to jurisdiction at a point of time. As indicated by Saunders et al. (2007, p. 319), a high degree of validity is possible in qualitative approaches to obtaining information, due to the flexible and responsive interaction between interviewer and interviewee. The flexibility allows meanings to be verified and topics explored from a variety of different angles (Sykes, 1991, p. 8, cited in Healey & Rawlinson, 1994, p. 13).

One response to the issue of reliability is that the findings derived from using semi-structured interviews are not necessarily intended to be repeatable, since they reflect reality at the time they were collected, in a situation that may be subject to change (Marshall and Rossman 1999 cited in Saunders et al. 2007, p. 319). As discussed when referring to validity, the advantage of using interviews is in the flexibility to explore complex topics, and any “attempt to ensure that qualitative, non-standardised research could be replicated by other researchers would not be realistic or feasible without undermining the strength of this type of research” (Saunders et al. 2007, p. 319). As illustrated in the literature review, the reliability of the data is also enhanced by the robustness and structure of Abbott’s (1988) theory.

4.3.8 Analysis of interviews

The data analysis was undertaken using the steps recommended by Burnard (1991). The hard copy of each transcript was reviewed by the researchers and, with the aid of
shading and notes, “meaning units” (Burnard 1994) were identified. These meaning units were highlighted in the copies of the transcripts. The next stage was to look for similar meaning units and group them with reference to a descriptive label. The descriptive label represented thematic clusters identified with the sections of Abbott’s (1988) theory relevant to the research questions in the thesis. Meaning units that could not be allocated to a descriptive label (thematic cluster) were assigned to a ‘miscellaneous’ category; these were potentially important but not deemed relevant to the research question. Each meaning unit within a descriptive label (thematic cluster) was allocated a letter to aid categorisation and sorting (Table 4-3).

**Table 4-3** Descriptive labels and codes

<table>
<thead>
<tr>
<th>Descriptive label</th>
<th>Code</th>
<th>Descriptive label</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abbott - Settlement</td>
<td>AS</td>
<td>Institutions</td>
<td>IN</td>
</tr>
<tr>
<td>Abbott - Disturbance</td>
<td>AD</td>
<td>Jurisdiction - Legal</td>
<td>JL</td>
</tr>
<tr>
<td>Background</td>
<td>BA</td>
<td>Jurisdiction - Public</td>
<td>JP</td>
</tr>
<tr>
<td>Education</td>
<td>ED</td>
<td>Jurisdiction - Work</td>
<td>JW</td>
</tr>
<tr>
<td>Environment - Cultural</td>
<td>EC</td>
<td>Knowledge - Abstract</td>
<td>KA</td>
</tr>
<tr>
<td>Environment - Internal</td>
<td>EI</td>
<td>Miscellaneous</td>
<td>MI</td>
</tr>
<tr>
<td>/Power</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment - Social</td>
<td>ES</td>
<td>Professional Associations</td>
<td>PA</td>
</tr>
<tr>
<td>Government Policy</td>
<td>GP</td>
<td>Professionalism</td>
<td>PR</td>
</tr>
<tr>
<td>Growth Factors</td>
<td>GF</td>
<td>Regulation - Role</td>
<td>RR</td>
</tr>
<tr>
<td>History of Professions</td>
<td>HP</td>
<td>Responses Professions</td>
<td>RP</td>
</tr>
</tbody>
</table>

The text from each transcript was transferred to a *Microsoft Word* document and highlighted using the text highlight colour ‘yellow’ according to the relevant meaning units. The meaning units were then coded with descriptive labels (thematic clusters) as detailed in Table 4-3. The completed document included the entire interview, including comments by the researcher. Each line, now coded with a descriptive label (thematic cluster), was transferred to a *Microsoft Excel* document, which allowed data
to be sorted according to descriptive labels (thematic clusters), interviewees or specific words. The output could then be transferred to a *Microsoft Word* document to illustrate the themes in the thesis. From the *Microsoft Excel* worksheet, meaning units could be collated and analysed with reference back to the original context of the interview. An example of the output from this process is shown in Table 4-4.

**Table 4-4** Sorting of descriptive labels and meaning units

<table>
<thead>
<tr>
<th>Meaning Units</th>
<th>Descriptive Label</th>
<th>Participant</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>There’s always been a need for financial planning, right back, forever, really, since the inception of the accounting profession.</td>
<td>Jurisdiction Work</td>
<td>A</td>
<td>JW</td>
</tr>
<tr>
<td>In a sense the term has been hijacked, by a product-selling imperative, so to speak.</td>
<td>Responses - Professions</td>
<td>A</td>
<td>RP</td>
</tr>
<tr>
<td>My grandfather was a chartered accountant in the 1940s and 1950s and he was doing financial planning for his clients.</td>
<td>History of Professions</td>
<td>B</td>
<td>HP</td>
</tr>
<tr>
<td>There was a need for these people called financial planners who were experts in that field so they kind of carved it out.</td>
<td>Jurisdiction Work</td>
<td>G</td>
<td>JW</td>
</tr>
<tr>
<td>Wider issue is the cultural issue of why accountants did not get involved with [it], because it was perceived to be, once the term had been hijacked…. It came to be seen as a product-selling exercise and most accountants were not culturally aligned to doing that, they saw it as a conflict of interest.</td>
<td>Environment Cultural</td>
<td>H</td>
<td>EC</td>
</tr>
<tr>
<td>A bit dirty, a bit salesy.</td>
<td>Environment Social</td>
<td>D</td>
<td>ES</td>
</tr>
</tbody>
</table>

The final stage of the analysis, by way of reasoning on the part of the researcher, was to look for patterns or themes in the data (Burnard 1994). This analysis required constant consideration of and reflection on the descriptive labels (thematic clusters), with regular references back to the meaning units and the original transcripts.
The relevance of the research has important ramifications for the quality of the data. If the interviewee is interested in the research, it is easier to obtain reliable responses to the research questions than when the interviewee is not interested. One of the advantages of interviewing elites is that they are interested in the research question; in this study, all interviewees were enthusiastic in answering all the questions in an unrestricted manner.

4.4 Government inquiries

4.4.1 Inquiry reports

Three major Government Inquiries that resulted from the disturbances in the financial planning profession – the Report on the Draft Financial Services Reform Bill 2001 (Australia, Joint Statutory Committee on Corporations and Securities 2001c); the Inquiry into Financial Products and Services in Australia (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2009) after the GFC and the public backlash in relation to financial planning collapses; and the Inquiry into Proposals to Lift the Professional, Ethical and Education Standards in the Financial Services Industry (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014) – are used as primary data. The reports provide an insight into the operation of the financial planning profession and give answers to the research questions pertaining to accountants’ role in the process. Abbott (1988) indicates that one of the three areas where the claim for jurisdiction is fought is public acceptance. The fact that the Government Inquiries were held meant that public acceptance for the financial profession was so low that no claim for jurisdiction was likely to be
successful. The first report is discussed in Chapter 6, and the second in Chapter 7. The two reports will be used to inform research questions 1, 2 and 3.

The third report, which explores the education jurisdiction, is the subject of Chapter 8. The Government’s *Inquiry into Proposals to Lift the Professional, Ethical and Education Standards in the Financial Services Industry* (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014) will be used as primary data to inform research question 4 of the thesis.

4.4.2 Hansard reports

The Hansard reports provide an additional source of primary literature. Each of the above Inquiry Reports is based on witness statements that occurred in public hearings. The relevant Hansard reports were analysed in conjunction with other primary and secondary material to trace the interaction between the witnesses and the Inquiry Committee, which was composed of Government senators and Members of Parliament.

4.4.3 Government inquiries data analysis

In analysing the government inquiries and Hansard a similar process to the semi-structured interviews was undertaken. The inquiries and Hansard records were reviewed by the researchers and, with the aid of shading and notes, “meaning units”

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27 Hansard is the name given to the official record of debates in the parliaments of Westminster democracies such as Britain, Canada, Australia and New Zealand, and is named after the 19th century English printer, Thomas C. Hansard
(Burnard 1994) were identified. These meaning units were highlighted in the copies of the inquiries and Hansard. The similar ‘meaning units’ were grouped with reference to a theme. The same thematic clusters identified in Section 4.3.8 were used to analyse the inquiries and Hansard and the same letter was used to aid categorisation and sorting.

The text from each document was transferred to a Microsoft Word document and highlighted using the text highlight colour ‘yellow’ according to the relevant meaning units. The meaning units were then coded with thematic clusters as detailed in Section 4.3.8 and transferred to a Microsoft Excel document, which allowed data to be sorted according to thematic clusters, individual names or specific words. The output could then be transferred to a Microsoft Word document to illustrate the themes in the thesis.

4.5 Other primary data

The primary sources informing the thesis included numerous theses that used the work of Abbott (1988) concerning the intra- and inter- professional claims for jurisdiction, and theses adopting other theories relevant to the subject area. The theses covered not only the relationship of accounting with other professions but the use of other professions. Lastly, the theses in the financial planning field were reviewed to enable an informed view of the literature, if any, on the research questions covered in this thesis. As part of the literature review and the forming of research questions, theses in Australia, the USA and the UK were researched.
The data analysis consisted of reviewing theses with key words such as ‘jurisdiction’, ‘Abbott’, ‘claims for jurisdiction’, ‘sociology of professions’ ‘accounting profession’, ‘financial planning profession’, ‘profession’ to ascertain theses that applied to the themes of the study. The theses were read, and information collated in research notes that informed the literature review and research questions in the thesis. The research notes were coded utilising the same procedure as detailed in Sections 4.3.8 and Section 4.4.3.

4.6 Secondary literature sources

4.6.1 Refereed journals

Refereed journals have been used to place the research questions in the context of early research. It was important to review the extent that accounting has been professionalised and to evaluate whether accountants used their mechanisms of gaining jurisdiction in the accounting-related task areas within financial planning. Refereed academic journals such as *Critical Perspectives on Accounting*, *Accounting, Organization and Society* and *Accounting, Auditing & Accountability* contain valuable input to the literature from a critical perspective. These journals, together with other peer-reviewed journals, are examined as part of the literature review. Several other journals and books have been used to evaluate the use of Abbott’s (1988) theory and obtain the context of earlier research.

4.6.2 Professional journals

Relevant professional journals and finance publications are reviewed in the study to obtain information on the various professional organisations’ input into the claim for
jurisdiction over financial planning. It is understood that the publications do not provide an academic review of the topics and usually provide commentary on the profession that the members of the organisations wish to hear. However, it is important to review the journals in a critical manner to determine the interest in the financial planning profession and critically analyse them according to the main themes of the study, especially the responses of the accounting and financial planning industry participants to the issues surrounding the profession.

The journals of a wide variety of professional associations were sourced for many reasons. First, since the thesis is of a historical nature, the professional journals for the three accounting associations provide documentation as evidenced in the journals’ choice of editorials and articles that relate to items of practice. Second, the research required a range of professional journal articles for the period since the commencement of the financial planning profession in Australia in the early 1980s. In Abbott’s (1988) theory professional associations may not play a major role in the jurisdictional claim for the profession, but the association’s viewpoints as expressed in their journals can be taken as evidence of the expression of interest from the claimants for the tasks of financial planning, enabling a claim for public jurisdiction. The iterations in the journals are reviewed to evaluate the professions’ efforts to gain public approval for their actions in the financial planning jurisdiction.

4.6.3 Books

Books have been used to review the original contributors to theory, especially in relation to the theory of the sociology of the professions. Textbooks have been
reviewed as they apply to accounting and financial theory, and in later years finance and financial planning. A review of early texts gives an insight into theory and regulations as they applied at the time of publication. This is especially relevant not only to the growth of financial planning, which is the key focus of the thesis, but to accounting history as a framework for the thesis and the possible reasons for accounting’s reaction to the new profession of financial planning.

4.6.4 Newspapers

Newspaper articles have been used extensively to measure public reaction to the scandals that have involved financial planning organisations and individuals since the commencement of the financial planning in the early 1980s. A range of newspapers have been used for several reasons. First, The Australian Financial Review is the most authoritative finance newspaper in Australia and articles are included that represent the legislation and happenings within the industry, along with numerous front-page articles and comments on the financial planning profession. Second, as the public may not read The Australian Financial Review, other newspapers such as The Australian, the Sydney Morning Herald, and The Age have been reviewed to ascertain public interest in the issues surrounding the financial planning profession. The newspapers have been reviewed in the context of Abbotts’ (1988) theory as evidence of the claim for public acceptance, because if public acceptance cannot to be claimed, jurisdiction cannot be claimed.
4.6.5 Secondary sources data analysis

In analysing the secondary sources, a similar process to the semi-structured interviews was undertaken. The secondary sources were reviewed by the researchers and, with the aid of shading and notes, “meaning units” (Burnard 1994) were identified. These meaning units were highlighted in the copies of the secondary sources and detailed notes made in research notes within ‘Endnote’. The similar ‘meaning units’ were grouped with reference to a theme and coded within the research notes section of Endnote. The text from each document reference was sorted in chapter subsection themes and the output could then be transferred to a Microsoft Word document to illustrate the themes in the thesis and utilised in citations.

4.7 Summary and conclusions

The interpretative approach adopted in the thesis and the research methods, which utilise qualitative data and secondary sources that require analysis, including semi-structured interviews, do create some limitations. It is acknowledged that the use of a predefined theory could be regarded as a limitation because of the propensity to researcher bias. However, Abbott’s (1988) theory has been used extensively to analyse intra- and inter-professional claims for jurisdiction not only in accounting but in various other disciplines. The thesis does depart from his theory in that the claim for jurisdiction for financial planning is current, whereas Abbott’s (1988) case studies are based on the history of professions.

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28 Endnote is a commercial reference management software package, used to manage bibliographies and references in a word document. The software has facility to collate and sort data.
An effective historical sociology of professions must begin with case studies of jurisdictions and jurisdictional disputes. It must then place these disputes in a larger context considering the system of professions as a whole (Abbott 1988, p. 2; Edwards et al. 2007, p. 63; Pong 1999, p. 9). The next chapter thus traces the growth of financial planning from its beginning until the end of the 20th century, when regulatory change created a major disturbance in the financial sector. In tracing this growth, emphasis is placed on the path that the accounting profession took and its claim, if any, to the emerging jurisdiction.
CHAPTER 5.

THE ACCOUNTING PROFESSION AND THE
DISTURBANCES IN THE DEVELOPMENT OF FINANCIAL
PLANNING IN AUSTRALIA 1980 - 2000

The House of Peers, throughout the war, Did nothing in particular, And did it well

Gilbert and Sullivan’s satirical operetta Iolanthe, Act 2

5.1 Introduction

This chapter aims to provide an outline of the development of the accounting profession in Australia; specifically, the relevant regulatory requirements and social framework that contributed to the growth of the profession. The chapter commences its review of accountants’ claim for jurisdiction of the financial planning profession by investigating the unique features of the financial planning profession in Australia and the input of the various professional organisations in the development of the profession from the early 1980s until the end of the 1990s.
This review of the history, the findings of the semi-structured interviews, the professional journals of the respective participants, relevant newspaper articles and scholarly journals provide the background to the overarching research questions of the thesis. This chapter aims to present evidence for the first main research question and four related subsidiary questions that were addressed in Chapter 1:

RQ1 What external and internal disturbances contributed to the emergence of financial planning in Australia?

1.1. Cross-national disturbances

1.2. Australian disturbances

1.3. Technology

1.4. Education

Other research questions are covered in several chapters, with Chapter 5 commencing the discussion on the regulatory framework and its effect on the accounting profession’s reaction to the emerging financial planning jurisdiction. Accordingly, as part of the evaluation and discussion in Chapter 5, the following research questions are addressed in part:

RQ2 How does the regulatory framework affect the professionalisation process of financial planning?

2.1. Has the regulatory framework contributed to the development of financial planning in Australia?
RQ3 Did the Australian accounting profession claim the jurisdiction of financial planning?

3.1. What aspects of work, public and legal arenas were operative in accountants’ claims to jurisdiction over financial planning, and how did these aspects create disturbances in the emergence of financial planning?

The chapter is organised into eight sections including the introduction. Section 5.2 outlines the accounting profession in Australia, the regulatory framework, the body of knowledge and the jurisdictional claims of the tasks undertaken by the accounting profession. Section 5.3 traces the rise of financial planning in Australia, including a brief history of the formation of the professional associations representing financial planners. Section 5.4 examines the nature of financial planning in Australia, the regulatory framework, the systematic body of knowledge relevant to financial planning in Australia, the classification of tasks associated with financial planning, the structure of financial planning in Australia and the education requirements associated with the conducting of financial planning. Section 5.5 discusses the disturbances leading to the development of financial planning, outlining the social, economic and political and cultural factors in the early development of the profession. Section 5.6 reviews the role of the respective combatants in the quest for jurisdiction over the financial planning profession; first, the professional organisations, and second, the institutions. The section explores how their respective actions combined in their claim for jurisdiction. Lastly, the section outlines the shifting jurisdiction in the workplace, the public arena and the legal arena in the period until the end of the 20th century. Section 5.7 reviews the transformation and settlement of the jurisdiction between the
combatants because of the initial disturbances shaping the industry. Finally, Section 5.8 summarises and concludes the chapter.

One of the criticisms of Abbott’s theory detailed in Chapter 3 was that it could not predict the professionalisation outcome. Abbott (1988, pp. 30-1) recognises that his book involves theoretical statements that make it easy to forget the historical events they abstract. These events, case by case, profession by profession, are the test of the enterprise. Whilst he argues that such a position cannot work in every case, it is an argument that works for most. Abbott views case studies of professions as the raw material of the theory.

In the thesis, financial planning is not only a case study, but one that is current and evolving. History is relevant, but the current claim for jurisdiction is in real time and under constant change. There is no claim that the analysis will provide a predicable outcome, as events are still occurring that will affect the outcome of the professionalisation of financial planning in Australia.

The claim for jurisdiction is contested through three avenues: work, public and legal jurisdictions. While the current chapter covers several of the research questions, the focus is on the work environment, as “[i]t is control of work that brings the professions into conflict with each other and makes their histories interdependent” (Abbott 1988, p. 19). By studying inter-professional conflict, it is possible to set the successful professions in their real context and correct the theories of their development (Abbott 1988, p. 247).
In the workplace, jurisdiction is a simple claim to control certain kinds of work. There is usually little debate about what the tasks are, or how to construct them, and there is normally a well-understood and overwhelming flow of work (Abbott 1988, p. 64). Control over the work signifies, first and foremost, a right to perform the work as professionals see fit. Normally a profession claims rights to exclude other workers, dominate public definitions of the tasks and impose professional definitions of the tasks on competing professions (Abbott 1988, p. 60).

Financial planning conforms to Abbott’s (1988) theory, as external forces created disturbances that resulted in the emergence of financial planning in Australia and created a new set of tasks to be performed; this chapter explores these disturbances. Individuals and organisations began to organise themselves into professional associations, and to make a claim for jurisdiction. In addressing the research questions for the chapter, the main emphasis is on the disturbances that created the tasks and the jurisdictional claim in the workplace.
Figure 5-1: Themes of Chapter 5

Section 5.2 Australian accounting profession
- Background
- Regulation Australia
- Accountants' abstract knowledge

Section 5.3 History of financial planning in Australia
- Early history

Section 5.4 Nature of financial planning
- Regulation of financial planning
- Structure of Financial Planning pre FSRA
- Systematic body of knowledge
- Education

Section 5.5 Disturbances
- Social
- Economic
- Legislative and government environments
- Cultural

Section 5.6 Combatants' claim for jurisdiction
- Role of professional associations
- Accounting related professional associations
- Financial planning related professional associations
- Role of institutions
- Jurisdictional claims at the workplace
- Public and legal claims for jurisdiction

Section 5.7 Transformation and settlement

Section 5.8 Summary and conclusion
5.2 **The Australian accounting profession**

5.2.1 **Background**

The Australian accounting profession’s structural organisation followed the example of the USA and UK in relation to the presence of the major international firms. The literature groups the Big Four firms as a separate classification when reporting research findings (Covaleski et al. 2003; Grey 1998; Spence & Carter 2014). For example, Brouard et al. (2017) state that accountants are generally grouped as either Big Four international, national, regional or local firms and report on the global cartel of the Big Four. The Big Four emerged as multidisciplinary partnerships sharing similar strategies and structures (Malhotra & Morris 2009, p. 902; Robson et al. 2007). The use of one Big Four firm to represent the group has support in the literature. Matthews (2000, p. 57), adopting an oral history research method, uses Peat Marwick Mitchell (now KPMG) to represent the Big Four firms, and Greenwood et al. (2002, p. 64) refer to KPMG as representative of the ‘business advisor’ role of the Big Four.

In this thesis, the Australian firm KPMG\(^9\) will be used as an illustration of the presence of the Big Four firms, and the activities of one firm is assumed to be representative of the other Big Four firms. In Australia, KPMG has a long tradition of professionalism and integrity. It is a highly regarded professional firm amongst its peers, and thus it is an appropriate firm for use as a benchmark. In the Client Choice Awards 2017, the firm received the Best Accounting Firm Revenue award with revenue exceeding $AUD500million, and the joint best provider from a range of

\(\text{\textsuperscript{9}}\) KPMG is a professional services firm with global reach, and deep expertise in audit and assurance, tax and advisory. Accessed 14\textsuperscript{th} October 2016 [https://home.kpmg.com/au/en/home/about.html](https://home.kpmg.com/au/en/home/about.html)
professional groups that are providers to the financial and insurance services industry (Client Choice Awards 2017). KPMG Australia has expanded rapidly over the 20-year period to 2016. In 1995, it employed 3,100 people, including 248 partners, in 17 offices (Armitage 1995, p. 210). In 2016, the firm had expanded to employing approximately 6,700 people, including over 400 partners, with 13 offices around the country and revenue of $AUD1.37billion (Armitage 1995, p. 210). The growth of the Big Four has influenced the accounting landscape relating to large corporate entities.

The involvement of KPMG with financial planning provides valuable insight into the Big Four’s attitude to financial planning, which usually resonated with practices that serviced middle-tier and small-business clients, not large corporations. The practices that withdrew from the KPMG partnership were those that consulted with small business. For example, the regional office of Albury, NSW, was the first office to have a financial planning practice in the KPMG network in the late 1980s, which reflected the implementation of financial planning services in regional practices (Interviewee L 2015, interview, 4 May). Soon after, financial planning was adopted in the city practices. The Sydney office commenced its financial planning practice in 1989; just a few years later, KPMG was named second in Personal Investment magazine’s annual Advisor of the Year Survey for 1995 for the excellence of its Financial Services Group. The success of the group after only six years in operation was attributed to the quality of the advice and the firm’s totally impartial stance on financial recommendations, with all investment recommendations being sourced from third-party independent research houses (Armitage 1995, p. 173).

30 The number of KPMG offices declined in number in the review period. The reduction is a result of offices in regional Australia withdrawing from the partnership and the Pacific Islands practices not being included in the office count.
KPMG had plans to expand the financial planning service nationally. According to Interviewee I, who was a partner in KPMG at the time,

Max Weston was brought into the firm to help us develop a financial planning advisory practice in, certainly starting in Sydney, and with the hope that it would actually take place on a national basis…. So all of a sudden this whole concept of “how do people actually start to plan for wealth creation and providing for their retirement” was coming to the forefront of privately owned and managed businesses in Australia, and certainly high net worth individuals (Interviewee I 2015, interview, 11 March).

However, there seemed to be a clash of cultures from the introduction of the financial planning practice unit. The sales culture of the industry did not fit the fee-for-service approach of the practice. Another interviewee, a former partner of KPMG, says:

I think he [Max Weston] struggled to fit into the KPMG business model (Interviewee K 2015, interview, 5 May).

KPMG did not proceed with the business group for reasons which will be further detailed in later chapters; however, two major issues were related to independence and the business case. The issue of independence arose as the Big Four audited the large institutions. The institutions were not major providers of financial planning services in the early 1990s; however, by the end of the 1990s and early 2000s the banks and AMP had become major providers of personal financial advice in their banking networks. The independence of the auditors was referred to, directly or indirectly, by many of the interviewees. For example, Interviewee K notes,

I think it is very difficult because if you remember back in the 1990s we audited two of the four big banks… and they control two of the main wealth managers as well (Interviewee K 2015, interview, 5 May).
The Big Four relied on building scale into their businesses. The audit practice of the accounting firms relied on hiring inexperienced university graduates who could be paid at low hourly rates, which meant that a hierarchy could be established from senior accountants, managers and ultimately partners. The financial planning business could not provide this scale and was not profitable. A Big Four partner confirms this point:

I think the view was that it wasn’t something we could build into a business of scale, it was always very small in the scale of business (Interviewee K 2015, interview, 5 May).

It was viewed that the culture of financial planning was better suited to the private business section of the practice, which completed accounting for the small to medium-sized businesses rather than the public companies. At the time of the advent of financial planning in Australia, the large global partnerships were undergoing major mergers. The Big Eight eventually became the Big Four.

The mergers caused an acceleration towards global organisations (‘Trend: Globalisation’ 2002; Meyer 2008a; Verhoef 2014). The global firms were not oriented towards smaller clients. An example of the tensions this caused in the Australian context was the merger of Peat, Marwick Mitchell & Co. and KPMG Hungerfords. Three years after the merger in 1987, troubles occurred in the relationship between the partners from the respective firms. Hungerfords worked predominantly with medium-sized businesses in Melbourne. The merger changed the firm’s balance, as it had virtually become two practices of two different kinds trying to present themselves as one unified business. Then, with the 1990 merger with Touche Ross and its corporate client-based practice, the Hungerford practice felt that the balance of the practice’s work had swung back to the traditional corporate clients served by the other major
firms. On 15 November 1991, 14 private business partners, almost all of them ex-Hungerfords, led by Ron Pitcher, moved to another floor of the KPMG Centre and began one of the most successful private business practices in the city. With them went approximately 180 staff, taking with them $AUD14 million in fees. Pitcher Partners became Melbourne's sixth-largest accounting firm (Armitage 1995, p. 165).

In addition to becoming a very successful firm, Pitcher Partners retained the financial planning section of its business. It was reported early in 2017 that Pitcher Partners Services in Melbourne manages $AUD2.9 billion in funds and employed nine advisers prior to the departure of two key employees, who commenced their own boutique advisory firm (‘Pitcher trio start boutique’ 2017). The cessation of the financial planning business group of the Big Four is discussed in Chapter 6; however, the withdrawal of the Big Four had a major impact on accountants’ overall acceptance of financial planning. In the case of KPMG, the initial desire to enter financial planning was evident, and some large firms, like Pitcher Partners, continued adapting to their clients’ needs.

Whilst not entering the financial planning business, the Big Four firms continued expanding their consulting businesses. The latest group of new partners at the Big Four firms is a striking illustration of how far the organisations have drifted from their accounting roots and into consulting, technology and digital services. Only one in five partners appointed to PriceWaterhouseCoopers (PwC), Deloitte, Ernst and Young (EY) and KPMG in 2016 were in the traditional businesses of audit and assurance. In contrast, about one in three new partners worked in the fast-growing consulting areas, showing just how quickly these firms are reorienting themselves to compete against
giant technology consulting firms such as Accenture, IBM and InfoSys. The transformation at the Big Four has been driven, in part, by acquisition\textsuperscript{31}.

5.2.2 Regulation of the Australian accounting profession

The Australian Government imposed regulations on financial information after the economic crisis in the 1930s; however, a feature of the development of the accounting profession from the 1930s until to the late 1980s and early 1990s was self-regulation. The Accounting Professional and Ethical Standards Board (APESB) was established in February 2006 as an independent standard-setter with the primary objective of developing and issuing, in the public interest, appropriate professional and ethical standards for the accounting profession in Australia.

APES110 is based on the IFAC’s Code of Ethics for Professional Accountants. The professional obligations and ethical requirements imposed on members of the accounting profession are based on the five fundamental principles in the code: integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. APESB issued the Code in June 2006.

5.2.3 Accountants’ abstract knowledge

Over the decades leading to the 1990s, accountants have concentrated on tax-effective investments, without consideration of the underlying investment. The investments, as

\textsuperscript{31} See detailed report. Accessed 15th December 2016
a group, have generally disappointed investors (North 1998). The links of the accounting profession to financial planning is core to accounting in Australia, especially in the smaller practices and in regional areas of Australia, where accountants are often regarded as trusted business advisors. Interviewee F comments:

My grandfather was a chartered accountant in the 1940s and 50s and he was doing financial planning for his clients, in the days where it was somewhat less formal (Interviewee F 2013, interview, 25 July).

The history of financial planning in the 1980s and 1990s indicated that while accountants were reticent to offer financial planning overtly, they felt they could provide advice to their clients on an ongoing basis. As it became apparent that accountants were refused any exemptions under the imminent legislative review recommended by the Wallis Committee in 1997, they lamented that they could not provide financial advice as they had been doing over previous decades. It was acknowledged that accountants needed to reassert their ‘rightful role’. Even as late as 2011, when, arguably, accountants had surrendered their jurisdictional claim, they asserted that this would be the year that the accounting profession would reclaim financial planning. They felt it was time to re-establish financial planning services as a core element of the accounting profession or face irrelevance in the rapidly growing market segment (Agland 2011, pp. 26-7).

In the early years of financial planning, accountants often had financial control over their clients, and were keen to retain it. Other participants in the industry regularly advertised in the accounting magazines to entice accountants to join the dealer groups and therefore provide an avenue to commencing financial planning services (for example, ‘Accountants – become an investment adviser’ 1986; ‘Ampak advert ’ 1988;
For many accountants, financial planning is a derogatory term. They do not appreciate that accountants specialising in financial planning use skill sets from traditional accounting work, including taxation services, business structures, cash-flow statements and preparation of financial statements (Benson 2004). One area of conflict in the claim for jurisdiction in Australia is taxation, which has a clear link to financial planning. One interviewee observes that taxation is the key to financial planning, and put forward the claim that financial planning is a subset of the expertise of an accountant due to the prevalence of the taxation aspect in the advice process:

[T]here’s the argument of whether [tax advice is] a subset potentially of the expertise of being a professional accountant…. I would argue that those coming from a professional accounting background bring a certain level of technical expertise and so forth that others who haven’t been through that process wouldn’t have, particularly around tax…. [T]he reality is that the vast majority of all financial advice is tax advice, without doubt I would say probably 90% (Interviewee G 2013, interview, 29 July).

Interviewee G’s position does emphasise that one aspect of the barriers that accountants place between accounting and financial planning is the non-acceptance that there is a separate body of knowledge that is required to successfully provide financial advice. For example, managed funds were new in the 1980s. The large number of managed funds needed additional resources to be able to provide advice on the implications of the investments. A new Act was implemented to take into account this new type of investment (Managed Investment Act 1998). Accountants did not have detailed knowledge of managed fund products, instead relying on their skills, and sometimes instinct, in advising their clients, without a specific knowledge of the
products marketed by life insurance agents. Interviewee L, for example, addresses the accountants’ concern at the time:

People were flogging investment products then; [they] had a very high level of product knowledge that the accountants, no way known, had or could have. And they and the client were ferociously keen for us to buy those markets. And the accountants I believe had to rely on basic skills of analytics and analytic interpretation of the information that was being fed to the client, to try and identify the product that was being pushed to the client, to evaluate if the product seemed to be reasonable and was soundly backed by good credentials and fitted the client’s risk profile (Interviewee L 2015, interview, 4 May).

Financial planners learn specific skills that fall outside mainstream accounting, such as investments, retirement planning, insurances and estate planning. Personal financial planning is a process, not a product. It is an organised, well-planned system of developing strategies for using financial resources to achieve both short and long-term goals.

McNeil and Soutar, in their 1991 study (cited in Santacruz & Lukashenok 2009, p. 4), indicated that accountants were in a position as early as 1986 to take an active part in the financial planning industry when the National Council of the Australian Society of Accountants gave approval to their members to accept commissions for financial planning advice. However, an FPA survey (Financial Planning Association 2004) notes that the use of financial planners as primary advisers increased by 19.2% in the seven years from 1997 to 2004, whilst the use of accountants declined by 10.5%.

Accountants’ body of knowledge consists of a large range of skills, some of which are necessary in financial planning. A former partner in a Big Four city practice, Interviewee I, agrees that accountants did not possess the appropriate knowledge to
provide financial planning advice. The interviewee also concedes that the accountants
did not have the technical skills to understand the investment and the Big Four
accounting firms were required to recruit industry experts

I don’t think the accountants have any prior claim to the provision of financial
planning. No, I don’t think they do…. I think the accounting profession has had a
claim to understand how to compile and report the financial results of operations. It
has then built that out into a raft of different service offerings, whether in the tax or
the audit and advisory space, and it has done that very well. I don’t think they have
a what you might say is a natural right to claim a space as being the dominant
force…. What compelled them [the Big Four] to actually get in a person like Max
Weston and others was the fact that they realised they didn’t have the technical skills
to understand the dynamics of investment (Interviewee I 2015, interview, 11 March).

Another interviewee, the head of a professional association’s technical unit advising
on financial planning issues, observes when commenting on why some accountants
were reticent to embark on financial planning within their practice:

[T]hey are in public practice because they value the professional independence, they
want to provide a service and advice to their clients and they are conservative
individuals, they stay within a skill set. And I think that is probably your main driver
(Interviewee N 2015, interview, 1 May).

5.3 **History of financial planning in Australia**

5.3.1 Early history of financial planning in Australia

In the early years of financial planning, while life agents and others in the industry
began to provide a more complete service, rather than just a product, clients still had
their own accountant, lawyer, banker, insurance advisor and stock broker, but there
was no professional providing all these services in a consistent manner. Most of the
life agents at that time had no formal training in financial planning (Cull 2009, p. 29).
The tasks to be performed were new. In this aspect, the financial planning profession
is a unique study of a new task area in the late 20th century. This thesis extends Abbott’s (1988) work, as he detailed “how existing groups are shaped…and why, but not really how, new groups on occasion arise” (Abbott 1988, p. 315).

Since the 1980s, several historical developments have occurred which have contributed to the evolution of the financial planning profession. Changes to the tax, social security and superannuation laws and product developments have resulted in a steadily increasing number of individuals seeking financial planning services.

Table 5-1 provides a background to the legislative disturbances occurring in the decades commencing with the 1980s. The current chapter reviews the two decades until the end of the 20th century, covering the major disturbances in various sections. The introduction of the Wallis Report (1997) recommendations in the form of the FSRA legislation is discussed in Chapter 6. The three commissions and the FOFA changes are discussed in in Chapter 7.
### Table 5-1: Evolution of the financial planning environment

<table>
<thead>
<tr>
<th>Decade</th>
<th>Selected event in development of financial planning as a new occupation</th>
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<tbody>
<tr>
<td>1980s</td>
<td>1983: Introduction of ‘rollover’ superannuation funds, leading to expansion of superannuation products</td>
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<td></td>
<td>1985: Introduction of capital gains tax, leading to planning to minimise effect of the tax</td>
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<td></td>
<td>1986: Introduction of fringe benefits tax, leading to salary packaging</td>
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<td></td>
<td>1987: Creation of imputation credits on company dividends</td>
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<td>1990s</td>
<td>1992-93: Introduction of compulsory superannuation, gradually rising from 3% to 9%</td>
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<tr>
<td></td>
<td>1997: Wallis Report recommends many changes to Australia’s regulatory system and the operations of the range of financial services offered by institutions such as banks, insurance companies, managed funds, share brokers, superannuation funds and friendly societies that operate in the economy</td>
</tr>
<tr>
<td>2000s</td>
<td>2001: Financial Services Reform Act 2001, leading to many changes in the way financial planning is carried out</td>
</tr>
<tr>
<td></td>
<td>2006-07: ‘Simpler Super’ proposals introduced by the Federal Government, leading to significant changes in superannuation rules</td>
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<td></td>
<td>2007: Changes to the assets and income tests for age pensions</td>
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<td></td>
<td>2008-2010: Three commissions by the Federal Government: the <em>Ripoll Inquiry</em> into corporate collapses and financial services; the <em>Henry Tax Review</em> to report on new tax initiatives; and the <em>Cooper Review</em> into the superannuation industry</td>
</tr>
<tr>
<td>2010s</td>
<td>2011: Future of Financial Advice (FOFA) proposes a range of changes to the way financial planners are remunerated and how financial planners are to operate their business</td>
</tr>
<tr>
<td></td>
<td>2011: MySuper instituted by the Federal Government to provide a low-cost alternative superannuation fund for investors</td>
</tr>
<tr>
<td></td>
<td>2011: RG 175 Revision puts into operation the changes required by FOFA</td>
</tr>
</tbody>
</table>

(McKeown et al. 2014, p. 24 Table 1.2)

The events listed in Table 5.1 influenced the development and structure of financial planning in Australia. The 1980s saw the democratisation of finance, and Labor Treasurer Paul Keating was its architect. The floating of the Australian dollar, deregulation of the banks, compulsory superannuation and the boom in managed funds...
meant that money matters became a talked about subject (Bennett & Fletcher 2011, p. 11). Interviewee A notes the involvement of Treasurer Keating:

[T]hey used to say that Keating was the patron saint of financial planning because he created tax-driven type products to help preserve superannuation from people who didn’t have anywhere to put it once they’d left employment. So where would they put, ah, I created a product, ah, you could sell it…roll over funds… (Interviewee A 2012, interview, 23 November).

Superannuation was a major factor in the growth of financial planning in Australia; indeed, numerous texts list it as the most important factor (CCH Australia Limited 2014; McKeown et al. 2014; Taylor et al. 2010; Valentine & Scott 2012). Superannuation began in the 1860s, and a state pension scheme was introduced in the 1890s. However, superannuation was restricted to permanent male executives in the 1950s, and the first industry fund was introduced in the 1970s (APRA Insight 2007).

A breakthrough in the provision of superannuation occurred in 1986 when a 3% superannuation payment was introduced for those employed under certain awards (APRA Insight 2007). This was introduced to the Australian workforce in 1992 by the superannuation guarantee, and the amount was gradually increased to 9.5% by 30th June 2015 (CCH Australia Limited 2014, p. 1187).

The Financial Planning Association (FPA) evolved from the merger of two associations representing the financial planning industry. Figure 5-2 details the evolution. The Australian Investment Planners Association (AIPA) was formed in 1983 and was renamed the Australian Society for Investment and Financial Advisers (ASIFA) when individual members were included in the membership. The
International Association for Financial Planners (IAFP) was formed in 1985. In 1992, the two associations merged to form the Financial Planning Association (FPA).

The interviewees provided insights about the emergence of financial planning in the early years, as all had participated in their professional capacities. Interviewee R, who was instrumental in achieving the merger of the two associations into the FPA, provides insight into the background of the antecedents to the FPA:

[The IAFP came from the life insurance side (Interviewee R 2017, interview, 23 March).

(Note: Additional interview excerpts are in Appendix J Chapter 5 under the ‘Background organisations’ theme.)

**Figure 5-2 Evolution of the Financial Planning Association (FPA)**

The FPA assumed the role of the key association representing financial planning. Interviewee D, endorses this view,
The financial planning association was one that was evolved from a number of previously existing associations, but essentially came to prominence with the adoption in Australia of the certified financial planner professional credential program, which, if I recall properly, is early 90s, 1993…something. And at that point the FPA sort of came to prominence as a key entity, a key association in that marketplace (Interviewee D 2013, interview, 2 May).

5.4 Nature of financial planning in Australia

5.4.1 Regulation of financial planning in Australia

The regulatory body responsible for overseeing the securities industry from the commencement of the 1980s was the National Companies and Securities Commission (NCSC). The NCSC was a Commonwealth statutory authority, established by Section 5(1) of the National Companies and Securities Commission Act 1979, which came into effect on 1 February 1980. Baxt et al. (1988) indicate that the establishment of the commission was a major milestone in the development of securities industry regulation in Australia:

The creation of the NCSC marked the beginning of a new order in securities industry regulation in Australia. No regulatory body in this field in this field had ever previously been given such wide powers or such a broad responsibility for policy and administration (p.31).

The desire to maximise investor protection was one powerful motive in the formation of the legislation; another was the promotion of an efficient market. The Government was concerned that confidence be maintained in institutions and enterprises where savings are invested, and this consideration was a dominant element in formulating and implementing its approach (cited in Baxt et al. 1988, p. 21).

32 The Rae Committee in 1974 recommended the establishment of a national commission to regulate the securities market. The NCSC was the second of the four basic elements in the cooperative scheme between the Commonwealth and the states for the regulation of corporations and the securities industry.
The definition of ‘securities’ included debentures, stocks or bonds issued by a government, a body corporate, an unincorporated entity, an option contract or a prescribed interest. While the Act did account for the ensuing range of managed funds that occurred in the 1980s and beyond, the main security was share security. The fledging financial planning industry was not specifically mentioned in the legislation.

Investment advisers were mentioned in the legislation at the time. The definition of ‘investment adviser’ in Section 4(1) covered a person who carries on a business of advising other persons, or, in the course of a business a person carries on, issues or publishes analyses or reports concerning securities. Importantly, the definition excluded: banks; public trustee companies; registered life insurance companies; a solicitor or accountant in public practice carrying on of the business of investment adviser incidental to the practice of his profession; and proprietors or publishers of newspapers and periodicals not principally intended to give advice on securities. The Act also provided for investment representatives for employees or other persons who act for or by arrangement with an investment adviser to obtain an investment representative’s licence unless that person is engaged in the course of work of a kind ordinarily performed by accountants, clerks or cashiers (Baxt et al. 1988).

The exclusion for accountants remained until the removal of the incidental clause in 2016. Accountants used the clause as a reason why they did not need to register as a financial planner, and were complacent that the exemption would remain. The fact that the clause remained for 36 years is evidence itself that the accountants missed an opportunity to take a lead role in claiming the jurisdiction for financial planning.
Accountants, content to rely on the expectation of exclusion, did not proceed with lobbying the government for professional organisations to develop the licensing.

The professional accounting associations would have qualified as self-regulating organisations (SROs). The review of the licensing provisions of the Security Industry Act and Codes contains a recommendation that a statutory framework should be developed to allow qualifying self-regulatory organisations to assume a wide role and extensive responsibilities for licensing-related matters (Baxt et al. 1988). The review envisaged expanded involvement of SROs to improve efficiencies and free up government surveillance and enforcement resources. The recommendations included licensing and providing education to their members; setting compliance conditions; developing business conduct rules and codes of ethics; actively informing the public of activities; and having a significant role for professional sanctions (Baxt et al. 1988, p. 292).

This provided an opportunity for professional accounting bodies to take control of the jurisdiction. Abbott’s (1988) criteria for public and legal jurisdiction were already complete, and, assuming their members wished to carry out the tasks of financial planning, the work jurisdiction would also be under accountants’ control. The Government’s recommendations were not implemented; however, knowing that the recommendations contained such an invitation, that accountants relied on their existing professional reputations, as Chapters 6, 7 and 8 will show. They wrongly assumed that self-regulation would occur despite impending legislative action by the Government to regulate the financial planning industry (Bartle & Vass 2005; Brown 2005b; Murray 2006; Pritchard 2003). There was little evidence that accountants made efforts to lobby
governments or take any active part in the process of claiming jurisdiction over the financial planning profession.

The financial planning industry is now subject to a wide range of regulations and controls. The regulations originate in various forms, either from public policy or as the result of public pressure relating to various issues surrounding the financial planning industry. The shaping of the regulatory framework commenced in 1979 with an inquiry into the Australian financial system, known as the Campbell Inquiry (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014, p. 3; Campbell 1981). It advocated substantial financial reforms and was the catalyst for financial deregulation in Australia. In 1991, the Martin Committee was formed to review the impact of financial deregulation, and the Wallis Inquiry in 1997 provided a stocktake of outcomes from the financial deregulation of the Australian financial system (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014, pp. 3-6; Wallis 1997).

The Federal Government acted on many of the Wallis Inquiry recommendations as it embarked on a comprehensive initiative to improve Australia’s business and company regulation (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014, pp. 5-7). This initiative was referred to as the Corporate Law Economic Reform Program (CLERP). The sixth stage of this comprehensive initiative was the reform of the regulatory requirements applying to the financial services industry, widely known as CLERP 6, which led the Government to introduce the Financial Services Reform Bill (Australia, Joint Statutory Committee on Corporations and Securities 2001c); this will be discussed in detail in Chapter 6.
In implementing the Wallis Committee’s recommendations, the Federal Government did not proceed with the regulation of real estate agents who were offering financial advice. ASIC collated an interim report in July 1999 on the financial advising activities of real estate agents (ASIC 1999). The report recommended that real estate agents who provide financial advice on real estate as a form of investment should comply with regulatory requirements similar to those for authorised representatives of a licensed securities dealer, and in February 2000 ASIC called for the licensing of real estate agents (Beal & McKeown 2001, p. 5). The Federal Government did not follow up with the regulation; the reasons for this are beyond the scope of this thesis, however, it is suspected that the Federal Government was not willing to regulate the real estate industry given the widespread home ownership in Australia and the powerful real estate lobby groups. The non-action did set the scene for disruption after the GFC, as the exclusion of real estate property in the definition of ‘financial product’ under the FSRA led to a business model that was outside the control of ASIC and contributed to the financial planning scandals after the GFC.

Accountants were being made aware of the limits of their incidental exemption as early as 1997. The Federal Government’s Policy Statements 116 and 124 clarified the ‘merely incidental’ exemption for accountants and solicitors (‘Incidental advice or financial planning’ 1997). It became clear that once the specific merits of certain securities were discussed, accountants were required to obtain either a dealer’s license or an Investment Adviser’s license, become an authorised representative of a licensed dealer or refer to an existing adviser license (‘Incidental advice or financial planning’

33 This is now called an AFSL license.
The regulatory framework for accountants undertaking financial planning prior to the FSRA legislation is outlined in Table 5-2, which details the regulatory structure and the advantages and disadvantages of each option. However, most accountants were not licensed and continued to use the incidental advice exemption, which granted them protection. The regulatory framework for financial planners prior to the FSRA legislation was the same as those applicable to accountants, except the ‘refer to existing adviser’ was not applicable.

**Table 5-2 Regulatory framework options for accountants prior to FSRA**

<table>
<thead>
<tr>
<th>Regulatory Structure</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dealer’s license</td>
<td>• Accountant able to advise on all forms of securities</td>
<td>• Requirement for experience in financial planning</td>
</tr>
<tr>
<td></td>
<td>• Accountant able to charge for all advice</td>
<td>• Application process detailed and time consuming</td>
</tr>
<tr>
<td></td>
<td>• Completely autonomous</td>
<td>• Costly-bond required</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Obligations in terms of training and compliance may be onerous</td>
</tr>
<tr>
<td>Investment Adviser’s License</td>
<td>• Accountant able to advise on all forms of securities</td>
<td>• Accountant cannot complete transaction</td>
</tr>
<tr>
<td></td>
<td>• Accountant able to charge for all advice (fee only)</td>
<td>• No control over fees charged</td>
</tr>
<tr>
<td></td>
<td>• Completely autonomous</td>
<td></td>
</tr>
<tr>
<td>Authorised Representative of Licensed Dealer</td>
<td>• Accountant able to provide and charge for advice</td>
<td>• Need to disclose relationship with Dealer to clients</td>
</tr>
<tr>
<td></td>
<td>• Research material provided</td>
<td>• Two sets of letterhead needed</td>
</tr>
<tr>
<td></td>
<td>• Training and professional development provided</td>
<td>• Restrictions on scope of advice depending on Dealer</td>
</tr>
<tr>
<td></td>
<td>• Technical support provided</td>
<td></td>
</tr>
<tr>
<td>Refer to existing adviser</td>
<td>• No requirement for advice</td>
<td>• Client exposed to third party</td>
</tr>
<tr>
<td></td>
<td>• No requirement for training</td>
<td>• Client may not be satisfied with service</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Accountant loses control</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Accountant loses fees</td>
</tr>
</tbody>
</table>

(Charter May 1997 p 126)
Financial planners viewed this exemption as inappropriate and considered that accountants were, indeed, offering financial advice contrary to the law. Interviewee A remarks,

They were given an exemption, but it was a sort of soft exemption: so as long as they didn’t mention a product, then they could just talk in general terms. But that was never enforced, so a lot of accountants probably kept on giving advice anyway, without complying with the rules as strictly (Interviewee A 2012, interview, 23 November).

5.4.2 Structure of financial planning in Australia prior to FSRA

Financial planning is characterised as a jurisdiction that has overlapping interests and participants. As shown in Chapter 2, the early development of accounting involved the claim of accountants for jurisdiction over work, or tasks, from other professions, such as tax work from lawyers. The accountants argued that the remuneration structure of financial planning should follow the accountants’ fee-for-service approach.

If an accountant gave taxation advice, or provided taxation services and charges for the service, the accountant would need to be registered under the Taxation Practitioners Act. As outlined in Chapter 6, the provision of taxation advice by financial planners has been a debated topic. In this area, financial planners, through their work, assumed the right to give taxation advice as part of providing financial advice, although from 2013 financial planners have needed to be registered to provide taxation advice. It would be expected that if accountants were providing financial advice they would need to be registered; however, accountants argued that this was not necessary. The history of Government legislation and regulations that resulted in

34 See https://www.tpb.gov.au/.
accountants being restricted from offering financial advice and the financial planners being able to offer taxation advice is detailed in later chapters.

The structure of financial advice regulation is focused on the retail investor and refers to investment in financial products that have been recommended based on personal financial advice as defined in the Act. Different rules apply to retail and wholesale clients. The disclosure requirements are less stringent for wholesale clients because they are assumed to be more financially sophisticated, and so able to look after their own financial interests. A client is considered a retail client unless they fall into one of the specific categories classified as a wholesale client under the Corporations Act 2001. Wholesale client categories are listed under the Act and include professional investors, financial services licensees, bodies regulated by APRA, superannuation funds with assets of greater than $AUD10 million and individuals who control at least $AUD10 million. Another type of automatic wholesale client is individuals who provide evidence that they have net assets of at least $AUD2.5 million, or gross income in the last two years of at least $AUD250,000. The impact of this definition is that when providing advice to a wholesale client, compliance obligations are greatly reduced.

For retail clients, there is a requirement to issue a Financial Services Guide (FSG), a Statement of Advice (SOA) and, where appropriate, a Product Disclosure Statement (PDS). Retail clients also are eligible for consumer protection under the Future of Financial Advice (FOFA) reforms; however, wholesale clients do have access to a

35 See Appendix E for details of key legislative terms.
greater number of investment products, usually at reduced entry and management fees. The discussion and analysis in this thesis are directed to the retail client, who comprise most of the financial planning industry’s clients, rather than the wholesale client.

The structure of financial planning prior to FSRA was focused on the existing regulations that involved many layers of responsibility for different investment products. The education of financial planners was not regulated. The FPA and professional associations endeavoured to implement an education program based on a competency program. A separate body of knowledge was required to be incorporated in the analysis. The next section examines the systematic body of knowledge applying to financial planning.

5.4.3 Systematic body of knowledge through education

The Financial Planning Association (FPA) in the USA and its board, the Certified Financial Planner (CFP) Board, provide a broad definition of financial planning. They explain financial planning as a process of determining how best to meet life goals through the proper management of finances or resources.

The accounting professions initially flirted with the idea of financial planning, but there was a lack of vision and strategic planning on the part of the ICAA. The attitude among accountants was that they ‘knew what they were doing’ because of their experience and knowledge of business and business planning. Accountants assumed that financial planning was part of accountants’ business knowledge without accepting
that financial planning was a separate body of knowledge (2017, pers. comm., 20 March).

The financial planning-related interviewees believe there is a separate body of knowledge, or at least a different set of skills. Interviewee C, the head of the wealth unit for a major financial institution, observes:

I think there are definitely different skills between accountants and financial planners, and…one of the reasons accountants didn’t take the space is because it’s a different skill. Accountants aren’t all that good at looking forward and planning in terms of goals and that, and asking the personal questions that are important to planning (Interviewee C 2013, interview, 29 April).

Financial planners viewed the accountants as dealing with the past rather than the future. An interviewee expresses a typical thought:

[A]ccountants have hung onto the idea that the conversation about the past is more important than the conversation about the future. That’s single division; right down the middle is where accountants have failed to take advantage of this (Interviewee D 2013, interview, 2 May).

Conversely, not all interviewees believed that there was a separate body of knowledge for financial planning. Interviewee O, the CEO of a professional accounting association, adds,

I don’t believe that there is yet a separate abstract body of knowledge. I think there is processes and legal regulations which overload the top, but I think we’ve got quite extensive reach, which we know, in this space…. What I think we [the accountants] are lagging is…in the financial planning industry, is that body of professionalism. I think there’s been huge inroads made, and I think the Financial Planning Association should be commended in their efforts in that regard. But that will take time to wash through…I think largely because of its roots from industry and from the insurance space. I think it’s still in transition, it’s making good progress, but I’m not convinced that it’s necessarily down the path of the profession. I mean, we compare the financial planning industry and the accounting profession…the accounting profession has centuries of form, so…these things don’t happen overnight…. [T]here have been good inroads made (Interviewee O 2016, interview, 15 February).
It was acknowledged by several the accounting related interviewees that accountants did not have the requisite investment skills. Interviewee I notes:

What we didn’t have [was] the skills...in the areas of how to invest your money, how to understand risk and return and how to understand the array of investment products and investment options that were available in the marketplace (Interviewee I 2015, interview, 11 March).

From a different perspective, Interviewee E points out that those accountants who ventured into financial planning were usually very successful, because of the trust and knowledge of their clients:

[T]he accountants who are good on the trust side the accounting side, when they head into the financial advisory side, they’re brilliant, because they’ve already got the trust of clients. And they know everything about their clients as well, because they’ve got all the numbers, and so they become very successful financial advisors (Interviewee E 2013, interview, 3 May).

A theme of the interviewees, especially those related to financial planning, was that financial planners were able to simplify the issues. It could be viewed that this only reduces the body of knowledge to a sales pitch and disregards the complexity of the knowledge, skills and process of financial planning. However, the ability to explain aspects of the financial planning process simply to clients is exemplified in the following comments by Interviewee R:

They had the ability to simplify – sometimes some people might say oversimplify – but they simplified and explained in reasonably simple terms. (Interviewee R 2017, interview, 23 March).

(Note: Additional interview excerpts are in Appendix J Chapter 5 under the ‘Communication’ theme.)
5.4.3.1 Classifying tasks claimed by accountants and financial planners

Accountants were portrayed as attending to the tasks associated with the provision of taxation and accounting services rather than financial planning services. Due to superannuation changes, more of the general public were required to attend to their financial affairs, tasks not previously associated with accounting. Interviewee P speaks of the retail section of the community requiring financial planning services:

[I]n my experience financial planning, forecasting, budgeting, strategy, has always been the domain of accountants…. I guess financial planning to me is more about the retail level (Interviewee P 2015, interview, 30 September).

Similarly, Interviewee R further remarks that the Big Four chartered accounting firms were in a different market:

It seemed to me there were more CPAs interested, and it probably grew out of the tax and engagement with small business. So, my observation would be the big Chartered Accountant firms were in a different market in terms of where they were positioned (Interviewee R 2017, interview, 23 March).

Interviewee Q, a chartered accountant specialising in financial planning, raises the connection between accountants and the tasks associated with financial planning:

[I]t was not the accountants stepping in to that field because they were not super life insurance specialists. They were tax, accounting and audit specialists. Who became the life insurance or superannuation specialists? It was the people working for the life insurance companies, superannuation companies that were being trained on their products. How to best sell them, promote them; that became the financial planners (Interviewee Q 2016, interview, 22 January).

Many interviewees allude to the in-depth conversations that financial planners have with their clients compared to accountants:
If you check an accountant’s file, it’s the depth of conversation that they have with a client, it’s paltry…in comparison to financial planning (Interviewee D 2013, interview, 2 May).

In defence of this assertion, the accountants, especially in the regional areas, would suggest that they have an in-depth relationship with their clients. Interviewee L summarises his thoughts when commenting on the role of accountants in regional Australia:

I believe they gave advice in relation to where clients and how clients could handle their wealth (Interviewee L 2015, interview, 4 May).

However, Interviewee Q gives some insight into the changes in advising clients and the pressures on a practitioner’s time with the onerous taxation and financial reporting requirements, and an observation of the extended inquiry required by a financial planning specialist:

I think in the old days of accountancy, where people had more time to spend with their customers—if someone had an investment property, for example, they wouldn’t just be saying, ‘Where’s your depreciation schedule, minimise your tax’. That tends to be the focus now. [The] financial planning specialist looks at the tax return as the old accountant would look at the tax return and go, ‘Well, we’ve been able to maximise your depreciation for the last five years, but Jack and Jill, if I’m reading it correctly, I haven’t seen your property but if you’ve written most things off, I suspect you’re going to have to dip your hands into your pocket and replace the kitchen and the furniture or whatever, and that might require…about $5-$10,000 dollars. Let’s talk about that. How are you going to do that? Is it worthwhile doing it? (Interviewee Q 2016, interview, 22 January).

5.4.4 Education

The skills and knowledge associated with financial planning cover a range of existing disciplines. Chapter 2 outlined the eight core areas as identified by FPSB (full details are listed in Appendix A). To apply the skills and knowledge, the Australian Federal
Government adopted a six-step process from the USA in the early years of financial planning in Australia in implementing the legislative requirements of the FSRA. The six-step process was initiated by the Financial Planning Standards Board (FPSB) in the USA in order that financial planners consider all aspects of a client’s financial situation when formulating financial planning strategies and making recommendations (Financial Planning Standards Board 2010a).

The six-step process is as follows:

1. Gathering client data (income, debt, assets, liabilities)
2. Identifying client goals (short-, medium- and long-term)
3. Identifying financial issues
4. Preparing a plan (recommendations)
5. Implementing a plan
6. Reviewing the plan (in line with economic and lifestyle changes)

As will be demonstrated in later chapters, this six-step process, which financial planners are legally required to follow, has resulted in the commodification of financial advice.

Before the FSRA legislation, there were few or no educational requirements, a point confirmed by Interviewee G:

Before FSRA…there were no educational requirements (Interviewee G 2013, interview, 29 July).

(Note: Additional interview excerpts are in Appendix J Chapter 5, under the ‘Education background’ theme.)
Accountants’ sense of superiority towards the quality of the financial planning education process was very evident in many interviews. Many accountants would suggest it is not ‘superiority’, but making a comparison with a profession that did not have an appropriate education standard. The accountants did indeed have an education process that, since the early 1970s, had involved an undergraduate degree followed by a professional year of education whilst in the workforce. Interviewee A raises a concern about the lack of educational process for financial planners:

[T]he accountants have come through the CPA or Chartered Accountants group and through an education process (Interviewee A 2012, interview, 23 November).

One of the main drivers behind the financial planning professionalisation process has been education. The FPA commissioned the Birkett Report (1996), which outlined knowledge and skill competencies required for financial planning; however, the financial planning process at the time did not require the implementation of the wide range of competencies detailed in the Birkett (1996) Report. The Report provided the impetus for the FPA to provide education for its members; this began with a Diploma of Financial Planning (DFP), which was a first step towards the development of the CFP education course, which was itself a first step towards professionalisation (Cowen et al. 2006).

In 2008, Deakin Prime, a division of Deakin University, was awarded the contract to deliver the CFP Certification Program. It was indicated that students undertaking the CFP Certification Program would benefit from advancements in course delivery and

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37 In the early 1970s accounting programs were being introduced into Australian universities. There was a transition from the correspondence, TAFE and professional association-conducted entrance examinations, which were phased out in the early 1970s.
an ongoing commitment to ensuring that the CFP program would be challenging, relevant and practical (‘DeakinPrime to deliver CFP certification’ 2008). Deakin Prime undertook to work with the FPA to ensure that the CFP program content was logical, engaging, thought-provoking and readily applicable in the workplace. Examinations were set in conjunction with the FPA, industry practitioners and instructional designers (‘DeakinPrime to deliver CFP certification’ 2008). The granting of the CFP designation through the FPA meant that the industry could now provide education specifically for financial planners.

The institutions were interested in upgrading their sales force with education. Interviewee C, from an institutional background, comments that they were active in the 1990s in training their workforce:

[I]n those days it was called a proper authority to give advice on superannuation, which wasn’t the law at the time…but we pushed ahead in that and we just made it clear that we were going to move our planners to a financial planning world (Interviewee C 2013, interview, 29 April).

CPA Australia and the ICAA developed their own specialist financial planning designations through self-administered educational and professional practice standards for its members. The accountants still held to the view that financial planning was really taxation planning, as suggested by an interview involved in formulating financial policy for a professional accounting association:

I think the current qualification program for financial planning is flawed. I have no doubt that the core to all financial planning is tax…. [T]here [were] no educational requirements, which you can imagine conceptually that you have people that are giving advice that haven’t had any education (Interviewee G 2013, interview, 29 July).
Financial planning interviewees felt that accountants had difficulty comprehending that different knowledge and skills were necessary for financial planning, and suggested that legislation had subsequently enshrined the knowledge. This view is evident in the following comment by Interviewee M:

I think the legislation has shown that the financial planning body of knowledge is different, and I think it is still a bit of a leap for accountants to say, you know, “Well, I need to go back and do that.” And I think it’s very difficult for them to understand that they do need to do that because it is, on the surface, it seems simple, but it is complicated (Interviewee M 2015, interview, 30 April).

5.4.4.1 Tertiary financial planning programs

At the same time as the Birkett Report (Birkett 1996), universities in Australia began to offer financial planning courses that satisfied these competencies. University degree programs in financial planning in Australia began to emerge in the mid-1990s; however, it was not until the mid-2000s that they appeared in number. By January 2016 only 14 Australian universities had a degree program, or full major, in financial planning. Historically, the academe has had little to do with financial planning. Cowen et al. (2006) reported that the sandstone universities have not adopted financial planning programs, and this is still the situation in 2017.

The background to education in financial planning and the battle for the educational jurisdiction and the role of financial planning education in Australia is covered in detail in Chapter 8.
5.5 Disturbances in the development of financial planning in Australia

5.5.1 Contributing factors to development

The contributing factors to the growth of financial planning are set out in Table 5-3. Abbott (1988) recognises external and internal sources of disturbances, which create new jurisdictions through control of tasks by the various aspirants to the jurisdiction.

<table>
<thead>
<tr>
<th>Interviewees</th>
<th>Tax factors</th>
<th>Age factors</th>
<th>Super Fund managers</th>
<th>Products</th>
<th>Need</th>
<th>Banks/Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic (1)</td>
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<td></td>
<td></td>
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<tr>
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<td>✓</td>
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<td>✓</td>
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<tr>
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<td>✓</td>
<td>✓</td>
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<td></td>
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<tr>
<td>Accounting small and regional practitioners (2)</td>
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<td></td>
<td></td>
<td></td>
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<td>✓</td>
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<tr>
<td>Big Four accounting firms (4)</td>
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<td>✓</td>
<td>✓</td>
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<tr>
<td>AFSL License holder (1)</td>
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<td></td>
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</tbody>
</table>

The interviewees’ views regarding the importance of growth factors is consistent with the literature to date, including the textbooks available on the early history of financial planning in Australia (McKeown et al. 2014; Taylor et al. 2010). As shown in Table 5-3, most interviewees identified taxation, superannuation, age demographics, consumer need, growth of institutions and the proliferation of financial products as major factors in the growth of financial planning in Australia.
A selection of the interviewees’ reactions in Table 5-3 reflects their various backgrounds. It is important to identify the growth factors, as they are ‘disturbances’ that affect the opening of financial planning as a jurisdiction under contest. How the tasks are adopted into the work of the respective professions has an impact on the claim for jurisdiction.

Many interviewees nominated taxation as a growth factor. A financial planning interviewee comments that the reason for the growth was the accountants’ preoccupation with tax-driven investments:

[T]he market was there and the growth in accounting back in those days was 100% tax, driven by referrals (Interviewee B 2012, interview, 28 November).

Interviewee A addresses the same issues, nominating taxation on superannuation changes in the 1980s as the major catalyst to the growth of financial planning:

The factors that I really saw that led to it was the creation of rollover funds from superannuation under Keating, the capital gains tax change in 1985, dividend reputation in 1987 and the FBT changes in 1987/88…. [T]here were various taxation changes that occurred under the Keating and Hawke period (Interviewee A 2012, interview, 23 November).

(Note: Additional interview excerpts are in Appendix J Chapter 5 under the ‘Taxation’ theme.)

The accountants’ preoccupation with taxation as being the driver of financial planning is evident in Interviewee F’s observation that superannuation only exists because of taxation:
Superannuation was seen then, and still is now, as a tax break, because superannuation wouldn’t exist without the tax breaks, quite clearly (Interviewee F 2013, interview, 25 July).

(Note: Additional interview excerpts are in Appendix J Chapter 5 under the ‘Superannuation’ theme.).

Superannuation was clearly viewed as the instigator of growth in the financial planning industry. A comment from Interviewee J exemplifies this view:

I think compulsory superannuation was probably the main catalyst because we had this huge cash inflow into funds that had to be invested somewhere. Yes, I think currently we have more than $1.3 trillion of funds that are in superannuation plans…that’s a huge area for anybody to get involved in (Interviewee J 2015, interview, 5 May).

(Note: Additional interview excerpts are in Appendix J Chapter 5 under the ‘Superannuation’ theme.)

Interviewee M alludes to the impending problem of controlling the avalanche of products entering the market and the initial emphasis on the property trusts that were being promoted at the time:

[C]oupled with a very complex tax system and then increasingly more and more complex investment options, and that is where I think where troubles were created – that, you know, the products were never as simple as they seemed, even though they claimed they were seemingly put to the market as simple products, property trust was never going to be the answer to everybody’s needs (Interviewee M 2015, interview, 30 April).

The aging population has obvious implications for the advice industry and was recognised as contributing to the growth of financial planning. Interviewee I comments:

[The] aging population conundrum was being talked about in the public arena. The fact that the Labor Government was determined to introduce a solution to an ever-growing liability to provide retirement incomes to an aging population… stimulated the whole conversation around well what do I need in retirement. (Interviewee I 2015, interview, 11 March).
The advent of fund managers and their products was a major factor in converting the cash flowing into managed products. Financial planners were used as the distribution channel for the fund managers. The importance of independent fund managers and product development was referred to, directly or indirectly, by many of this study’s interviewees as a major contributing growth factor. This view was evident in Interviewee R’s observation:

I think the other thing was the emergence of independent fund managers…when I mean independent, the fund managing industry grew up, as you rightly said, on the back of tax effectiveness and the Unit Trust Scheme…a beautiful way that people could have part of a whole. It started with property trusts in the early days…the property trusts were, if you look back, they were the front end of what was…a different product. So, that came through. It was nice commission at the front…[I]t could have been a 5% to 6% commission, so there was an incentive on that (Interviewee R 2017, interview, 23 March).

(Note: Additional interview excerpts are in Appendix J Chapter 5 under the ‘Fund managers’ theme).

Banking institutions’ promotion and distribution of investment products was viewed as another major growth factor:

I think the banks were looking at the opportunities for the banks – for the growth of themselves – and so therefore, obviously, from an investment perspective the only things the banks usually had was your term deposits. They might have mortgage trusts and some unlisted property trusts, those sorts of things. You then actually had, through a lot of the banks, the introduction of insurance companies [starting to join] us, and all of a sudden you had people coming on board with us from the banks, a life insurance, life agent type of background (Interviewee G 2013, interview, 29 July).

(Note: Additional interview excerpts are in Appendix J Chapter 5 under the ‘Distribution of products’ theme.)

Two other important developments that accelerated the growth of financial planning in Australia are linked to the distribution of investment. One issue was the
development of master trusts, which allowed an individual to hold a small investment in a share trust rather than requiring a large single investment. This enabled an investor to diversify an investment portfolio with an investment as little as $1000. The other little-reported aspect is the rating system, which allowed advisers to receive research reports that provided an aspect of security for the recommended investment. These two aspects are specifically raised by Interviewees L and R:

The advent of the managed funds wasn’t really in then; it was starting to emerge because that was a backbone or basic product for the financial planning, wasn’t it? It was the advent of the master funds (Interviewee L 2015, interview, 4 May).

[T]he emergence of the rating system. So, research, I think that was a big factor, too. So, the financial advisors had access to research reports which gave them confidence about what they were buying, they could use that in the sale process. That was good. The prospectuses were registered through the regulator. So, from that point of view there were certain safeguards, there were trustees. So, the system itself gave confidence (Interviewee R 2017, interview, 23 March).

The overall growth of financial planning was built on the demand for the service, a point supported by many interviewees. For example, Interviewee B comments:

[W]hereas financial planning, there was no prime mover for growth other than a consumer need. So therefore it had to be sold rather than just something that people had to do (Interviewee B 2012, interview, 28 November).

The growth factors described in this section contributed to new tasks being required to be developed to meet the emerging financial planning requirements of the community. Other social, economic, legislative and cultural factors also contributed to the growth of financial planning in this period prior to the implementation of FSRA. The next section explores these external factors which assisted the control of tasks by the various aspirants to the jurisdiction.
5.5.1.1 Social environment

In the most recent report on population trends from the Australian Bureau of Statistics (Australian Bureau of Statistics 2013), the population aged 65 years and over is projected to increase from 3.2 million at 30 June 2012 to between 5.7 million and 5.8 million in 2031. The projected number of people aged 85 years and over in Australia is expected to rise from 420,300 at 30 June 2012 to 842,500 in 2031 and to double again by 2045 to 1.7 million. These dramatic increases in the number of individuals who will be retired from the workforce will not be matched by the percentage increase in the number of individuals of working age. In reviewing population projections from 2013 to 2033, the Australian Bureau of Statistics indicates that the dependency ratio is likely to be 59% in 2033 (in other words, 59 dependents for every 100 workers), and if the projections are forwarded a further 30 years to 2063, the dependency ratio will be 65% (Australian Bureau of Statistics 2017). A smaller working-age population puts pressure on governments that are aiming to keep age pensions at the current level for those retiring in future years.

The aging population will put pressure on government to deliver the present level of age pension. Individuals are living longer and will need to provide for their own retirement savings. It will be important for them to receive professional financial planning advice to achieve these objectives.

5.5.1.2 Economic environment

With such a variety of financial products coming onto the market in the late 1990s and early 2000s, the average retail investor needed assistance in choosing the most suitable
option to match their goals, with many of the products too complex to fully understand. Other economic factors, such as the share market index, interest rates and inflationary pressures, have all affected the development of the industry over time.

In Australia, fluctuating interest rates further contributed to the demand for planners, as many retirees were living off term deposit interest, which, after the reduction of rates in the early 1990s, resulted in a substantial reduction in income for an asset class that had historically exhibited low volatility. Interviewee G comments:

In the late 80s I think it was, the late 80s or early 90s, interest rates fell quite significantly as well, and people were – particularly retirees – were living off, in most cases, income of a term deposit (Interviewee G 2013, interview, 29 July).

5.5.1.3 Legislative and government environments

Accountants in the latter half of the 20th century operated within a self-regulating model of governance. This has not been the case for financial planning, where the Federal Government has introduced legislation to protect the public interest and strengthen the industry, with little support from professional bodies. To date, the professional associations have been reluctant to develop financial planning theory and principles or to adopt a self-regulated framework, as the Government has instituted legislation that has impeded their ability to obtain any legal acceptance for their own regulation in the form of codes of professional behaviour. The legislative impact on the financial planning profession will be further elaborated in Chapters 6, 7 and 8.

Superannuation legislation has had profound effects on the industry by encouraging the general public to consider their retirement goals through the superannuation
guarantee, super choice, super co-contribution and, more recently, transition to retirement. Changes to the age at which the full age pension is available and asset/income test amendments have also led to increased demand for financial planners as retirees re-evaluate their needs and goals (CCH Australia Limited 2014, p. 596). The size of total assets in superannuation funds 1989 and estimated at $AUD105 billion at 30 June 1989 (Stevens 1990). Superannuation funds’ growth reflected the changes to legislation that provided all employees with superannuation (through the superannuation guarantee) and concessional taxation treatment. ASIC reported in their 2014 submission to the Ripoll Inquiry that the value of these investments (excluding superannuation) amounted to approximately $AUD 350 billion or 5.5% of total household wealth (Australia, Joint Committee on Corporations and Financial Services, 2009, p. 101). It is estimated that within a generation the expected amount in superannuation funds will be approximately $AUD 4 trillion (Brown 2007b).

Legislation was gradually starting to regulate the industry. On 1 January 1996, the ISC Life Code of practice came into force, which regulated the advice that could be provided on insurance within superannuation funds. Accountants opted to use the idea of incidental advice to advance toward giving financial advice to clients. Brown (1996b) reported that the code does not ban accountants talking about the need for life insurance in general terms. However, unless the accountant has an agency agreement or is a licensed broker, talking to clients other than in very general terms becomes a serious offence. The Corporations law provided a loophole for accountants who give advice that is merely incidental advice (Brown 1996b). As an indication of the disdain for the life insurance industry, (Brown 1996b, p. 56) comments:
I query whether all this effort of the Government to “clean up the industry” is worth the effort. Most of the unsavoury types were forced out of the industry some years ago – in that sense it’s just another exercise in closing the door after the horse has bolted.

The self-regulating model of governance changed dramatically in the period to FSRA. The Federal Government introduced superannuation legislation that provided growth of the funds invested in superannuation funds. The Federal Government started to regulate the industry, especially to include the large number of advisers associated with the life insurance industry. The increase in legislation was deemed necessary to control the emerging financial planning industry.

5.5.1.4 Cultural environment

Technological factors had an impact on the development of financial planning toward the end of the 20th century. The increasing sophistication of computers and the internet provided greater access to information. These developments applied to all individuals and companies: financial institutions had greater resources to distribute their financial products, and individuals had a greater need for independent financial advice. A new industry was developing because of consumer demand.

Many interviewees raised the importance of industry culture. The accountants viewed financial planners with disdain, especially when talking about the sales culture of the industry, as shown by their answers to questions about why accountants were reticent to participate in the industry. The following interviewee response is indicative of this view:
Most accountants were not culturally aligned to doing that. They saw it as a conflict of activity that they didn’t really want to get involved in, a bit dirty, a bit salesy (Interviewee F 2013, interview, 25 July).

(Note: Additional interview excerpts are in Appendix J Chapter 5 under the ‘Culture’ theme.)

The regional and small practitioners interviewed offer a different perspective:

I think the accounting profession viewed the life industry with an element of snobbishness, because I did, and I would suggest the vast majority of my colleagues would have looked at them with such snobbery… we’re a profession… well, we’re not going to get involved with life insurance…. You know we’re not going to tarnish ourselves in [those] sales-related products (Interviewee Q 2016, interview, 22 January).

The culture of the industry was sales-orientated, and financial planners were paid by commission rather than fee for service, as in the accounting profession. This ‘sales’ process resulted in accountants and the public failing to view financial planning as a profession; this is reflected in the literature, which describes the occupation of financial planning as an industry rather than a profession. As Cull (2009, p. 27) suggests,

the financial planning industry has received significant negative publicity in recent years due to the use of commission-based payments that has served to undermine the integrity of financial planners…. [T]he future of becoming a profession lies with abolishing all forms of commission-based payments and moving to a fee for service.

The large accounting groups had a similar view of the financial planning industry. It should be remembered that in the early period of the development of financial planning accountants could not advertise or accept commissions. Acceptance of a commission was viewed with scorn by senior members of the accounting profession. One interviewee notes:
Financial planning became very tied to product and became very dependent on getting commissions and all that sort of thing from client manufacturers (Interviewee K 2015, interview, 5 May).

(Note: Additional interview excerpts are in Appendix J Chapter 5 under the ‘Commission’ theme.)

The culture of the financial planning industry was sales-orientated, and the accountants treated financial planners with scorn. This attitude was prominent in the large practices, however, those accountants in small practices and rural communities accepted financial planning as part of their client services. This attitude pervades the approach of accountants, compared to the other combatants’ claim for jurisdiction. This aspect is explored in the next section.

5.6 Combatants’ claims for jurisdiction

5.6.1 Role of professional organisations

The role of professional organisations has been examined in the thesis to test the claim for jurisdiction in the public, work and legal areas. Arena and Jeppesen (2010), used data from professional associations in their jurisdictional study of internal auditors. They observed that professional associations were the main channel whereby internal auditors made known their claim for public jurisdiction. They analysed the initiatives of the professional associations and their success in informing the public of their work practices.

The professional associations that relate to the financial planning profession have been used here in a similar manner that is consistent with Abbott (1988), who comments, “First, other things being equal, the more strongly organised a profession is, the more
effective its claim to jurisdiction. This holds particularly in the public and legal realms but extends to the workplace as well” (1988, p. 82).

Whilst there are over 40 organisations involved in the financial planning industry, as detailed in Appendix G, this thesis considers the main accounting associations involved in financial planning: the ICAA and CPA Australia, and, to a lesser degree, the Institute of Public Accountants. The thesis considers the Financial Planning Association as the peak financial planning professional association. The next section discusses the organisations and their role in the claim for jurisdiction of financial planning in Australia.

5.6.2 Accounting-related professional associations

In this thesis, the classification of professional accounting bodies is limited to the three professional bodies defined as having members who are qualified accountants under S 88B of the Corporations Act 2001:\(^38\):

(1) For the purposes of this Act, a qualified accountant is a person covered by a declaration in force under subsection (2).

(2) ASIC may, in writing, declare that all members of a specified professional body, or all persons in a specified class of members of a specified professional body, are qualified accountants for the purposes of this Act.

(3) ASIC may, in writing, vary or revoke a declaration made under subsection (2).

The CPA, the ICAA and the Institute of Public Accountants (IPA) are recognised professional bodies under the Act. The definition is important, as it provides an avenue

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to obtain legal jurisdiction on audit appointments under the Act. The professional bodies provide to ASIC an auditing competency standard for approval. On 27 June 2016, ASIC Corporations (Approval of Auditing Competency Standard) Instrument 2016/474 approved the auditing competency standard for registered company auditors, issued by CPA Australia, Chartered Accountants Australia and New Zealand and the Institute of Public Accountants (IPA), and the competency standard was approved for the purposes of paragraph 1280(2)(b) of the Act, which relates to the approval of auditing-competency standards (Corporations Act 2001).

It is recognised that the two national bodies representing the accounting profession in the 1990s were the Institute of Chartered Accountants in Australia (ICAA) and the Australian Society of Certified Public Accountants (CPA). These bodies regulate the conduct of the respective members, issue and revoke practice certificates and administer national exams for membership (Pannell Kerr Forster 1990).

The two major accounting bodies, ICAA and the CPA, proposed a merger in the late 1990s. The National Council of the CPAs met in August 1998 to consider the outcomes of research into the members’ voting intentions. The research showed that a healthy majority was in favour of a merger. However, the ICAA’s research proved more problematical (‘Merger: Continuing progress’ 1998). The merger failed, which sent mixed messages about the accounting profession and its place in the world. Segments of the profession were considered to have signalled their reluctance to embrace change, re-engineer themselves and move forward (Griss 1999).
Accountants were preoccupied with the merger process and the move towards independence of audit practice activities, precluding other business activities that may have impinged on this independence by creating a conflict of interest. Interviewee A indicates that the accounting associations did not embrace financial planning:

[A]s far as the bodies were concerned there didn’t seem to be any interest in financial planning at that time. All they did was give sanction to accounting firms receiving commission if it was disclosed (Interviewee A 2012, interview, 23 November).

Likewise, Interviewee D points out that their areas of service to members cover a wide range, with financial planning allocated a role in the other services:

[P]rofessional associations in the accounting community tend to break their service categorisations down into three areas. There’s audit, insolvency and ‘other’. ‘Other’ captures all ranges of services, tax advice, business structure advice including financial advice (Interviewee D 2013, interview, 2 May).

The accounting associations did consider establishing their own financial planning service for their members. A major institution was to provide the back-office services to the venture. Interviewee C, who oversaw the unit in the institution at the time, recalls:

[W]e had all our back-office services ready to go, [but] they decided not to do it. I understand the conflict (Interviewee C 2013, interview, 29 April).

He also comments on the conflict associated with such a venture and recalls the divided attitudes from the accountants when he delivered his proposal:

Too much of a conflict, to be a professional association and be a licensee, I can see that. I know when I went to speak with their board. I could see that divide down the middle of who like [sic] me and who hated me. Not me personally, but what we were representing. You could just tell by the body language and by what happened in the board meetings, but you know, we were there to do it. They were going to use a platform (Interviewee C 2013, interview, 29 April).
The financial planning community engaged with accountants in the early phases of financial planning. For instance, the FPA-commissioned Birkett Report (Birkett 1996) included all those organisations interested in the financial planning industry. The Report Committee included the ICAA and CPA as members. Interviewee B, a senior executive member of the FPA comments:

I remember back in those early days they would kind of make approaches to the chartered accountants [ICAA] industry and the CPAs and to get them involved. And there was just a lack of interest (Interviewee B 2012, interview, 28 November).

5.6.2.1 Institute of Chartered Accountants in Australia (ICAA)

In 2013, members of the Institute of Chartered Accountants Australia and the New Zealand Institute of Chartered Accountants were consulted on the proposal to amalgamate into a new organisation. In October 2013, more than 54,000 members from both institutes overwhelmingly voted in favour of creating Chartered Accountants Australia and New Zealand\footnote{For this thesis the acronym ICAA refers to both pre- and post-merger organisations.} in response to the unique challenges and opportunities of the commercial environment.

Chartered Accountants Australia and New Zealand (ICAA) has over 100,000 members\footnote{See details of Chartered Accountants Australia and New Zealand. Viewed 15\textsuperscript{th} January 2016, \url{https://www.charteredaccountantsanz.com/}.}. The stated business leadership includes thought leadership and investment on factors driving change in business and the profession, including policy and regulation, education and technology. The ICAA aspires to be the leader for business education in Australia and New Zealand.
The ICAA strategy is for members to be the trusted leaders in business and finance. The foundation of continued success is the preservation of the Chartered Accountant designation. The chartered accountants’ training is renowned not only for its rigour and quality, but for producing individuals who demonstrate innovative thinking and superior analytical skills (Institute of Chartered Accountants 2012). The members’ commitment to lifelong learning ensures that their expertise remains relevant in the contemporary environment. The ICAA continues to broaden its range of products and services to meet ever-changing business and community needs. They claim that as roles continue to become more specialised, products and services are tailored to facilitate members’ needs.

Despite all the strategic aims of accommodating the members’ needs, this strategy did not include financial planning. A senior member of the ICAA executive in the formative years of the development of financial planning in Australia comments that the ICAA lacked strategic management. She also comments that ICAA individuals involved in consultations at the time of FSRA were somewhat dismissive in their approach to financial planning matters. The presidents at the time did not view financial planning as a priority (2017, pers. comm., 20 March). The role of the various spokespersons for the accounting organisations will be discussed in Chapters 6 and 7. The senior executive also indicates that the head of the financial planning unit could not resolve the financial planning members’ concerns. He had come from a banking background and could not provide appropriate leadership to members. Members emerged from briefing meetings for financial planning members without any clear direction from the ICAA (2017, pers. comm., 20 March).
Interviewees nominated many issues as contributing to accountants’ apparent lack of interest in financial planning in the formative years of development, with almost all interviewees responding in the same way as Interviewee A:

[T]he large CA firms saw themselves as the upper power, the upper levels, and didn’t want to be involved with anything that was seen as sales types roles…. [T]he issue of why it wasn’t taken up as much in accounting firms was the issue about being seen as salesmen – salespeople – and the fact that commissions were effectively a no-no within the chartered accounting…. [They] didn’t want to be seen to be doing it because it was seen as a sales job (Interviewee A 2012, interview, 23 November).

(Note: Additional interview excerpts are in Appendix J Chapter 5 under the ‘Lack of interest’ theme.)

5.6.2.2 CPA Australia (CPA)

CPA Australia is one of the world's largest accounting bodies, with a global membership of more than 150,000 members working in 120 countries and more than 25,000 members working in senior leadership positions. Core services to members include education, training, technical support and advocacy. Employees and members work with local and international bodies to represent the profession’s views and concerns to governments, regulators, industries, academia and the public. A CPA practitioner is a finance, accounting and business professional with a specific qualification. CPA membership is a mark of high professional competence and soundness in depth, breadth and quality of accountancy knowledge. To use the CPA designation, a member must complete a degree, or a postgraduate award recognised by CPA Australia; complete the CPA program, including three years of professional experience in finance, accounting or business; undertake continuing professional development (CPD) activities each year; and comply with a strict code of conduct set
by CPA Australia. To offer public accounting services, CPAs must also complete CPA Australia's Public Practice Program, and must hold a Public Practice Certificate in accordance with CPA Australia's by-laws.

CPAs did involve themselves in financial planning education in the early 1990s, introducing a ‘financial planning certificate’ in association with the Securities Institute of Australia\(^{41}\). It was claimed that the course offered by the CPAs “is well on the way to turning CPAs into the best financial planners in the country” (Gleeson 1991). The first graduates were presented with their certificates with much publicity.

To differentiate themselves from the other professional accounting associations CPA undertook a major strategic review of its operations, after the merger with the ICAA was rejected by members. Part of that review included, in 2000, with strong support from members, a change of name from the Australian Society of Certified Practicing Accountants (ASCPA) to its current name CPA Australia\(^{42}\) (CPA). The name change reflected a more business-like, easy-to-remember name that provided the momentum for change entering the 21st century (Morton 2000).

5.6.2.3 Institute of Public Accountants (IPA)

The Institute of Public Accountants (IPA) is Australia's third-largest accounting Association. In 1923, the association commenced as the Institute of Factory and Cost

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\(^{41}\) The Securities Institute of Australia (SIA) was founded in 1966; its main purpose was to bestow a qualification on employees of stockbrokers. In 2005 SIA merged with the Australian Institute of Banking and Finance (AIBF) to form FINSIA.

\(^{42}\) For this thesis the acronym CPA refers to both the Australian Society of Certified Practicing Accountants (ASCPA) and CPA Australia (CPA).
Accountants, and has had several name changes: to the Institute of Affiliate Accountants in 1970, the National Institute of Accountants in 1988 and, in 2011, the Institute of Public Accountants (IPA). By the early 2000s it had over 12,000 members working in a large variety of fields, but principally involved in working for, advising to or owning, small businesses (Australia, Joint Committee on Corporations and Securities 2001c). The Association has expanded rapidly over recent years, with its membership increasing to over 20,000 by 2009 (Australia, Joint Committee on Corporations and Financial Services 2009n).

The IPA is recognised by the Federal Government as one of the three Australian accounting bodies. Under the Corporations Act 2001\(^{43}\), the IPA is recognised as a ‘Professional Accounting Body’ and is defined by ASIC as a ‘Qualified Accountant’. The three accounting bodies have received legal recognition for their accounting services to clients. All three accounting bodies were active in the financial planning arena, making submissions to the respective inquiries and providing debate through their respective journals. They were involved in financial planning in this period before the implementation of FSRA. CPA provided education training for its members, the ICAA formed a specialist group, and both the ICAA and CPA reviewed establishing an AFSL on behalf of their members. However, the regulations associated with FSRA intervened and negotiations ceased.

\(^{43}\)Section 9 of the Corporations Act 2001, regulation 2AC of the Australian Securities and Investments Commission Amendment Regulations 2004 defines the IPA and the other two professional accounting bodies (CPA Australia and the Institute of Chartered Accountants in Australia) as ‘Professional Accounting Bodies’. Under subsection 88B (2) of the Corporations Act 2001, the Australian Securities and Investments Commission (ASIC) has defined a “Qualified Accountant” to include a member of the IPA and members of the other professional accounting bodies (see ASIC Class Order CO 01/1256).
5.6.3 Financial planning-related professional associations

5.6.3.1 Financial Planners Association of Australia Limited (FPA)

The FPA positioned itself in the period to the end of the 1990s as the professional association representing financial planners in Australia. Interviewee D’s comment exemplifies this response:

In that regard, if you use the words ‘professional organisation’, then to my mind it is only the FPA, because they are the only ones that are a professional organisation representing financial planning (Interviewee D 2013, interview, 2 May).

(Note: Additional interview excerpts are in Appendix J Chapter 5 under the ‘FPA’ theme.)

However, the FPA had two issues in being clearly accepted as the industry’s representative body. To assist the early development of the merged organisation of the FPA, institutions were accepted as members. These institutional members provided considerable financial assistance. This matter was rectified in 2011 with the cessation of institutional membership; however, this issue caused a problem with recognition as a professional association, not only by the public but by the Government. The problem of identification as a professional organisation is raised by Interviewee D:

[T]he difficulty for the FPA was that at one point it represented the financial planning sector. But by doing so it couldn’t be a professional organisation, because representing the financial planning sector meant you had AMP and CBA and MLC and all the other very large entities...influencing, supposedly, allegedly, the direction and function of that organisation (Interviewee D 2013, interview, 2 May).

The other issue, which is still current, is that the FPA does not represent most financial planners. In 2009 there were 4,797 AFSL holders and 52,814 authorised representatives (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2009, p. 182). FPA only represents some 12,000 of the financial
advisers operating in Australia today (Lucy 2006, p. 2). The FPA reported in 2014 that they had more than 10,000 members and affiliates, of whom 7,500 were practising financial planners and 5,500 CFP professionals (Australia, Joint Committee on Corporations and Financial Services 2014c). The overall numbers decreased from 2006 because of the cessation of corporate membership in 2012. This issue is further explored in later chapters when detailing the effect of ASIC’s acceptance of lower educational requirements for financial planners. Interviewee F reflects on this point:

[T]he FPA certainly doesn’t have most planners, so as far as the work environment, well yes, they happened developed a niche for themselves, and I think that that niche is evolving (Interviewee F 2013, interview, 25 July).

The FPA were active in establishing an association for financial planners. Initially, the FPA consisted of corporate members representing the large financial groups, and organisations involved in distribution of financial products in addition to those organisations providing advice. Registration as a financial planner did not require membership of a professional association. The FPA only represented approximately 15% of those holding an authorised representative licence.

5.6.3.2 Association of Financial Advisers (AFA)

The AFA has claims to have been the authentic voice on the value of advice since its beginning. Founded in 1946, the AFA is the oldest association representing financial advisers and their clients in Australia. The association consists of former agents of life agents, and their business is mainly life insurance products rather than comprehensive financial planning. The association is part of the financial advice industry, with over 14,000 advisers, most of whom are self-employed small business owners, with a total
business value of $AUD5.5 billion, according to ISFA, and assets under advice of $AUD550 billion (Australia 2000c). In another submission, ASIC advised that the AFA, according to their data, had 1300 members (Australia, Joint Committee on Corporations and Financial Services 2009b). The reconciliation of the two numbers is that the 14,000 advisers above do not indicate that the advisers are members of the association, and may refer to the number of employees in the 1300-member organisations.

The AFA is viewed as more an industry body than a professional association. The association has been linked with the FPA as representing the financial planning industry; however, the AFA has always been called upon by the Federal Government in submissions to various inquiries. The AFA has a tradition in insurance-related advice. The interviewees confirm this:

There’s some of our guys who are members of the AFA, that’s one of the options. I think the AFA is more of a club than a professional association (Interviewee C 2013, interview, 29 April).

(Note: Additional interview excerpts are in Appendix J Chapter 5 under the ‘AFA’ theme.)

The AFA, with a background in the insurance industry, acted more like an employer association acting on behalf of its members rather than the public interest. This aspect is illustrated in the industry debates on changes to regulation.

5.6.4 Role of the institutions and dealer groups

Institutions have had a major impact on financial planning in Australia. The sociology of professions has historically centred on the professional in practice. While the
financial planning profession had similar beginnings, by the end of the 1990s, the institutions were becoming more involved in not only the distribution of products, but the offering of financial planning services. By the beginning of the 21st century, institutions were recruiting large numbers of financial planners in a bureaucratic environment. Abbott (1988) envisages professionals in bureaucratic positions, unlike scholars such as Larson (1977), whose central subjects are elite practitioners who seek personal rewards through collective mobility (Abbott 1988, p. 13).

The role of industry veteran Barry Lambert illustrates the issue of institutional involvement. Lambert was active in the early period of financial planning. In 1987 he was writing about retirement planning in the accounting literature (‘Accountants’ role in planning advice’ 1994; Lambert 1992; Lambert 1987, p. 43; Lambert 1988), asserting the need for accountants to provide financial planning for their clients through independent advice. Lambert worked for 18-and-a-half years for the Commonwealth Bank of Australia and subsidiaries before establishing Count Financial Group, Financial Planners, of which he was Managing Director. Count Financial recruited only accountants in public practice as licensed advisers, and all the firm’s executives had accounting or other professional backgrounds (Lambert 1987, p. 43).

Lambert endeavoured to attract accountants into financial planning and stood for independence from product distributors. He indicated that accountants were starting to realise the growth factors contributing to the demand for the service, and had the necessary qualifications and skills to serve this emerging market (Lambert 1992, p. 26).
In the 1990s, Lambert was very successful in his consolidation of the smaller accountants under his own license of Count Financial. The accounting bodies’ publications contained full-page advertisements from Count to entice accountants into financial planning (‘Accountants – become an investment adviser’ 1986; ‘Count advert’ 1990). The advertisements invited accountants to join the group for their 9th Annual Investment Conference in Hong Kong in 1991, with an indication that “for those who become a COUNT Adviser, it is possible to substantially reduce, and in some cases eliminate the cost of the conference” (‘Count advert’ 1990, p. 17). In 2000, Count Financial was reported as being poised to join a growing list of financial services groups to float on the Australian Stock Exchange in December 2000 (Hughes 2000). The story of the Count group will be further explored in Chapters 6 and 7, as it provides evidence for the eventual domination of the institutions in financial planning.

The early 1980s also saw the introduction of compulsory superannuation, which placed further demands on insurance companies to promote their product using commission-based incentives. Several interviewees comment on the product selling that was occurring at the time. For example, Interviewee D responds:

The AMPs, the banks, the institutions, the product manufactures, life insurers as they were in their original form, saw an enormous opportunity to distribute products to consumers through an advisor, through a network of human beings (Interviewee D 2013, interview, 2 May).

(Note: Additional interview excerpts are in Appendix J Chapter 5 under the ‘Superannuation’ theme.)
Importantly, in the process the institutions were able to grow and set their own rules of conduct. Interviewee I makes this salient point:

We are talking about a lot of activities being brought under an umbrella that was provided by the big financial institution. So, they had the opportunity to set their own rules. They set their own boundaries (Interviewee I 2015, interview, 11 March).

The institutions already had advisers in the insurance related business of their organisations. With the demand for superannuation and other managed products the institutions were able to establish financial planning networks without regulatory control before the implementation of FSRA. They were in a position to utilise their networks to distribute their products and assume dominance in the financial planning jurisdiction.

5.6.5 Jurisdictional claims in the workplace

The workplace was continually changing for accountants, although the basis of many accounting practices is tax compliance (Tate 1997). In the period of rapid development of financial planning after the end of the year 2000 and before the introduction of FSRA, accountants experienced a rapid change in their accounting practices, especially those based on routine tax matters. Major tax reforms were again receiving Government attention, with the debate focusing on the introduction of a broad-based goods and services tax. If accounting practices were to remain competitive, they needed to focus on all stages of financial decision-making and advice, including superannuation planning, tax management and tax planning issues arising under restructuring such as capital gains tax and GST (Tate 1997). Probert (1999) reports that changes in work in the accounting profession were underpinned by radical shifts
in workplaces themselves, which left many employees insecure and unable to adapt to new workplace arrangements.

In the workplace, it was evident that there was a need for financial planning advice. One interviewee offers an opinion typical of the interviewees generally:

[T]he work environment is obviously quite clear, the demand for financial advice is quite clear, which is why there are people operating in big entities wanting to get into the provision of financial advice (Interviewee E 2013, interview, 3 May).

(Note: Additional interview excerpts are in Appendix J Chapter 5 under the ‘Workplace’ theme.)

There was a feeling that financial planners had hijacked the profession away from accountants. For instance, Interviewee F adds:

[T]here’s always been a need for financial planning, right back, forever really, since the inception of the accounting profession. And in a sense the term has been hijacked by a product-selling imperative (Interviewee F 2013, interview, 25 July).

(Note: Additional interview excerpts are in Appendix J Chapter 5 under the ‘Hijacked’ theme.)

While acknowledging the need for financial planning advice in the workplace, those interviewees working in the small accounting and rural communities are very strong in their views of accountants’ role in providing financial advice. Interview L, a retired partner from a Big Four accounting firm practising in regional Australia, comments:

I don’t think competition was particularly an issue in the early stages because we were feeding off our existing client bases… [I]t was an ideal business market to capture and to feed off (Interviewee L 2015, interview, 4 May).
Interviewee I comments on the proactive nature of smaller firms in recruiting expertise:

I think it would be fair to say that the smaller practitioner was faced with a choice as to whether they brought in people who had the expertise in the provision of investment advice, as opposed to the traditional expertise of the small practice in terms of tax audit and compliance [and] accounting compliance. And if they had the ability to bring in the resource, they actually were ahead of the game (Interviewee I 2015, interview, 11 March).

(Note: Additional interview excerpts are in Appendix J Chapter 5 under the ‘Regional’ theme.)

Financial planners did acknowledge that accountants had the skills required to make good planners, but felt that accountants were not able to communicate the appropriate skills to their client. The following comment from an interviewee illustrates the attitude of financial planners towards accountants:

[A]ccountants all over the world haven’t really seemed to grasp it as much as they could have or should have. We found that by and large accountants make great financial planners, if they [have] the people skills to go with it (Interviewee B 2012, interview, 28 November).

By the end of the 1990s, it was evident that the Big Four did not wish to be involved in financial planning, as shown by the following comments from Interviewee S:

I never bothered going near a big firm because – well, two reasons. You go near a big firm, they're usually more established and more successful than the one- or two-partner practices. And, of course, trying to get a big firm with five or six partners to decide is damn near impossible…. [S]econdly, they were a bit of those sorts of cut above…. But I found that the best people to get involved with this were the smaller firms….the regional firms…because they can decide easier and they were usually people wanting to be different to the bigger firms…. The clients needed it. [The firms] understood that, and they wanted to ring-fence their clients (Interviewee S 2017, interview, 29 March).

(Note: Additional interview excerpts are in Appendix J Chapter 5 under the ‘Big firms’ theme.)
The claim for jurisdiction in the workplace was assumed by the financial planner organisations and the institutions. The accountants did not leverage off their trust with clients to pursue a workplace claim. The Big Four accountants withdrew from financial planning and the smaller accountants did not have a voice in the ICAA or CPA. They were also preoccupied with other legislative changes such as the introduction of the GST. The accountants were hesitant to participate in a sales-driven industry.

5.6.6 Public and legal claims for jurisdiction

Professional journals provide an avenue for the professional bodies to put forward their claims to the public and provide information to their members. Over 1,100 articles from the respective professional journals in Australia were reviewed to establish themes associated with the research questions. The accounting professional articles included Charter published by the Chartered Accountants in Australia, Intheblack published by CPA Australia, and Public Accountant published by the Institute of Public Accountants. The financial planners were represented by Financial Planning and the industry by the Professional Planner magazine. Throughout the chapters of this thesis, respective publications are critically reviewed in the context of the fight for jurisdiction. For example, Robert Brown is a significant contributor to the ICAA’s professional journal Charter. In the period from 1996 to 2014 he contributed at least 179 articles on issues relating to financial planning. His contributions consisted initially of a monthly column, ‘Superannuation Update’, which appeared from 1996 until 2001 (for example, Brown 1996a; 1997, 1998, 1999, 2000, 2001). The trail of his comments follows the progress of accountants and financial planning and his views mirror the views of the ICAA. A great number of his articles lamented the conflicted
state of financial planning in Australia. He was the author of a major position paper (Brown 2007d) that attempted to reignite accountants to claim the jurisdiction of financial planning. It was published by the ICAA; however, the comments apply to all accountants and their respective professional organisations. The position paper will be further discussed in Chapter 6.

Robert Brown was an advocate for financial planning for accountants who had high hopes in the late 1900s and early 2000s that accountants would prevail in the quest for the jurisdiction. In an address to the Sydney chapter of the FPA, he argued that “one thing is certain, accountants will become the dominant players in the financial planning industry, just like the republic, it’s only a matter of time” (Bennett 2000, p. 120). Brown was incorrect on both assertions. After a further 17 years, the republic has not eventuated, and accountants have not taken over financial planning as predicted.

Accountants still had the trust of the public, and no legal jurisdiction was claimed by the respective professional bodies. However, comments from several interviewees suggest that accountants could have usurped control of the financial planning profession. For example, Interviewee R, a former chair of a financial planning professional organisation, and an accountant, makes the following observation:

But the accountants could have had it if they really tried…. Yes. And they certainly had all – they had their professional standing, they had standing in the community…. They had the capacity to build it. In some sense, I think they saw it to be more like the life industry. They didn’t recognise it for what it could be (Interviewee R 2017, interview, 23 March).

(Note: Additional interview excerpts are in Appendix J Chapter 5 under the ‘Trust’ theme.)
Many of the interviewees were very critical of financial planners and indicated that their reputations meant that public acceptance was not possible, given the background of the practitioners and the life industry background. For example, a former partner of a Big Four city practice notes:

[I]f what we are saying is, “Do the public accept that financial planners, do they have an acceptance as financial planning?”, I think they [public] look at all financial planners as rogues (Interviewee I 2015, interview, 11 March).

(Note: Additional interview excerpts are in Appendix J Chapter 5 under the ‘Public acceptance’ theme.)

The accounting profession was dealing with several issues in the period under review, which is acknowledged by Interviewee Q:

[T]o be fair to the accountants, the legislation changes are making you have to focus on those key areas. Then you haven’t got time to keep abreast of other important areas, you know, you’re keeping up with the core stuff, the GSTs etc. (Interviewee Q 2016, interview, 22 January).

The view of many of the financial planning-related interviewees was that financial planning was entrenched as a separate profession from the public’s perception, and that individuals requiring financial planning advice preferred to seek a financial planner. Interviewee B endorses this view:

Whereas today at the bare minimum it is a recognised global discipline, you go to financial planning for advice. In terms of where we are at, I see that we are at an evolutionary stage (Interviewee B 2012, interview, 28 November).

It was recounted early in this chapter that the self-regulation of the financial planning profession was contemplated by the Wallis Committee Report but not accepted by the Federal Government. The claim for legal jurisdiction was about to be usurped by
Government legislation. The Government did not accept that the fledgling industry could administer a self-regulatory structure. Interviewee M, who was in a CEO position with a professional financial planning organisation at the time, recollects:

I recall reading…the set of regulations when we brought in the first wholesale changes to financial planning regulation…. [I]t very much contemplated self-regulation at that stage, and I think ASIC felt we were way too immature to do that, to self-regulate (Interviewee M 2015, interview, 30 April).

The impending threat to accountants in providing financial advice had been published in the media some years before. For example, Hoyle (1995) reported that accountants viewed financial advice as being “hijacked by a group of people with dubious qualifications” (1995, p. 12) and were determined not to be excluded from performing those tasks that they always performed for their clients. By 1999, the rhetoric had changed to reports that accountants were vying for recognition in the financial planning advice market (Fenton-Jones 1999; Gehde 1997). The ICAA indicated that it wanted to differentiate accountants from other financial planners by promoting their taxation expertise (Fenton-Jones 1999, p. 25).

No professional organisation held the legal jurisdiction to be able to claim their members were registered financial planners through their association, with the legal requirement held by Government through registration as an AFSL or authorised representative of an AFSL. Many individuals were registered through their organisation such as the large financial institutions. Public jurisdiction was not held by any organisation as the reputation of financial planners, due to their conflicted remuneration structure and low level of education, was at a low level compared to other professional groups such as medical practitioners and lawyers.
5.7 Transformation and settlement

The boundaries between accounting and financial planning changed in the period between the commencement of financial planning and the end of the 20th century. The traditional role of accountants in providing financial planning advice was assumed by financial planners in the workplace. By the end of the 20th century, accountants needed to expand their knowledge and skills to include the new financial planning expertise areas. Accountants neglected this important aspect. The ability to assume control over the new financial planning expertise was important to enable the knowledge and skills to legitimise their jurisdictional claims and to their survival as a professional group offering financial planning advice.

Abbott (1988) indicates that once a jurisdiction has changed, modification of an abstract system of knowledge is required to advocate this change. Albrecht and Sack (2000) cited in Kotb (2008, p. 478) argue:

[T]he real question is whether accounting bodies, practitioners, and educators are recognising the change and adapting quickly enough to the new environments. Professional accounting bodies have a critical role to play through issuing standards and guidelines, and through the modernisation of their training programs. Indeed, such endeavours are the means by which jurisdictional claims are enforced and disputes settled.

Accountants’ perspective at the end of the 1990s was that they viewed themselves as participating in the advice but not the products associated with financial planning. Interviewee N summarises the work jurisdiction:
At the same time, the Big Four accounting firms were experiencing independence requirements as a result of the enactment of Sarbanes-Oxley legislation in the USA. This issue is further discussed in Chapter 6; in brief, the effect in Australia was a focus on independence issues and a resulting lack of interest in progressing financial planning. Interviewees K comments on these trends in the larger practices:

[There were the SEC rules and the move towards greater clarification and independence rules during the course of the 1990s (Interviewee K 2015, interview, 5 May).

(Note: Additional interview excerpts are in Appendix J Chapter 5 under the ‘SEC’ theme.)

5.8 Summary and conclusion

Several factors led to the development of tasks associated with financial planning. The social and economic changes justified the emergence of a new set of tasks to be assumed by a new profession or claimed by another profession. The tasks involved investment products, but the knowledge of these products was not within the accountants’ skill set. The culture of the financial planning industry was built on the sales culture from the insurance background of many participants in the industry. This culture did not allow for an abstract body of knowledge to develop. The FPA’s insistence on a six-step process contributed to the future framework for the commodification of the industry.
The accountants in the period up to the commencement of the FSRA could claim that they had a form of legal and public jurisdiction over the financial planning profession. The public viewed accountants as their trusted advisers. They had a legal exemption to provide incidental advice to their clients, and as they did not wish to lodge investment products they saw no reason to become registered. They believed if any further regulation was to apply, it would involve professional associations and a measure of self-regulation, as recommended by the Wallis Inquiry.

Accountants’ body of knowledge was predicated on their taxation expertise. Overall, there was a lack of interest in financial planning by the Big Four, who dictated the agendas of the professional associations. Many accountants were too preoccupied with other activities to be involved in financial accounting.

The financial planners in the same period organised themselves into one national organisation; the institutions in this stage of development were not dominant. The work jurisdictional claim was with the financial planners; however, public acceptance could not be claimed by the financial planners. Legal acceptance was also not claimable, as there were too many organisations to be accepted by the Government.

Financial planners were expanding into the area, and accountants were facing an invasion, in accordance with Abbott’s theory. He explains (1988, p. 262) that where a profession

has workplace jurisdiction but not public or legal jurisdiction, then they are expanding into the area. If, by contrast, they have legal and perhaps public jurisdiction, but not workplace jurisdiction, then they are facing an invasion.
An appropriate description of financial planning at the end of the 20th century could be described as a conglomeration of ‘peddlers’, ‘piddlers’ or ‘professionals’ (Johnston 1987). A piddler turns out a few financial plans are year. A peddler masquerades as a financial planner to appear objective and independent while pursuing the real interest of selling a greater number of insurance and investment products. A professional is described as someone who develops understanding of underlying concepts and processes, as well as the ability to diagnose situations and develop a sound course of action primarily using mental ability. While the descriptions refer to the position in the USA in 1987, the position in Australia at the end of the 1990s was very similar, albeit with a different emphasis. Accountants viewed themselves as the professionals and the financial planners as the peddlers (Johnston 1987). As in the USA in 1987, there was little regulation of financial planning in Australia at the end of the 1990s. However, with the introduction of the FSRA legislation in Australia in the early 2000s, regulation changed the landscape for the financial planning jurisdiction in Australia. The details of the FSRA legislation are covered in Chapter 6.
CHAPTER 6.

MAJOR DISTURBANCE: FINANCIAL SERVICES REFORM

ACT 2001-2007

Cure the disease and kill the patient.

Francis Bacon in *Of Friendship*, (1597-1625).

6.1 Introduction

The background to the development of financial planning in Australia and the Australian accounting profession’s role in this development was discussed in Chapter 5. The circumstances leading to the accounting profession’s lack of commitment to working on tasks associated with financial planning occurred in 1980-2000, the period covered in the previous chapter. Whilst the fight for the jurisdiction of the work continued for the period covered in this thesis, 1980-2014, and beyond, the structure
of financial planning and the reaction and attitudes of the accounting profession led to the entrenchment of the financial planners’ claim, not the accountants’, for work jurisdiction. Usually the second component of any claim for jurisdiction, using Abbott’s (1988) theory, is public acceptance, and lastly, legal acceptance. However, in the development of the financial planning profession in Australia, the legal framework was implemented by the Federal Government, which imposed the regulatory framework on financial planning that impeded the legal and public acceptance of financial planning. As introduced in Section 1.2.3 and detailed in Section 3.4.1 ‘regulation’ is treated as a disturbance not a stand-alone theory.

This chapter reviews the impact of a major disturbance brought about by the state\textsuperscript{44}. The introduction of the FSRA hampered the accountants’ self-regulating approach, which the accountants envisaged as applicable to the financial planning profession. The accountants were required to comply with regulations, which controlled the business practices of financial planning.

In reviewing the impact of FSRA on the financial planning profession, input from government hearings as a part of the implementation of the FSRA legislation is reviewed in the context of Abbott’s (1988) theory to evaluate the jurisdiction claim, not only claims in the institutional setting, but also the public jurisdictional claims together with a continuation of the work claims. The combatants’ jurisdictional legal

\textsuperscript{44} “The state is defined here as the total domain of official public action rather than as government in the narrower sense. Its agencies therefore include government departments and their subsidiary offshoots, commissions and review bodies established by government, and the judicial system. Such agencies can have direct bearing upon professional control through legislation, court decisions, the threat of government actions contained in critical findings by public commissions, and by having professionals in their employment. They may also have an indirect effect through the funding of professional training and of public schemes, which generate a demand for professional services” (Child & Fulk, 1982, p. 172 quoted in Uche (2002, p. 472)).
claims focus on the recognition of the accountant’s role in the institutional setting of financial planning, rather than the implementation of any legal monopoly. The analysis of the public claims focuses on the activities of the professional organisations and the institutions involved in financial planning. The input of the interviewees in the semi-structured interviews, the professional journals of the respective participants and relevant newspaper articles and scholarly journals, in addition to primary data in the form of Government Hansard reports, provide evidence to answer the research questions posited in Chapter 1. This chapter aims to provide evidence for the second main research question and two related subsidiary questions that were addressed in Chapter 1:

RQ2. How does the regulatory framework affect the professionalisation process of financial planning?

2.1 Has the regulatory framework contributed to the development of financial planning in Australia?

2.2 How did regulation alter the work practices and public and legal acceptance of financial planning?

In the context of financial planning in Australia, the state has had a major impact on the development of the profession because it is subjected to strong state control through regulation. The introduction of the FSRA legislation was a major disturbance. Arena and Jeppesen (2010, p. 114) note that “external disturbances come in the form of political interference such as state regulation of educational requirements”. Abbott writes, “For many reasons, then, the determining arena for professional claims in France has always been the state…. This state dominance requires recasting my original theory of the relative roles of state and workplace competition” (1988, p. 164).
An effective theory of professional development must therefore be general enough to deal with the fact of intense state participation in professionalisation (Abbott 1988, p. 28).

In the chapter, a subsidiary of research question 1 is also covered as a subsection of the discussion of FSRA and its implementation.

RQ1. What external and internal disturbances contributed to the emergence of financial planning in Australia?

1.2. Australian disturbances

In the discussion, the review concentrates on the role of the accountants, with the following subsidiary research question 3, with the discussion commenced in Chapter 5 to be continued in Chapter 6:

RQ3 Did the Australian accounting profession claim the jurisdiction of financial planning?

3.1. What aspects of work, public and legal arenas were operative in accountants’ claims to jurisdiction over financial planning, and how did these aspects create disturbances in the emergence of financial planning?

The chapter is organised into eight sections including the introduction. Section 6.2 outlines the regulation of financial planning in Australia, including the need for regulation in the late 1990s and early 2000s. Section 6.3 discusses the FSRA legislation and its implementation. Section 6.4 outlines the jurisdictional contest between the various participants. The section discusses accountants’ reactions to the
legislation and the inhibiting factors in their adoption of financial planning, followed by the responses of financial planners and institutions, including banks and dealer groups. Section 6.5 outlines the regulatory outcomes for accountants because of the FSRA legislation, and Section 6.6 examines the impact of the jurisdictional claims in the institutional setting, and on the work, public and educational claims for jurisdiction. Section 6.7 reviews the fight for jurisdictional transformation and settlement. Finally, Section 6.8 summarises and concludes the chapter.
Figure 6-1: Themes of Chapter 6
6.2 Regulation of financial planning in Australia

The principles in both the Campbell and Wallis Inquiries set the policy for financial planning in Australia (Campbell 1981; Wallis 1997) with minimal regulatory intervention to protect investors. In their submission to the Inquiry into Financial Products and Services in Australia Committee in 2009, ASIC informed the Inquiry (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2009);

The fundamental policy settings of the FSR regime were developed following the principles set out in the Financial System Inquiry Report 1997 (the Wallis Report). These principles are based on ‘efficient markets theory’, a belief that markets drive efficiency and that regulatory intervention should be kept to a minimum to allow markets to achieve maximum efficiency. The ‘efficient markets theory’ has shaped both the FSR regime and ASIC’s role and powers (Australia, Joint Committee on Corporations and Financial Services 2009m, p. 4).

Evidence of the need for regulation of financial planning was gathering in the global economy prior to the introduction of the FSRA. At the beginning of the millennium, the financial markets appeared stable. In the early 2000s, the dot-com meltdown resulted in a substantial reduction in the value of technology stocks. The events of 11th September 2001 caused uncertainty and fear. Corporate scandals such as those involving Enron and WorldCom (Dewing & Russell 2004) weakened investor confidence, which transformed the market into a bear market (Turner 2004). The problems in the 1990s with the unethical promotion of products together with the over-promising of investment returns made greater regulation an imperative, leading to the FSRA Act in 2001 (Kohler 2007, p. 18).
The regulator had good reason to condemn the quality of financial advice. ASIC conducted a ‘shadow shopping survey’ on the quality of financial plans in 1995, 1998 and 2003. The 2003 survey indicated that “too many plans were poor on core elements of advice” (Collier 2003, p. 4). ASIC resolved that “the end product reflected the skill levels, the company processes and the remuneration drivers with the industry” (Collier 2003, p. 4). In the 2003 survey, 51% of SOAs reviewed were either borderline, poor or very poor (ASIC 2003). The low scores were spread across all industry sectors, but banks and small planners scored lowest (Negline 2004a). Similar results occurred in the 2006 survey (ASIC 2006). This led to the observation that the financial planning industry has a deep-seated structural and behavioural problem that continues to pay the bulk of its remuneration as commissions to its distribution network for production of funds under management, and that the occurrence is not isolated to a few advisors in one organisation (Brown 2006a, p. 44).

The interviewees considered that the regulation of the financial planning profession was inevitable, although they preferred the model of self-regulation. For example, Interviewee O commented that it was unfortunate that accountants did not take advantage of the trust that they had with their clients to embrace a self-regulatory model. He added that when the Government is expecting self-regulation that does not eventuate, the Government needs to step in (Interviewee O 2016, interview, 15 February).

ASIC’s shadow shopping surveys monitor the compliance standards of financial planning advice against legal obligations. A secondary aim is to research consumers’ experiences in getting that advice. The surveys are conducted through a research company that recruits survey participants and gathers examples of the financial advice they were given.
Interviewee S mirrors the accounting-related responses of mistrust of the financial planners:

[H]eavy-handed regulation was forced upon them because they deserved it (Interviewee S 2017, interview, 29 March).

(Note: Additional interview excerpts are in Appendix J Chapter 6 under the ‘Regulation’ theme.)

The growth of funds invested in the financial markets, especially superannuation funds, and the importance of protecting individuals’ life savings were viewed as paramount reasons for regulation. Interviewee B comments:

This profession is dealing with people’s life savings so it’s a bit different to doing a tax return, so I think the level of importance is such that no government and no regulator is not going to be involved (Interviewee B 2012, interview, 28 November).

(Note: Additional interview excerpts are in Appendix J Chapter 6 under the ‘Superannuation’ theme.)

Many interviewees indicated disappointment that the regulator did not facilitate the professional bodies in developing the financial planning profession. For example, Interviewee B, who is a financial planning advisor, expresses disappointment in the attitude of the regulator:

[T]hat’s why we couldn’t call it a profession today. The regulator could have got behind…this would be the best opportunity they could have to support the profession, and they haven’t done that because they believe that want to maintain the competency standards (Interviewee B 2012, interview, 28 November).

(Note: Additional interview excerpts are in Appendix J Chapter 6 under the ‘ASIC’ theme.)

The alternative view from the regulators and other accounting-related bodies was that no unified voice represented the financial planning profession, and that regulatory intervention was therefore inevitable.
Interviewee N notes:

I think it is quite mixed. I think one of the reasons that we have had so much regulatory introduction and interference in a way in this area is because there is no one voice (Interviewee N 2015, interview, 1 May).

(Note: Additional interview excerpts are in Appendix J Chapter 6 under the ‘Regulation’ theme.)

A Big Four interviewee is of a similar view as to the need for regulation:

It’s like the teacher watching the unruly kids playing in the sand pit. You know, if the kids can’t play nicely amongst themselves, then someone must step in and basically say, “Sorry, this is how it’s going to be.” And so, if that is ASIC, so be it. I mean ASIC hold themselves out to be the enforcers, or, you know, the enforcers of where the benchmark is, in terms of provision of financial advice (Interviewee I 2015, interview, 11 March).

It was established that there was a need for regulation prior to the introduction of FSRA, with the regulator having good reason to condemn the quality and professionalism of financial planners. The accountant preferred self-regulation was not feasible and most participants, confirmed by the interviewees considered that the regulation of the financial planning profession was inevitable. The Government adopted an approach which did not involve the professional associations.

6.3 FSRA

6.3.1 Background to Financial Services Reform Act

The Australian Government has been a major contributor to the development of the financial planning industry through the legislative environment. The Financial Services Reform Act 2001 (FSRA), regulated by ASIC, was designed to improve the
integrity of the industry by requiring certain training standards and disclosure of fees and commissions.

The introduction of the FSRA legislation emanated from the recommendations of the Wallis Inquiry (1997), which identified several trends in the financial sector. These trends included the explosion in the number of products, the blurring of boundaries between different institutions, particularly the conglomerates that are typical now in the financial sector, increased competition in the provision of products and the diverse regulation of the different products (Australia 2000a, p. CS 1).

Prior to FSRA, the legislation and regulations governing conduct in the financial services industry were contained in several Acts that were based upon the institutional form of the service provider. For example, the Corporations Act 2001 set out the regulatory arrangements for securities and futures contracts and markets. The regulatory arrangements for deposit products were contained within the Banking Act 1959; for general and life insurance in the Insurance Act 1973, Insurance (Agents and Brokers) Act 1984, Insurance Contracts Act 1984 and the Life Insurance Act 1995; and for superannuation in the Retirement Savings Accounts Act 1997 and the Superannuation Industry (Supervision) Act 1993.

In their submission to the draft Financial Services Reform Bill, the Department of Treasury commented that the Government saw the Financial Services Reform Bill as a stage of its recommended reforms (Australia 2000a). As the introduction of the ‘third stage’ of the Wallis Inquiry, the FSRA represented the most significant corporate law reform of the financial services sector in Australia. It provided for a new regime for
the regulation of financial products and services and aimed to enhance consumer protection by adding to financial safety and market integrity. The FSRA followed the other CLERP reforms and the restructuring of the financial system regulators, as well as the introduction of the Managed Investments regime in July 1998 (Segal 2002). This legislation was the most significant change to the structure of the industry since its beginnings in the early 1980s (Cull 2009).

During 2001, the Federal Government introduced to Parliament the Financial Services Reform Bill (FSRB). The Bill (2001) came into operation in 2004. The FSRA, which arose out of the FSRB, imposed significant changes on the financial services industry. The three key features of the FSRA regulatory and legislative program implemented were:

(a) a harmonised approach to licensing of financial services providers, including a disclosure and conduct framework;
(b) a single statutory regime for financial product disclosure; and
(c) the licensing of financial markets and clearing and settlement facilities (Segal 2002).

The FSRA commenced in 2002 with a two-year period of transition for participants in the industry, including accountants. Extensive regulations were finalised in late 2001, and further regulations were completed in 2002; this multi-stage approach sprang from the legislation itself, which set out the general principles and allowed the detail to be filled in by regulations and policy. As part of this process it was necessary for the financial planning industry, including accountants, to engage with and understand the regulation in addition to the legislation (Segal 2002). ASIC released many policy
statements to assist in interpreting and applying FSRA. The policy statements were preceded by policy proposal papers, which were subject to extensive consultation, after which, based on industry feedback, they were developed into policy statements. The policy statements were subsequently renamed regulatory guides. ASIC’s regulatory guides are not legally enforceable. Rather, they are simply ASIC’s interpretation of the legislation and a guide to how it intends to regulate. The full list of regulatory guides applicable to financial planning are listed in Appendix D.

The Declared Professional Body (DPB) clause was present when the FSRB was introduced into the House of Representatives in 2001, as recommended by both joint committees. The Bill contained provisions in Part 7.6, Division 7 that exempted certain groups, known as declared professional bodies, from the financial licensing requirements. The Senate rejected this proposal, and Division 7 of Part 7.6 was removed from the Bill (Information and Research Services 2003, p. 5). This surprised the accountants, who suspected there had been lobbying from the financial planners or a move within the Government to exclude the clause. In relation to the lobbying involved in the Government and the processes of formulating Government policy, Interviewee R comments:

I think there’s lobbying that comes. You get lobbying that comes in to stop something, slow something down…or the Treasury or whoever’s been driving it has been working on something and it takes them a while to get there. There’s a delay factor between cause and solution (Interviewee R 2017, interview, 23 March).

Initially, the accountants were convinced that they would be able to self-regulate in the provision of financial advice. CPAs’ financial planning industry adviser, Kathy Streeter, notes that a joint Parliamentary Committee report asserts that accountants
who belong to professional bodies, such as CPA Australia, should be allowed to ‘co-regulate’ the provision of financial advice:

[T]he report recognises the important role accountants already play in providing general financial planning advice. It also signals a major step forward to address changing consumers’ needs, (‘Report promotes accounting advice’ 2000, p. 14).

In the same report, the position of financial planning was clearly being acknowledged as an appropriate business sector for accountants’ participation, as consumers rely on their accountant for independent advice on a range of financial issues, including financial planning services (‘Report promotes accounting advice’ 2000, p. 14). The financial planners also viewed that self-regulation was the preferred path to develop the profession, rather than the heavy regulation that prevailed. Interviewee M comments that “our view was always very much that regulation isn’t the solution” (Interviewee M 2015, interview, 30 April). The accountants’ view of self-regulation was also matched with a view of their professional development as superior:

[I]n my ideal world we would have no legislation surrounding financial services and we’d all do it, as we want to be proper professionals and [act] in the same ways accountants should do it – to be proper professionals (Interviewee F 2013, interview, 25 July).

The role of ASIC is to implement the legislation; this does not necessarily result in the development of financial planning into a profession or involve the endorsement of a professional organisation. Interviewee C recognises the position when discussing regulation and professionalism:

I don’t think the regulators have done us a disservice, because the regulators’ job is not professionalism. The regulators’ job is regulating and enforcing the regulations. What I’m looking at when you tell me that is just the professionalism of everything we do. The professionalism comes from the individuals and the professional bodies (Interviewee C 2013, interview, 29 April).

(Note: Additional interview excerpts are in Appendix J Chapter 6 under the ‘ASIC’ theme.)
In implementing the legislation, ASIC interpreted it, with the interpretation being unclear at times, especially with regard to what constituted ‘appropriate advice’ and the administration of the training requirements under RG 146. The different responsibilities allocated to ASIC and Treasury caused uncertainty for the industry. Treasury's role is to draft legislation and regulations. ASIC's role is to develop administrative policy and processes to implement the legislation and give industry fair guidance on this implementation. It was felt that ASIC needed to provide feedback to Treasury to ensure the effective implementation of the outcomes sought by the FSRA (Segal 2002, p. 3).

In recommending a ‘one size fits all’ approach to the preparation of SOAs, ASIC contributed to the commodification of the advice process. ASIC recognised that such an approach is usually an efficient and effective form of regulatory policy, but acknowledged that it may not be appropriate and commended the FPA examining how to improve and shorten the SOA (D'Aloisio 2007, p. 15). The length of the SOA also caused the various organisations to deliver a document that covered all the areas that were required for an SOA, as described in section 947B (2) of the Corporations Act, which sets out the range of issues that are common to every SOA. The Act does not require a set format or template (McKeown et al. 2014, p. 636). The result of the process was a problem of incomprehensible disclosure documents (Serpell 2008). The ‘one size fits all’ approach to licensing and the regime of highly prescriptive regulations and heavy penalties caused “financial planners to become producers of expensive and complex reports to clients who don’t want or need them” (Brown 2005c).
Besides attempts to provide stability in the financial planning profession, the legislation provided some obstacles, described in the following remarks about the compliance requirements in the construction of a financial plan (SOA):

A tick in the box. But what about the quality of the advice? Just because you disclose everything, it doesn’t necessarily mean the advice is good (Interviewee J 2015, interview, 5 May).

The increased cost of compliance in providing financial advice was a disincentive for accountants to enter the industry. An accounting-related interviewee laments the raft of regulation and the cost of compliance:

[A]s a financial planning sector, we frankly got what we deserved. Is it desirable that we got all this regulation? No. Has it held back the growth of the industry? Probably, I expect…it’s probably caused the cost of advice to massively increase (Interviewee F 2013, interview, 25 July).

Accountants did not appreciate that the Government works very slowly on policy issues, and the introduction of FSRA should not have been a surprise to the professional accounting associations. The introduction of FSRA provided an opportunity for accountants to offer independent advice to the public. Accountants were providing advice to clients as part of their work, especially in smaller and regional practices, and already had in place high educational requirements, the trust of clients and a fee-for-service remuneration structure. It was an ideal time to further develop the financial planning profession within the accounting profession.
6.3.2 Hearings on the draft Financial Services Reform Bill

After the release of the exposure draft FSRB, the Parliamentary Joint Statutory Committee on Corporations and Securities resolved to hold an Inquiry into the draft Bill. Sixty-seven written submissions were received from interested parties, with three public hearings held in June and July 2000. The Committee tabled its report on the Bill in August 2000 (Australia 2000d). The Financial Services Reform Bill 2001 was subsequently introduced into Parliament in April 2001 after the draft had been modified considering the recommendations of the initial report in August 2000, and extensive consultation. In April 2001, the Parliamentary Joint Statutory Committee on Corporations and Securities Committee held another Inquiry based on the modified Bill. The Committee received 97 submissions, and five public hearings were held between April and June 2001. Before the Committee was finished the Government advised that the Bill would be further amended; however, the Committee considered the amendments in its final report. The House of Representatives passed the Bill, with amendments, on 28 June 2001. The Committee tabled its report in August 2001 (Australia, Joint Statutory Committee on Corporations and Securities 2001c). The submissions and the Hansard of the Committee’s hearings on the draft Bill were tabled with the reports,46 and these documents provide insight into the jurisdictional claims for financial planning by the respective combatants in the jurisdictional contest.

In the public hearings, the accounting bodies argued that they were concerned their traditional activities would be affected, with the consequence that all accountants could be caught in the registration. In the hearings, accountants did not view the DPB as an

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avenue for them to assume a leadership role in financial planning that would incorporate their self-regulatory mechanisms already in place (Australia 2000b; Australia, Joint Statutory Committee on Corporations and Securities 2001b, 2001a). Instead, they indicated that the DPB was a mechanism for ASIC to relieve itself of some of the administrative burden of licensing certain professional people (Australia, Joint Statutory Committee on Corporations and Securities 2001b). If it were established, the accountants viewed that it would require them “to monitor our members very closely so that it is not seen as a carte blanche if it were put in place” (Australia 2000b, p. CS 220).

The accountants destroyed their argument in the hearing. Their rebuff of the DPB path led the chairman (Australia 2000b, pp. CS 221-2) to incredulously ask what alternative the accountants could provide. When they responded that one solution would be to limit the legislation to listed securities, the Chairman responded that the Bill went a lot further than just dealing in securities, and that securities were a relatively minor part the range of financial products. The participant representing the accountants did not fare well in the hearings, and the above exchange indicates a degree of frustration with the accountants’ position and their lack of understanding of the financial planning industry. The Chairman’s attitude was shared by other industry participants. Interviewee M recollects the attitude of accountants in the submissions to the various public hearings:

I think there was always a degree of righteousness surrounding the accounting submissions and it was usually framed in terms of ‘we know best’, you know, ‘we have all the knowledge and we have all the experience…we know this stuff’. That was their platform (Interviewee M 2015, interview, 30 April).
The Government’s response to the draft report (Australia 2000d) rejected co-regulation and the DPB provisions, claiming, from a consumer perspective, that the loss suffered from poor financial advice provided incidentally by an accountant, for example, is no less serious than the loss suffered by poor advice given by a full-time financial adviser. The Government did undertake to clarify the extent to which incidental advice is covered by the Bill (Australia, Joint Statutory Committee on Corporations and Securities 2001c, p. 9). Not surprisingly, the FPA welcomed the Government’s commitment that the DPB provision would not extend to ‘dealing’ and that the DPB mechanism was not inserted as an alternative to incidental advice (Australia, Joint Committee on Corporations and Securities 2001a).

In a later hearing, the accountants confirmed that they supported the underlying objectives of the Bill to create a single licensing regime for the financial services industry (Australia, Joint Statutory Committee on Corporations and Securities 2001b). The accountants did admit that only a small number of members were also financial planners. They also admitted that they were entering into a different field, with a different set of competencies and expertise: an area most accountants were uncomfortable with, as they did not have the relevant expertise or competencies (Australia, Joint Statutory Committee on Corporations and Securities 2001a, p. CS 214).

The FSRA was enacted before the second report into the draft Bill was submitted to the Government. The accountants made the same points about the coverage of their traditional activities falling into the regulatory framework. Issues remained around the
definition of incidental advice, as the accountants claimed that ASIC interpreted the
definition to include a wide range of activities.

The accountants did not take the initiative to recommend how they could involve their
members in conducting a financial planning business; instead, they provided evidence
of their profession’s ethics, trusted advisor reputation and fee-for-service remuneration
model, which they asserted meant that they did not need to be licensed. This led to one
of the committee members, commenting on the accountants’ evidence at a public
hearing:

What is so obnoxious about being licensed anyway? What is the problem? At an
operational level, there are a bunch of accountants out there; why is it such a huge
bogey? (Australia, Joint Statutory Committee on Corporations and Securities 2001a,
p. 212)

The accountants’ response emphasised their position that providing financial planning
advice required different competencies and education:

I guess the quick answer is that the securities regime is not designed to cover the sort
of competencies that accountants are required to have in providing their services to
the public at large. Therefore, if you are going to require accountants to be licensed
under this legislation then the competencies that are required will be a completely
different mix to those of someone who is giving specific investment decision advice
(Australia, Joint Statutory Committee on Corporations and Securities 2001a, p. 212).

The accountants were faced with the exclusion of the DPB clause in the FSRA when
it was introduced, and a rejection of the co-regulation supported by the accounting
associations and the FPA. This resulted in the professional associations, in particular
the accountants, not being able to pursue this avenue of claiming the legal and public
jurisdiction. ASIC in recommending a ‘one size fits all’ approach to the preparation of
SOAs, contributed to the commodification of the advice process, and the conflicted
business structures that developed in the period after the introduction of FSRA. In the hearing process the accountants were concerned their traditional activities would be affected by FSRA and did not take the initiative to involve their members in financial planning.

6.3.3 Structure of financial planning during pre-and post FSRA

The FPA commissioned a survey in 2002 that estimated the composition of the financial planning industry at the time (Financial Planning Association of Australia Ltd 2002). The tables are detailed in Appendix I. Table 2 within the survey (2002, p. 8) indicates that boutique firms (88%) dominated the structure of the industry; however, they only employed a small percentage of authorised representatives (18%). Most authorised representatives (52%) were employed within firms that were part of a financial services group47. The industry statistics showed emerging polarisation of the industry structure. At one end, institutions were acquiring businesses to capture market share for the distribution of their product. The institutions had the resources to develop high-volume, low-margin business with scale. At the other end, small and medium-sized businesses operated through small practices. The FPA had separate membership categories for individuals and corporations; at times, their demands differed.

The survey results suggested that the financial planning industry grew remarkably over the previous year, and the industry planned increases in staff of approximately 14% after a 32% actual increase in the year 2000. In terms of gross income, financial

47 Financial services groups were defined as having more than 200 representatives (advisers), whereas boutique advice firms consisted of 20 or fewer representatives (advisers).
planning businesses produced $AUD2,920 million in the year 2000, which the survey suggested had nearly trebled over the previous few years in terms of consumer spending on financial planning services (Financial Planning Association of Australia Ltd 2002).

The survey reported that the percentage of placement of internal products was 76% for medium, large and financial services groups and only 29% for independent groups. ‘Independent’ was a vague term until later defined in legislation. In the early years, the industry interpreted it to relate to firms that were not wholly or partly owned by institutions. In later years, it was deemed that no adviser who received any form of incentive from the product distributor could be classed as independent.

The survey also gave a snapshot of the range of investments placed by the relevant business in the previous year. The use of managed funds and superannuation, still a form of managed fund, was consistent over the various segments of the market. Table 28 within the survey (2002, p. 18) indicates that for boutique, small advice firms, finance and industry groups approximately 80% of investments were in managed funds and superannuation, with a small percentage in direct property and direct shares.

The distribution of clients’ investments is linked with the type of income received by financial planners. Investment in managed funds and superannuation funds attracts a commission paid to the adviser and ongoing payment of fees. The results of the survey are detailed in Table I-3 Income by Type of fee or Commission (2002, p. 20). The reliance on upfront commissions of over 50% of income for institutions, which included the banking organisations, reveals that this business model relies on new
business. The table illustrates the lack of fee-for-service remuneration. The tables are contained in Appendix I.

These trends continued in the years after the introduction of the FSRA. The following statistics apply to 2008 and provide a snapshot of the industry that had developed since the beginning of the 2000s. Over 160 dealer groups were operating in Australia at the time, and this was the most common method of providing financial advice. The dealer groups comprised just over 18,000 financial advisers working for 749 advisory groups operating over 8,000 practices. The largest 20 dealer groups held approximately 50% of market share. Critically for this thesis, around 85% of financial advisers were associated with a product manufacturer, either as financial advisers working within the group and using the dealer's support services or as directly employed authorised representatives under that corporate entity's AFSL (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2009, p. 16).

The dealer groups were found to use various business models. In the Ripoll Committee Report (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2009), ASIC explained the three predominant business models used in the industry. First, medium to large sized ‘dealer groups’ often operate like a franchise, where the licensee offers back-office support and the licensee is paid a proportion of the remuneration made by the authorised representative. An example is AMP Financial Planning. Second, institutional-owned financial adviser firms employ advisers. For example, advisers in bank-owned financial adviser firms are generally employed by the bank. Advisers are paid a proportion of the commissions earned or salaries, or a combination of both. An example is Westpac Financial Planning. Third, smaller firms
have their own licence and might outsource compliance functions to specialist dealer services. An example is Securitor (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2009, p. 16).

The report advised that financial planners are paid through a variety of remuneration models, including fee-for-service, commissions and bonuses. Fee-for-service charges are paid by clients to the adviser and may be an hourly rate or a proportion of funds under management. Commissions are paid by product manufacturers to financial planners, usually as up-front payments as a proportion of the investment or as an ongoing trailing commission. Bonuses are generally paid by manufacturers to providers for meeting certain volume targets. ASIC described commission-based remuneration as the most common industry practice. ASIC noted that because of the structure, which incentivised upfront commissions, only 16% of total financial planners’ revenue in 2008 came from fee-for-service charges.

Independent advisers are more likely to earn a majority of their revenue from fee-for-service arrangements than aligned planners or bank planners, while affluent clients are more likely to pay fees for service than those in the low to mid-wealth range (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2009, pp. 16, 7). Financial planners argued that the commission structure assisted clients who could not afford an upfront fee. In a discussion on the merits of fee-for-service arrangements for accountants, Interviewee A explains the benefit:

[Fee-for-service] is effectively going to kill off some advice which might be good advice, because people might not be prepared to pay for the advice, whereas they might be prepared to pay for a drip feed over time by the commission (Interviewee A 2012, interview, 23 November).
The effect of the consolidation of the industry into institutional ownership and the industry’s remuneration practices will be discussed in Chapter 7. The ramifications had commenced in the current period (2000-2007) with the institutions’ continued expansion into the financial planning industry. In this environment the sales culture of the institutions flourished.

In the early 2000s, the major motivation in the industry was sales, and unscrupulous individuals were recognised as leaders because of the sales that they generated for their organisations. The organisations themselves supported such individuals in purchasing financial planning practices, as this resulted in more funds under management.

The sales culture has been linked to commissions as a form of remuneration in the industry, or was at least until the implementation of the FOFA amendment in 2013. The financial planning industry relied on an upfront commission paid by the product provider from the client’s investment in a financial product, a managed fund or life insurance. For example, if an investment product, usually platforms or master trusts, had an up-front commission of 5% and the investment was $100,000, unless a financial planner chose to rebate this fee or ‘dial it down’, the amount charged was $5000, and the client would be investing $95,000. Prior to FOFA, which reduced the trailing fee for new investments, ‘trailing commissions’ (also called ongoing commissions) had been calculated as a percentage of the total amount invested over the lifetime of the investment (Kohler 2007, p. 22).

48 The Future of Financial Advice (FOFA) reforms were introduced as a Government response to the Parliamentary Joint Committee on Corporations and Financial Services’ Inquiry into financial products and services. FOFA is discussed in detail in Chapter 7.
The average trailing commission is 0.6% per annum. A survey conducted by *Choice* magazine (2005) found trailing commissions ranging from 0.25 to 0.88%. Therefore, an increasing number of financial planners and discount managed fund brokers offer clients 'nil up-front fees’ for managed fund investments to collect the ongoing trailing commission for as long as the investment remains in place. In many cases, up-front and trailing commissions are earned irrespective of the services given by a financial planner (Kohler 2007, p. 21).

The trailing commissions were designed in the early days of financial planning to assist in providing advice on an as-needed basis to small investors with less than $50,000. They were negotiated between the product manufacturers and the distributors of those products, which were the dealer groups. Often, dealer groups and individual advisers did not wish clients to receive advice, as they were receiving the funds regardless of providing any advice.

A further point on the definition of ‘nil up-front fees’ is the term ‘nil entry’, where a client pays a management fee rather than any fees up front. The client is led to believe that they are not paying any fee on their $100,000 investment, for example, as – in contrast to the investment of the small investor paying up-front commissions – the investment remains at $100,000. The client is not aware that the full 5%, less the fee payable to the master trust and the dealer, is paid to the financial adviser in full immediately the investment is processed. The amount is ‘clawed back’ each month by the dealer. If the client wishes to redeem their investment or transfer to another provider, the amount due is deducted in full. This process was pointed out at an advisor’s professional development day in the early 2000s when a respected writer on
business matters provided a session on how to sell ‘nil entry’ products to clients. The
selling process involved advising the client that no fee would deducted; however, the
client would pay an additional management fee, which would be tax-deductible. The
adviser received an amount of $AUD50,000 for an investment of $AUD1,000,000.
When asked if the client would have paid $AUD50,000 if asked to provide a cheque
for the amount, the response was emphatically negative. Often clients were deceived
and were not aware of the process.

The structural composition of the financial planning industry was very different to the
structure of accounting practices. Most financial planners conducted their business
through a financial institution that was driven by sales of products, and the planners
were remunerated by commission. Again, the accountants’ attitude was to reject the
business model. The following comment suggests that, unlike the structures used by
accountants and doctors, the structure of financial planning was not professional:

AFSL in some shape or form…is quite different to how the accounting profession
operates and similar, I’d imagine, [to] how doctors and dentists operate as well. They
run their practices in the suburbs as themselves and they’ve got their regulatory
structures in place and so on, whereas the vast majority of financial planners operate
under a financial institution (Interviewee G 2013, interview, 29 July).

The structural composition of the financial planning industry incorporated a
commission driven structure, an approach very different to the structure of accounting
practices. The consolidation of the industry into institutional ownership linked the
recommended investments of financial planners to the internal products of large
institutions and dealer groups. In this process the education of financial planning under

49 The client was generally not aware of the total fees payable, as, although the details are required to
be disclosed in a table, the client is not likely to review the SOA. Whilst there was lobbying at the time
to make the establishment fees tax-deductible, the consensus was that additional fees taken as
management fees in lieu of up-front fees were a capital expense and not tax-deductible
FSRA was neglected. The next section demonstrates the negative effect of the RG 146 training regime on the development of financial planning.

6.3.4 Educational impact

The level of complexity and the content of the education requirements for financial advisers depends on the type of products in which the organisations or individuals require competency. Regulatory Guide 146 (ASIC 2012a) sets out the education level for two tiers of financial advice.

Tier 1 products are defined as all financial products except those listed under Tier 2. The characteristics of a Tier 1 course are broadly equivalent to what is described as the "Diploma" or Level 5 in the 2013 Australian Qualifications Framework (AQF). The AQF comprises 13 titles (ranging from Certificate I to Doctorate) and guidelines define each qualification and specify principles and protocols covering the articulation and issuance of qualifications. The framework provides the criteria for all vocational qualifications issued by Colleges of Training and Further Education (the Australian equivalent of community colleges in the USA), universities and approved private education and training providers. Tier 2 products are general insurance products, except for personal sickness and accident; consumer credit; insurance; basic deposit products; non-cash payment products; and First Home Saver deposit accounts. Tier 2 courses are broadly equivalent to "Certificate III" or Level 3 in the AQF (2013) (Cowen et al. 2006, p. 45).

An individual who has met the knowledge and skill requirements as set out in the regulation guide is in compliance with RG 146 (ASIC 2012a). To acquire the specialist...
knowledge required, individuals must demonstrate that they have the skills that are relevant to that knowledge area. The specialised knowledge areas consist of: financial planning, securities, derivatives, managed investments, superannuation, self-managed superannuation funds, margin lending facility, life insurance, insurance broking, deposit products and non-cash payments, foreign exchange, miscellaneous financial risk products and general insurance.

The ASIC training register contains details of training courses and individual assessment services that have been approved by ASIC-authorised assessors as meeting ASIC’s training requirements in relation to RG 146. The register has been placed under review from 24 September 2012. After that date, individual training providers nominate whether they meet the standards set in RG146.

Under FSRA the training of financial planners under RG 146 was not developed with an abstract body of knowledge as the basis of the development of a financial planning profession. RG 146 provided training in competences which negated the need for professional judgement or ‘inference’ utilising Abbott’s (1988) theory, as described in Section 3.4. This lack of ‘inference’ ensured that the implementation of RG 146 resulted in a compliance related process not a ‘professional act’ according to Abbott (1988). The RG 146 requirements could be described as a training process rather than an education process incorporating an abstract body of knowledge. Further details of the impact of RG 146 on the claim for the education jurisdiction is covered in Chapter 8.
6.4 **FSRA jurisdictional contest**

6.4.1 Accountants’ response to financial planning

All interested participants in the financial planning industry offered input into the consultation before and after the implementation of the FSRA legislation. Accountants did provide some input, but it focused on protecting their interests relating to traditional work rather than making a meaningful contribution to the ongoing debate. They insisted that they did not require licensing, and they did not embrace the regulatory changes.

Two years after the enactment of the FSRA legislation and a few months before the two-year transition period ceased, accountants were still sanguine that the legislation would be changed in their favour. Steven Harrison the CEO of the ICAA commented that in 2004, he hoped the Government would recognise the strength of the regulatory regime that surrounds accountants and the professional advice they give clients. He believed accountants are far better equipped than most other advisors to give structural advice on superannuation, and should not be required to be licensed under the FSRA. At the same time, he acknowledged that, when it came to specific financial products, the public would be better served through the recently established licensing regime (Harrison 2004a, p. 4).

6.4.1.1 Accountants and financial planning

The language in many publications in the professional bodies suggested the mood of the overall response. One publication in June 2003 (‘Getting to grips with financial services reform’ 2003) explained how CPA Australia was helping members ‘cope’
with the FSRA. The word ‘cope’ is appropriate, as there was total confusion about what accountants could do (‘Getting to grips with financial services reform’ 2003). The timing is important also, as the Act was due to come into effect in March 2004 after a two-year transition period. In the same publication, one member asked whether this meant CPAs could still provide traditional accounting advice. This calls into question the effectiveness or understanding of those individuals lobbying the Government in the implementation of the FSRA.

The accountants were scathing in their remarks about financial planners. One interviewee is critical of the lack of control demonstrated by the FPA and its membership:

[I]t was a rip off industry, and I think the big chartered firms were on global clients, big clients and not at the small end of the market (Interviewee H 2015, interview, 11 March).

(Note: Additional interview excerpts are in Appendix J Chapter 6 under the ‘FPA criticism’ theme.)

In Chapter 5’s discussion about the growth factors contributing to the development of financial planning, the accountants suggested that financial planning was exclusively related to taxation. Interviewee B expresses a similar view of the accountants’ approach:

[T]hey eventually got involved, and I think a lot of their advice was heavily tax-driven. I personally was the victim of some of that advice in a negative way, which cost me a lot of money (Interviewee B 2012, interview, 28 November).

Of the combined membership of ICAA and CPA of 110,000, it was estimated in 2001 that 3000 to 4000 members were licensed or proper authority holders. The accounting bodies indicated that 20,000 public practitioners provided traditional accounting
services (Australia, Joint Statutory Committee on Corporations and Securities 2001b, p. CS 35). This aspect and the reactive nature of the response is highlighted by Interviewee R:

[T]here weren’t enough chartered members doing financial planning or interested enough to warrant them to invest more than they did. And what happened in the interim – the Financial Planning Association, for instance, got stronger on that side (Interviewee R 2017, interview, 23 March).

(Note: Additional interview excerpts are in Appendix J Chapter 6 under the ‘ICA numbers’ theme.)

The accounting press was instrumental in giving the impression that financial planning was not an activity that was suitable for accountants. Interviewee R, who was a senior executive of a financial planning-related organisation and an accountant, reflects:

[Go]ing back to why…back in 2004, where I was reflecting upon the opportunities that were there. And then why don’t they [accountants] dominate the landscape? Accountants have the right background, strong technical knowledge and conduct, independence and understanding of the client’s circumstances. However, serious allegations exist. And they kept talking about ‘structurally corrupt’. And so, the accountants, many of them, saw that they didn’t want to get involved in an industry that was structurally corrupt. And structurally corrupt was the commission (Interviewee R 2017, interview, 23 March).

The tone of the accountants’ commentary was changing, and this change was to be reflected in the reaction to the accountants’ financial planning standard that was introduced in this period (although not resolved until many years later). This issue will be discussed in detail in Chapter 7. The change occurred because more of the professional accounting members who were in business required a voice. From this time to the GFC, the numbers of ICAAs in business was at a turning point: “it was 50/50 at the time, as many members in business as there were in practice” (Interviewee P 2015, interview, 30 September).
6.4.1.2 Attitudes of accounting professional association executives

At times, the boards of the various accounting professional groups were ambivalent about the financial planning profession. Some presidential reports mentioned financial planning, but in the early years, especially around 2002, such mentions were very infrequent, although it should have been commonplace to read of matters relating to financial planning, given the major changes that were occurring in the industry. In some instances, for example Meyer (2006), the FSRA legislation is mentioned briefly.

In dealing with financial planning, the accountants recognised and dealt with the perceived threat from financial planning by invoking a sense of superiority. The following interview exposes the tone reflected by the accountants:

[Even members of the institute probably say that they’re chartered accountants before they’re financial planners. I would suggest that if you had the opportunity to be a member of the Institute [ICAA] versus the FPA, the clear majority, even often financial planners, would prefer to be a member of the Institute (Interviewee G 2013, interview, 29 July).

(Note: Additional interview excerpts are in Appendix J Chapter 6 under the ‘Status’ theme.)

The ICAA did have an active speciality in the early 2000s for financial planning, but it did not receive funding or support from the board. CPAs did incorporate financial planning as one of their Centres of Excellence even when the number of specialisations was decreased from 12 to seven (‘New look for coes’ 2004).

According to an executive involved in the ICAA in the early 2000s, Interviewee P, the board received scant knowledge of its members’ financial planning activities:
I think it was discussed at the table, and the question was, “What’s the institute [ICAA] doing?” Response was, “We’ve got a committee and there’s some guys handling that,” you know? I guess my criticism of the Institute [ICAA] and all the committees was, while the Institute ran the committees, it wasn’t an expert, and there was no reporting back, really, about the risk management side of it. Whilst it was discussed at a high level, in hindsight I can’t remember anything being put in place to manage the risks that were being run by the changing nature of the wealth management discussion…. All the Institute was doing – and probably still does – is just [be] a facilitator for members to run their own race (Interviewee P 2015, interview, 30 September).

(Note: Additional interview excerpts are in Appendix J Chapter 6 under the ‘Board attitude’ theme.)

All industry participants lobbied the Federal Government in the periods before and after the FSRA legislation. The accounting journals regularly reported that the professional associations were active in the discussions on the FSRA (Brown 2003a). The ICAA reported in 2004 that it established its presence in Parliament as a key influencer on core areas of concern to Chartered Accountants and their clients, such as CLERP 9, the FSRA 2001 and the Federal Budget. It assured members that it would continue to act as the voice of the profession and to liaise with both Government and Opposition to influence their policy agendas (Foster 2004).

6.4.1.3 Standards and position statements

Accountants did make some input into the debate by releasing a Statement of Financial Advisory Service Standard (APS 12). They suggested that the new financial planning standard would provide guidance on key areas in financial planning, with the added intention of improving the quality of advice currently available. Some of the major criticisms of the financial planning sector had been that fees and commissions were not transparent and that independent advice was difficult to attain (Dangar 2004b). The standard’s core objective was to make sure these issues were addressed. It required that members not only disclose any form of soft-dollar commissions but also that
certain benefits cease from 1 July 2005; moreover, members were required to maintain a register of benefits that could be provided to clients on demand. It was also proposed to ban members from accepting certain benefits relating directly to products sold (Australian Society of Certified Practicing Accountants and the Institute of Chartered Accountants in Australia 2005). The statement was issued jointly by the two major accounting professional bodies, ICAA and CPA Australia. They encouraged financial planning members to adopt a fee-for-service approach when advising clients. Coughlin (2005), in commenting on the proposed standard, affirmed that it was imperative that CPAs continually enhance their professional standards in line with public expectations.

Accountants recognised that the response from the various professional associations did not produce a meaningful change in the industry, while the business practices of the institutions did change the models of conducting business in the financial planning industry.

Five years after the implementation of FSRA, the ICAA held a financial planning industry forum to discuss a paper issued by the ICAA entitled Reinventing Financial Planning (Brown 2007c, 2007d). The central proposition was the fundamental structural problem in the financial service industry: the dominant remuneration models that relied upon the sale of products or the existence of assets on which to charge a fee. The report suggested that these models must cease, and that until that occurred financial planning would not be treated as a profession due to the real and irreconcilable conflicts of interest, and thus that the public interest would not be served (Brown 2007f, p. 5). Brown (2007d) concludes that the community did not appear to
agree with the proposition of financial planners as professionals. He also addresses the strongly entrenched sales culture and product distribution networks in the industry, recommending the removal of the ‘product-based’ remuneration models, which give rise to conflicts of interest, and suggesting an alternative of fee-for-service, as entrenched in the accounting profession. The paper also recommended higher academic standards for entry to the industry. In discussing the report, Cull (2009) confirms that each of the issues discussed must be resolved by the financial planning industry if it were to evolve into a professional occupation.

Brown (2007d) was endorsed by the ICAA through its professional journal; however, this was not enough to galvanise members into conducting financial planning within their practice. Typically, the accountants said that they viewed themselves to be without doubt the best-placed advisors to provide financial planning to Australians, due to the trust they had with their clients. Whilst wealth creation was acknowledged as a natural extension of the expertise in tax planning and accounting work, many accountants found the whole industry so tainted by the drive of commission-based advice that they choose not to obtain the necessary authority and licenses (Bullock 2007).

6.4.1.4 Big firms

The major firms were instrumental in policy decisions that affected the entire accounting profession. Chapter 5 explained the rapid growth in the consulting areas of their organisations. The larger firms could provide their own training within their organisations and established positions of power within the committee structure of the professional accounting associations. Part of the contribution of the big firms to the
accounting professional associations was to provide partners to hold key positions on the associations’ boards. Some firms offered the services of a partner virtually full-time for a year to attend to the duties of the President of ICAA and CPA. Whilst there were some altruistic motives in such an offer, a presidency providing publicity for the firm and, more importantly, ensuring control over the professional association’s decision-making processes. Interviewee K, a senior partner of a big firm, comments on the agenda of the ICAA:

I can only assume that, as you were saying earlier, that most of the agenda of the Institute [ICAA] is driven by large financial and big-end-of-town corporates rather than [the] retail sort of customers (Interviewee K 2015, interview, 5 May).

Similarly, Interviewee P confirms that in the early 2000s the membership of the ICAA was heavily weighted towards the Big Four, which were withdrawing from financial planning, at a time when the FPA was asserting itself as representing the financial planning profession:

...with the FPA normally informing and sprouting that it was going to be the financial planning profession. So that was happening at the time that a lot of other things were happening for the Institute [ICAA]. It was trying to work out its place, really, its relevance. At the time 40% of members were in the Big Four (Interviewee P 2015, interview, 30 September).

The larger firms initially were involved with financial planning, but withdrew from the business in the early 2000s. Interviewee J corroborates this statement when discussing KPMG’s decision to sell their financial planning practice: “We weren’t the only ones. I think the only firm that didn’t sell was Deloitte’s” (Interviewee J 2015, interview, 5 May).
In the early 2000s, financial planning was not on the big firms’ agendas. Interviewee P, who, as a senior member of the executive of a professional body dealt with the managing partners of the Big Four at the time, notes:

[T]here were no discussions with the Big Four around wealth management as an issue. It was more about regulatory issues and, you know, the accounting profession itself and accounting standards, with the IFRS coming in. So that was the focus (Interviewee P 2015, interview, 30 September).

Several of the interviewees associated with the Big Four observed their fellow partners’ derision towards financial planning, recalling many of their partners’ stance that the practice should not provide such a service. They did not cross-reference to their own business unit, and in some cases referred clients to outside organisations. Interviewee F comments:

[P]artners felt uncomfortable dealing with that part of the firm, because they saw it as something a bit conflicted and something they didn’t want to be involved [with]. So, I often found that partners would often actually refer clients, irrespective of our expertise, to outsiders, and you would never do that if you were a tax or an auditor partner, but in our area, that’s often what happened (Interviewee F 2013, interview, 25 July).

(Note: Additional interview excerpts are in Appendix J Chapter 6 under the ‘Big firm’ theme.)

Independence was a major issue for all Big Four firms; this issue is fully detailed in the following section where KPMG’s experiences can be applied to all Big Four firms. The Big Four firms’ objectives were profit-based: “Whether it was financial planning, or you know, just accounting and business services, the focus was more on the bigger clients” (Interviewee H 2015, interview, 11 March). Many of the clients of the Big Four were international, and the firms needed to adopt a global position on their business units. Interviewee I explains:
So, a big firm that had no...global commitment to providing financial advice and planning advice looked at this and said, “This is not an area that we derive a substantial amount of income from, but it has the potential to cause us problems with the regulator.” And therefore, rather than...deal with those, [the firm decides to] find a solution (Interviewee I 2015, interview, 11 March).

6.4.1.5 KPMG

Chapter 5 used the example of the Australian firm, KPMG, to illustrate the presence of the Big Four firms. The activities of one Big Four firm is assumed to be representative of the other three. Many of the interviewees were current or former KPMG partners: one had since entered private business, one was an audit partner, another was an audit partner who was also a member of the national executive of KPMG and another was a partner in charge of the finance business unit for the Asia Pacific region, including Australia. Their insights into the reasons why the firm did not persist with financial planning are unique; accordingly, the section relies heavily on their input from the interviews.

As detailed in Chapter 5, KPMG did have a financial planning practice in the middle to late 1990s in many city and regional offices. The reasons for entering the financial planning arena were very similar to those of other accounting practices: diversification of client service areas. Interviewee J observes:

I mean, if you are managing somebody’s tax affairs, it just seems quite sensible that you would help them manage their financial affairs. And if you were qualified, then...I can’t see why you wouldn’t be giving them advice around how to structure their investments.... Our firm saw that there was potential to help wealthy individuals to manage their investments (Interviewee J 2015, interview, 5 May).

(Note: Additional interview excerpts are in Appendix J Chapter 6 under the ‘KPMG’ theme.)
A reason for KPMG divesting the financial planning business unit was the competition with clients and conflict of interest. It was inappropriate for one section of the practice to be dealing with a client as an audit client, and the same corporate client being recommended as an investment by another division of the firm. For example, the Big Four firms audited the banks and other financial institutions. A typical comment from a current KPMG partner raises the independence and conflict issues:

[Independence] gave firms like ours a challenge when our audit clients were the ones providing trial commissions to us. It was that which gave us all sorts of conflicts of interest and independence problems (Interviewee K 2015, interview, 5 May).

(Note: Additional interview excerpts are in Appendix J Chapter 6 under the ‘KPMG’ theme.)

The lack of profitability was another reason why KPMG did not persevere with financial planning as a business unit compared to other divisions. Interviewee H, a former KPMG partner, comments:

It was just considered to be not profitable for the structure of the way the big firms were structured…. [F]rom the bigger firm’s perspective they would be saying why are we spending all this time to get a $5,000 fee. We should be getting a big client where we are earning hundreds of thousands of dollars (Interviewee H 2015, interview, 11 March).

KPMG sold their financial planning business in the late 1990s (Interviewee J 2015, interview, 5 May). Interviewee C, a senior executive in a major institution of the time, recalls the transaction:

I think KPMG was sold to St. George, wasn’t it? I think they stuffed that up, from afar, I’m saying from afar, at that time I don’t think St George got the value from it (Interviewee C 2013, interview, 29 April).
In selling the business, KPMG were hopeful that they could continue to refer clients to the purchaser. However, the following comment by Interviewee I gives an insight into the way the institutions commodified the advice process:

[W]hen we sold our practice to St George, we sold it on a basis that we would be able to maintain a ‘bespoke’ financial advisory service to our clients. Due to internal changes within the management structure of St George, the whole process was reduced to becoming a checklist and volume-oriented service, which basically meant that all the people who originally went across to St George left St George because that was not the way we operated (Interviewee I 2015, interview, 11 March).

Interviewees believed that the sale was not the result of the SEC requirements in the USA, as KPMG sold their practice before the enactment of the Sarbanes Oxley legislation in the early 2000s:

I don’t believe there were any SEC requirements. I can’t recall there being [any]. I mean, there may have been, but my recollection was [that] we parted ways, sort of amicably, because I think Max Weston and his colleagues couldn’t grow the business with the issues that we had, and we weren’t making the money that we thought we could make out of it (Interviewee J 2015, interview, 5 May).

Interestingly, the current and former KPMG partners interviewed commented that they would have liked to have found a solution to the issue for them to be able to provide the service to clients. The following comment from a KPMG interviewee provides an interesting analysis of the position at the time:

The only small problem that we had in that space was trail commissions, which came through irrespective of whether we continued to be your advisor or not, if the client was invested in that product. We couldn’t find a solution to that that satisfied our masters in the global environment, and those masters were dictated by a very, very strict, draconian set of regulations out of the SEC in the USA (Interviewee I 2015, interview, 11 March).

(Note: Additional interview excerpts are in Appendix J Chapter 6 under the ‘KPMG’ theme.)
Regional and smaller accounting practices had a different range of clients. Their clients were small-business or retail clients, in contrast to the corporate clients of the Big Four city practices. Rumney (2006), in a review of the profile of country practices, noted that these regional and smaller practices embraced financial planning. A practice commented, “[M]ore than 85% of our clients are involved in rural industries and, like other practices, financial planning is assuming a bigger role” (2006, p. 42). Several interviewees remarked on the different clientele and work environment of regional and smaller practices:

In a lot of cases, certainly in regional Australia, I think a lot of it came down to the fact that, you know, the reputation of the accountant and tax advisor gave you a sound base on which to build on this additional level of expertise (Interviewee I 2015, interview, 11 March).

(Note: Additional interview excerpts are in Appendix J Chapter 6 under the ‘Regional’ theme.)

Accountants were reactive to issues surrounding financial planning. After the Big Four exited financial planning, the smaller firms did not have a voice in the committee structure of the professional accounting associations. KPMG’s involvement was chronicled to provide an insight into the reason why they entered and withdrew from financial planning. The ICAA presented a policy paper of financial planning, which addressed the conflicted commission structure rather than a meaningful attempt to address the work and legal issues for their members to attain leadership in financial planning.
6.4.2 Factors inhibiting the adoption of financial planning

6.4.2.1 Independence

The scandals surrounding Enron (Carnegie & Napier 2010) and WorldCom and the subsequent demise of the accounting firm Arthur Andersen (Toffler & Reingold 2003) resulted in the enactment of the Sarbanes-Oxley Act of 2002. This Act\(^5\) was a disturbance as defined by Abbott (1988). It required professional firms, especially the major accounting firms, to be independent. The lack of independence in financial planning was evident, as it was difficult for partners of a firm to give advice in relation to investing in shares when those shares were being audited by the same accounting firm. There was a divestment of sections of a business that provided a conflict because of the ban imposed by the Act. This issue was confirmed by Interviewee C, when talking about AMP’s purchase of the financial planning business of PwC: “So, in 2002 we [AMP] bought PwC [referring to their financial planning practice]; from 2000 onward, we were talking to PwC about it, the same time as the SEC rules [referring to the independence rules]” (Interviewee C 2013, interview, 29 April).

Interviewees confirmed that independence was a major issue confronting the Australian accounting profession in adopting financial planning. Many big firms, most notably KPMG, sold their practices prior to the implementation of the Sarbanes-Oxley Act; however, those that had not addressed this independence issue prior to the Act

\(^5\) The Sarbanes-Oxley Act of 2002 (SOX) is an Act passed by the US Congress in 2002 to protect investors from the possibility of corporations’ fraudulent accounting activities. The SOX Act mandated strict reforms to improve financial disclosures from corporations and prevent accounting fraud. The SOX Act was created in response to accounting malpractice in the early 2000s, when public scandals such as those involving Enron Corporation, Tyco International PLC, and WorldCom shook investor confidence in financial statements and prompted demands for an overhaul of regulatory standards. Viewed 4th November 2016 http://www.investopedia.com/terms/s/sarbanesoxleyact.asp.
coming into effect resolved to divest themselves of their financial planning practices
due to the inherent conflict of interest. The interviewees identify these issues as
follows:

[T]he SEC’s view was [that] an independent audit firm could have absolutely no
financial relationship with its audit client, in any way, shape or form. So, if you had
an audit client that was a financial institution, through which you derived some form
of trail commission because a client of your other non-audit area of operations was
invested in the client, then you had a problem (Interviewee I 2015, interview, 11
March).

(Note: Additional interview excerpts are in Appendix J Chapter 6 under the ‘Sarbanes-
Oxley’ theme.)

The position of the accounting profession was that independence was a key issue. Not
only did they see it as a major issue for their own survival as independent advisers, but
also there was an undercurrent that financial planners were not professional because
of their lack of independence. This view is evident in Interviewee J’s comment:

A true professional should be completely unbiased, and he should be able to
demonstrate that there are no side deals or key facts, or anything else which clients
are not aware of, that are flowing to them. Otherwise, really, they are no better than
a car salesman (Interviewee J 2015, interview, 5 May).

6.4.2.2 Traditional work

Accountants were not successful in lobbying governments to effect major changes to
the FSRA. In fact, the incidental advice that had been in the previous Act and
recommended by the Wallis Committee was deleted, and only after intense action was
it inserted into the legislation. Accountants viewed this as a successful lobby when, in
fact, it was just reinstating what had been present in the former Act. The accounting
executive heralded this as recognition from the Federal Government that it was not
their intention to regulate traditional accounting functions, but to cover advice given
by accountants about financial products. Subsequently, the Government made it clear that recognised accountants could provide advice on the acquisition and disposal of interest in self-managed superannuation funds without the need of a licence (Harrison 2004b). Palmer (2004a) informed the membership of the ICAA that as a result of its work, the ICAA had established that most of the work that members typically undertook in their normal accountancy practices would not require licensing, with a licence required only where a member provided advice on specific financial products.

The FSRA affected the traditional work of accountants, who felt that their traditional work was under threat. As indicated earlier, in the public hearings the accounting bodies were more intent on retaining their traditional work on behalf of most members than on providing leadership in the development of financial planning within the accounting profession.

The accounting journals contained numerous articles answering members’ queries about how their practices would be affected, as it remained uncertain in the period after the legislation was introduced as to what license was required and what services could be provided without being licensed (Agland 2002a, 2002b, 2003). The confusion was compounded by the removal of the incidental-advice clause that had previously enabled accountants to give broad investment advice. As the March 2004 deadline for the Financial Services Reform Act to become operative approached, the implications for accountants were still unclear (Bowler 2003).

The two major professional accounting bodies released a report on the impact of the FSRA on their traditional accounting tasks (CPA Australia and the Institute of
Chartered Accountants in Australia 2005). The professional accounting associations became resigned to the regulatory outcome, but continued to lobby the Government for changes and to make politicians aware of the impact on accountants (see ‘On your behalf’ 2004; ‘In the headlines’ 2006).

Whilst it is relatively easy in hindsight to criticise accountants for not being involved in financial planning, their work and legislative environment were subject to major disruption at the same time as the financial planning claim for jurisdiction was underway. For example, the accounting profession needed to adapt to the new IFRS requirements, with the adoption being achieved relatively smoothly. As a result, Australia's financial reporting standards were now in line with those used internationally (Macek 2007).

Accountants were subjected to increasing compliance for taxation, especially the smaller practitioners, who were concerned with assisting with compliance issues for GST and other taxation-related issues. Interviewee N identifies the position succinctly:

...additional cost in compliance. And, you know, if you are already a tax agent and you provide accounting advice and you might also have been doing auditing back then, to add a license and provide that, you know, it is almost unachievable – well, I think it’s unachievable to be trying to wear all those hats (Interviewee N 2015, interview, 1 May).

(Note: Additional interview excerpts are in Appendix J Chapter 6 under the ‘Taxation compliance’ theme.)

Accountants did not seek work; neither were they aware of their clients’ requirements, because they were already busy, and were used to clients contacting them with urgent issues. Lees (2004, p. 52) argues that accountants are better placed and trusted to offer or facilitate financial planning advice. He argues that very few clients ask their
accountants for financial advice beyond urgent issues, and that accountants should display their knowledge and skills without being asked.

6.4.2.3 Fee for service

The fee-for-service issue for financial planning consumed the accounting bodies. They pursued the stance that the professionalism of financial planners was structurally unsound compared to that of accountants. Brown suggested that the move away from trails to fee-for-service held the key to the transition of financial planners into a professional group (2007f, 2008b), and highlighted the industry’s entrenched resistance to such a change (Brown 2006c, 2007e). The ICAA executive also promoted the fee-for-service model as a way for financial planners to acquire professional status (Meyer 2007b).

6.4.3 Response of financial planners

6.4.3.1 FPA

The FPA, by establishing itself as the peak professional body for Australia’s financial planners in the early 2000s, filled the void previously filled by the two Australian professional accounting bodies prior to the introduction of the FSRA. The FPA has provided the perception that it provides additional support for the licencing process to its members. The issue the FPA had in gaining recognition was that financial planning practitioners were not required to be members of a professional association. They only needed to fulfil the requirements of RG146 and any other requirements of the AFSL license holder. Interviewee N comments on this aspect:
If you look at the industry, you would say that at least 50% of financial planners are not members of any industry or professional association (Interviewee N 2015, interview, 1 May).

The FPA viewed themselves as the professional association providing leadership and a professional framework, and the key representative of the industry (‘Members meets pollies in Canberra’ 2007). They were convinced that participants in the industry had a high regard for the FPA as a knowledgeable stakeholder and the pre-eminent voice for the planning community (Bloch 2006a, 2007). However, the FPA recognised that the industry in general had a poor reputation (Bloch 2006b).

The FPA made lengthy submissions to the various parliamentary inquiries and was successful in being considered as the main professional organisation representing financial planners. For example, early victories involved the personal exertion provision of the Income Tax Assessment Act, which could have resulted, after the introduction of FSRA, in financial planning practices with their source of revenue from one dealership being classified as employees. This issue would have had a major impact on the structure of financial planning dealerships. However, as Interviewee A comments,

[t]hat was a significant one because the FPA went to battle on that, and they had a significant acceptance by the Federal Government on that one (Interviewee A 2012, interview, 23 November).

The FPA had ongoing media coverage in its attempts to add to the debate on the impact of the FSRA; for example, on the excess paperwork required in complying with the production of an SOA (‘Drowning in paper work’ 2004).
The FPA did not represent the majority of financial planners as individual planners were not required to join a professional association. At times they were restrained from acting on policy issues that would result in improved outcomes for consumers due to their corporate membership which represented the large financial institutions. The FPA, however, did provide leadership and a professional framework for further development of the financial planning profession.

6.4.4 Response of institutions and dealer groups

The institutions had had their structures in place before the introduction of the FSRA, and did not change the way they conducted business, which was sales-orientated. The conflicts of interest within the institutions were obvious to all interviewees. A sample of comments from Interviewee M, who was related to both accounting and financial planning, reinforce this assertion:

[M]y expectations with the introduction of FSR was [sic] that there was a great opportunity for insurance companies to change the way they did things and to bring it all into one way of doing things, but…nobody thought to try and change…. So, you know, now we are still dealing with that (Interviewee M 2015, interview, 30 April).

(Note: Additional interview excerpts are in Appendix J Chapter 6 under the ‘Conflicts of interest’ theme.)

The institutionalisation of the financial planning sector continued with the dealer groups. The accountants who had joined the Count group moved to list their dealership. It was reported in the press (Hughes 2000) that the franchise-based Count group planned to raise AUD$40 million through the issue of 100 million shares. Majority control was retained by existing shareholders, including Managing Director Barry Lambert, who collected AUD$32 million of the proceeds, with the balance of
AUD$8 million to go towards further development of the operation. Count at the time had AUD$5 billion in funds under advice, and, as detailed in Chapter 5, was founded in the mid-1980s to provide accountants with a franchise structure that offered a financial planning capability, including research and specialised financial products. The group at the time had 470 accountants as franchisees. The fight to obtain funds under management was intense, and Count rejected several advances to purchase the business (Hughes 2000).

The institutions were criticised for modifying the advice process through their distribution network, and the emphasis on their sales process was shown by the fact that ASIC needed to prosecute some institutions for lack of compliance and disclosure practices. For instance, AMP, one of the largest and most respected financial planning networks, operated whilst having an enforceable undertaking imposed by an industry regulator, due to inadequate advice being provided to clients in their superannuation business (Kohler 2007, p. 10).

The institutions emphasised that practitioners’ sales skills were paramount. In discussing the structure of businesses for practitioners contemplating retirement, Gray (2007, p. 31) writes in a financial planning industry journal that “real profits lie in having truly scalable businesses…. The habits of good sales people are among the most important skills that a new owner must bring to the table”. Scalable business means a recurring income by which a multiple of the recurring income can be applied in the valuation of the practice.
The institutions were endeavouring to partner with accounting practices to develop scalable practices. A typical advertisement placed in professional accounting journals invited accountants to a free seminar. The advertisement enticed accountants by a promise to illustrate “how just 80 typical accounting clients could generate financial services fees for you of up to A$1,064,400 over the next five years alone (including A$137,300 p.a. of recurring income)” (Australian Unity 2007, p. 56).

It was reported that some institutions preferred government-based regulation (Negline 2005, p. 3). The institutions controlled the distribution of their own products through their advisor networks and had the ability to develop their own systems without reference to any professional structure. Interviewee D comments on this aspect:

The institutions – so, the Big Four banks, even the regional banks, the general insurance and the life insurance companies – all had the ability to develop their own frameworks under this umbrella of holding a securities dealer’s licence. And then, when the Financial Services Reform Act came into play, these are organisations who already, well, they were already in the environment (Interviewee I 2015, interview, 11 March).

(Note: Additional interview excerpts are in Appendix J Chapter 6 under the ‘Institutions distribution’ theme.)

In answering the question as to the effect of the institutions on the advice process, Interviewee R’s response was, “Did they commodify [advice processes] as well? Just tick the box? Of course” (Interviewee R 2017, interview, 23 March).

The institutions had had their structures in place before FSRA, but the consolidation of the dealer groups continued under FSRA. The institutions modified the advice process to concentrate on sales through their distribution networks, and in the process commodified the industry. The institutions emphasised that practitioners’ sales skills
were paramount rather than address the education and structural issues causing the consumer to become disaffected with the industry.

6.4.4.1 Role of banking institutions

Banks have moved into the financial planning jurisdiction, and in the process commodified the financial planning process as “[e]soteric professional activity [that] can be embodied in commodities, which can then be bought and sold without the involvement of jurisdictional professions” (Abbott 1988, p. 146). Abbott comments further that banking has never become effectively professionalised in either the USA or the UK. He notes that this reflects the rapid turnover of bank personnel and the hybrid nature of many banking activities and the unwillingness of organised capital to admit the existence of an even partially autonomous group of individuals governing flows of capital through knowledge of their own (Abbott 1988, p. 147).

In Australia, the banks have slowly concentrated their stranglehold on the sector. They used their adviser networks to increase the distribution of in-house investment products. The scandals that are detailed in Chapter 7 indicate that this culture continued even after the GFC. Interviewee F comments on the concentration achieved by the banks:

[A]round 85% of all financial planners are employed or licensed by organisations directly or indirectly owned by banks of AMP. So, it’s a highly concentrated industry; it’s not the highly competitive industry that people might suggest it is (Interviewee F 2013, interview, 25 July).

(Note: Additional interview excerpts are in Appendix J Chapter 6 under the ‘Accountants and FSRA’ theme.)
Due to the institutions’ commodification of the advice process, any semblance of professionalism resulted from regulation requirements rather than a professional approach to the provision of financial planning. The press in Australia has recognised this issue. In discussing the Parliamentary review of the four banks concerning the possibility of new rules governing the accountability of executives (Australia 2017), it is recognised that the “core problem for the banking industry is that it is not a profession in the true sense of the word. Part of the issue is that it has people with a range of different skills and qualifications” (Chanticleer 2017b, p. 48). Chanticleer refers to the recent review of the Code of Banking Practice by Khoury (2017) and addresses the non-existent “banking profession” in his report, encouraging the banks to support the Banking and Finance Oath, which involves making a commitment to the highest ethical standards (Bell ; Vamos).

Khoury (2017) predicts that because the Oath is a powerful personal commitment, it will take some time before a “banking profession” will encompass other professionals within banks such as lawyers, accountants IT or HR professionals (Chanticleer 2017b, p. 48). Khoury (2017) did not include financial planners amongst the professionals.

The same comments on institutions in the previous section also apply to banks. They used their adviser networks for the distribution of in-house investment products through their adviser networks. A number of interviewees commented on the culture of the banks causing an increase in inappropriate advice. The regulation of advisers, including accountants, had a major impact on the conduct of accounting businesses, many choosing not to enter financial planning. The regulatory outcomes for
accountants, which reflect all the factors discussed in the jurisdictional contest, are considered in the next section.

6.5 Regulatory outcomes for accountants

6.5.1 Accountants’ reaction

Accountants were convinced that they would be exempted from the regulatory regime of FSRA. Despite making their case in the submission to the Inquiry into the FSRA legislation (Australia, Joint Committee on Corporations and Securities 2001b), they did not consider the changes that had occurred in the industry, especially the role of the institutions. As outlined in Section 6.3.2, accountants were more concerned with maintaining their traditional work tasks. After the implementation of the FSRA, they were aware of this issue. For example, in November 2005 Stuart Black, the outgoing president of the ICA, notes:

The current state is no doubt in part due to the professions failure many years ago to recognise fundamental changes taking place in the financial services industry. The rapid growth of this industry in response to the general public’s increased interest in investment and superannuation drew many salesmen into the industry, many with no real financial training…. The accounting profession…looked at the product salesmen with disdain and believed all would be fine in the long run. What they didn’t appreciate was the intention of the product manufacturers to control the distribution of the products (Black 2005).

Brown (2006b, p. 54) acknowledges that the accountants had positioned themselves on the margin, constantly playing catch-up, and implored the membership to embrace financial planning and place the profession at the centre of thought leadership in the financial services industry.
The accounting profession acknowledges that it lost the fight for jurisdiction not only to the financial planners but to the institutions providing a vertical integrated\textsuperscript{51} distribution channel for their investment products. Interviewee D addresses the issue:

I suspect that this is not just the accountants having missed the opportunity. I don’t think they were prepared to, in any way, shape or form, to compete with the aggressive other forces (Interviewee D 2013, interview, 2 May).

6.5.2 License requirements

The accounting bodies did investigate whether they would apply for their own license under the FSRA, but declined after investigating the process and the risks involved. Interviewee C confirms that he was involved in the offer to CPA to provide the back-office platform:

[A]t some stage the CPA was going to start their own licensee.... I was going to be the back-office service for them, the platform.... It was [the] very early 2000s, 2001 and 2002 (Interviewee C 2013, interview, 29 April).

The ICAA also reviewed the prospect of obtaining their own license.

I was there, I’ve been involved with the Institute [ICAA] along the journey of whether they should get a license or not.... [T]hey had thought about [it], they came close to going for it, so did the CPA body, but they both...[the] CPA body started progressing it and the ICAA knocked it back because they saw too much potential liability. In recent times the CPA body have announced that they will be extending it.... It would have been in the 2000s. It might have been around the FSRA time (Interviewee Q 2016, interview, 22 January).

\textsuperscript{51} Vertical integration refers to situations where multiple businesses at different points in a manufacturing or production process are conducted by the same entity. In financial planning it refers to situations where an entity’s financial planners are also recommending the entity’s in-house financial products.
Accountants had to decide whether they obtained a license. They were required to spend time considering the business case of financial planning to their clients. For practices that were large enough, the first decision was whether the accounting practice would apply for its own AFSL. When using someone else's AFSL, ownership of the client was a key decision. A major advantage was that all legal liability for financial planning lay with other people. The size of the dealer group was also important. Another solution was to consider referring all clients to an external financial planner. If a practice was small, then this may have been the most cost-effective solution (Negline 2003).

The financial planners and the institutions complained that the accountants were conducting activities that required licensing (Negline 2005, p. 3). This is confirmed by the interviewees; for example:

[T]he other side of financial planning; the life agents and the traditional financial planner – they were annoyed that these accountants were exempt. You know, “How can they? These accountants don't know what they're on about” (Interviewee S 2017, interview, 29 March).

Interviewee O suggests that the accounting professional organisations should have banded together early in the 2000s:

I think it was a case of they, perhaps, underestimated the potential, and it was perhaps as simple as that. And I think also, in some of the cases where you look at, particularly, the other bodies who have ingrained professional programs, it was a bit like the cruise ship having to turn around, so – but I reckon…if you had the time over again, what the accounting body should have done was banded together and formed their own license. They would have absolutely cleaned up (Interviewee O 2016, interview, 15 February).
6.5.3 Accountants’ attitude to regulation

Accountants felt that they were overregulated (Brown 2008a; Wu 2003). Brown (2005b) lamented that the legislators, especially the interpretation by ASIC, prescribed detail rules on every aspect of the advice process. He indicated that ASIC’s intentions were unclear, and clarification was attempted by additional paperwork and rulings. Accountants became unwilling to involve themselves in the industry due to overregulation.

In discussing why accountants did not embrace financial planning, Interviewee P says:

They’ve been regulated out of it, really, and it’s become hard for them to get back in there. Maybe it’s too easy, maybe…. [T]he issue was in those days, I think you had to do a six-week course to become a financial planner. The attitude was, “Well, we’re not going to compete with those guys, they’re not worthy to compete with.” The FPA got its legal standing and rules changed. That’s how it got in there so quickly and so easily – because the [Chartered Accountants] and the CPAs wouldn’t compete because they thought it beneath them to compete (Interviewee P 2015, interview, 30 September).

In broad terms, both professional bodies supported the FSRA legislation. CPA supported the FSRA, as it set the industry a higher benchmark by way of tougher licensing rules and increased disclosure requirements, and by enforcing the need for proper, ethical and professional behaviour (Keating 2003). Interviewee I asserts, “I have a view that the Financial Services Reform Act was heading in the right direction” (Interviewee I 2015, interview, 11 March).

Interviewee N summarises the position of accountants to the FSRA legislation and regulations and the accounting professional bodies’ reaction:
So, well, basically, when financial services reform came in, the [Chartered Accountants] and accounting bodies in general put a big push out to our members to have an FSRA solution, so we kind of went through the options that you can set up a referral arrangement, become licensed in some capacity yourself or look at getting your own license (Interviewee N 2015, interview, 1 May).

(Note: Additional interview excerpts are in Appendix J Chapter 6 under the ‘Accountants and FSRA’ theme.)

6.5.4 Accountants’ exemption

The Government accepted the 1997 Financial System Inquiry Recommendation No. 17, which stated that accountants should be exempt from the FSRA licensing regime if the advice was incidental and all commissions were rebated to the client. However, the FSRA legislation did not grant a complete exemption to allow accountants to give some financial planning advice (Negline 2004b). The legislation provided for significant penalties, including imprisonment, if activities were carried out by people unauthorised to perform them under the licensing regime. Numerous articles suggested that the accountants needed to review their current work practices to ensure that they were contravening neither the legislation nor ASIC’s interpretation of it (‘On your behalf’ 2004; ‘Relief for CAs on SMSFs’ 2004; Dangar 2004a; Lucy 2004; Negline 2004b; Palmer 2004a).

The accountants’ exemption remained a contentious issue for them. It was reported that the Government was lobbied to completely remove the exemption, with the accountants equally suggesting that the exemption was recommended in the Wallis Committee and remained unfulfilled, and requesting that the exemption be expanded (Negline 2005, p. 3). Although it was recognised that the FSRA was a major threat to accountants in public practice, Charter, the ICAA journal presented the position that their traditional functions were not severely affected. They could still provide advice
on areas such as broad asset allocation and self-managed superannuation fund (SMSF) compliance; any tax advice relating to investments; factual advice relating to investments; and financing advice (Dangar 2003).

The Government finally relented and inserted a regulation that enabled recognised accountants\(^{52}\) to advise their clients on the decision to acquire or dispose of an interest in an SMSF. The professional accounting bodies interpreted this as providing relief from the FSRA legislation and considered it a “huge win for the accounting profession” (‘Relief for CAs on SMSFs’ 2004). Brown (2004) described the realignment by the Government as an illustration of attitudes towards financial planners and the accounting profession. He suggested that it was successfully argued that recommendations about superannuation form an integral part of the services that accountants provided to their clients and would enable them to continue to provide comprehensive high-quality advice on overall business structuring.

Brown (2004, p. 54) continued to comment that the Government’s decision reflected on the status of financial planners, and conjectured, “Why would clients trust a commission-driven financial planner to advise on SMSFs, when the alternative is to trust an accountant who is perceived to be independent?” Contempt for the regulatory framework and the industry structure was evident in the observation to support the accountants’ position of independence and fee-for-service; it was argued that the fact that an accountant does not have an FSRA licence may well reinforce the conclusion that the accountant is acting independently, as the business model under which he or she operates is fee-based, not commission-based (Brown 2004, p. 54).

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52 The term ‘recognised accountants’ referred to a definition in the Corporations Act which at the time included the members of the three accounting bodies: ICAA, CPA Australia and IPA.
Whilst suggesting that the legislative amendment for accountants was a return to the SMSF work that accountants had performed since the 1970s, the publication did make it clear that accountants had lost the battle to give advice to clients without a licence. It was acknowledged that no exemption applied to other forms of investment advice (Brown 2004, p. 54). Accountants were able to recommend the acquisition or disposal of an SMSF, but were required to defer to a licensed financial planner for advice about any other kind of superannuation arrangement such as an industry fund or a master fund (Brown 2004, p. 54).

In the FSRA process, ICAA members were critical of the manner that the ICAA and the accounting profession had handled the issues with financial planning and the release of a proposed standard on financial planning, called APES 230. The details surrounding this standard are discussed in Chapter 7. According to a senior executive from the ICAA (2017, pers. comm., 20 March), the large financial institutions exerted significant pressure to amend the standard. In terms of the FSRA and developing financial planning themselves, the lack of lobbying on behalf of the ICAA was quite apparent. Despite the negotiations to reclaim some ability to provide some limited investment advice, the battle was lost (2017, pers. comm., 20 March). The lack of effective lobbying was evident in the Hansard transcripts on the FSRA Inquiry. In discussions of the effect on accountants in the transcripts, there was very little indication from senators and members of Parliament about the issues that related to accountants.
Subsequently, the big firms have re-entered the consulting business, and consulting now constitutes a substantial segment of their total revenues. Interviewee J confirms KPMG’s experience of their re-entry into consulting and its importance to the overall firm:

[We] sold our advisory consulting practice we had... for a number of years, and then when that finished, we got back into consulting and advisory, but we got back into it in an entirely different way…. We actually picked our areas that we thought would be profitable, we carefully did our due diligence, we looked at them over a two-year period. If they didn’t measure up, then out they went. And now, within our firm, our consulting practice is more than 50% (Interviewee J 2015, interview, 5 May).

For the strategic and profitability reasons detailed above, the Big Four firms have not re-entered financial planning. Interviewee J also adds that their consulting practice was mainly IT consulting and risk advisory work, and notes that the firm’s management group did not consider financial planning as a business proposition (Interviewee J 2015, interview, 5 May).

An executive from ICAA indicated that the big firms were usually able to achieve their strategies, and suggested that financial planning was not part of their business strategy. The executive agreed that Sarbanes-Oxley was a factor, but concluded that it was likely that the Big Four were not interested in pursuing financial planning. The executive did confirm that individual accountants were giving advice without being licensed. The accountants “were providing advice to clients down at the coffee shop to indicate what they could or could not do rather than formally go through the licensing issues” (2017, pers. comm., 20 March). Overall, the executive indicated that the lobbying of the institutions when the FSRA was implemented was crucial to the FSRA’s final form. The institutions wished to expand their distribution network and did not wish accountants to be part of the advice network. The banks did lobby successfully to
exempt some of their activities, such as deposit-taking by counter staff. The FSRA report on the draft Bill contained recommendations for the exemption of certain bank activities from the legislation (Australia, Joint Statutory Committee on Corporations and Securities 2001c, p. 89).

The outcome of the FSRA legislation is that the accountants were left with little to suggest that the Government was hearing their voice. They were basically left with the right to advise on the establishment of self-managed superannuation funds. The Australian Taxation Office (ATO) defines 'self-managed superannuation fund' as a complying superannuation fund under the *Superannuation Industry (Supervision) Act* 1993) that has all of the following: fewer than five members; each individual trustee of the fund is a fund member; each member of the fund is a trustee; no member of the fund is an employee of another member of a fund, unless those members are related; and if the trustee of the fund is a body corporate each director of the body corporate is a member of the fund.53

The accountants’ exemption did not allow accountants to provide financial advice, although many continued to act as they had prior to the introduction of the FSRA. The FPA embraced the changes:

> [O]ur financial planners were very much tracking along that path of being aware of legislative changes that would impact on the financial plan, and the accountants were just saying, “Well, we know” (Interviewee M 2015, interview, 30 April).

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The limits on incidental advice and the exemption to provide advice on establishing an SMSF meant that the FPA could endorse the legislation,

...it’s a way of satisfying the accountants to some extent only, but it gave more endorsement to the financial planning rules that were set in place about financial product advice and financial services (Interviewee A 2012, interview, 23 November).

The accountants thought they would be exempted from the regulatory regime of FSRA. The result was the accountants were left with the right to advise on the establishment of self-managed superannuation funds. The accountants considered they were overregulated, and concentrated on the ethics of the accountants compared to financial planners, and continued their contempt for the regulatory framework and the industry structure.

6.6 Impact on jurisdictional claims

6.6.1 Jurisdictional claims in institutional setting

The ICAA considered releasing a draft standard on financial planning to ensure that fair, ethical and professional conduct (Knapp 2005); however, as will be detailed in Chapter 7, the standard was delayed because of the GFC and the Government Inquiries and subsequent Government responses until 2013, at which time it was significantly amended after the IPA advised its members that it was not supporting the standard.

At the same time that the accountants were assailed by the financial planners and institutions, another jurisdictional claim was being fought in the industry. A similar battle had occurred in jurisdiction claims for the last 100 years and convincingly won by the accountants. Accountants were now disputing the provision of taxation advice
by financial planners. The RG146 training for financial planners included a requirement to apply specialist knowledge of the following areas: the Australian tax and social security systems; relevant tax laws and regulations; effects of tax on particular financial products; and effects of tax on financial strategies of individuals and entities (Johnston 2005, p. 42). After completing the RG146 requirements, financial planners considered themselves able to offer taxation advice.

The accountants were alarmed that the financial planners, whom they regarded with derision, were providing taxation advice, and insisted that only licensed tax agents were able to give advice. This was at the same time that accountants were being advised that they needed to be licensed to provide financial advice, which they had already been providing for 50 years.

However, Section 251L of the Income Tax Assessment Act 1936 generally only required a person to be a registered tax agent to provide advice about a taxation law for a fee. The ICAA argued that Section 251L clearly required a person to be a registered tax agent to provide advice about a taxation law. They similarly argued that if a person needed to provide tax advice in the course of providing their core service or selling the product, then both to comply with Section 251L and to ensure adequate consumer protection, they must either be a registered tax agent themselves or refer the matter to a registered tax agent (Palmer 2004b). Larsen (2003, p. 10) reported the position of CPA on taxation advice by financial planners, indicating that tax is an integral part of the financial planning process and that it seemed ludicrous to suggest that financial planners did not charge fees for taxation advice. Further, he claimed that most financial planners “claim the financial advice they give may be provided as it is
incidental. They say no express fee is charged or it is expressly disclaimed as being tax information only” (p. 10). The issue was to continue, and will be further discussed in Chapter 7; however, the inconsistency was observed by the National Review of Tax Agent Standards, which concluded that it was a matter of "profound public interest in ensuring that the rights and responsibilities of all parties in the tax system are defined and understood" (p. 10). On 7 May 2007, the Federal Government released the draft Tax Laws Amendment (Tax Agent Services) Bill 2007, which proposed a National Tax Practitioners’ Board (TPB) to replace the state-based Tax Agent Boards. The proposed new regime would continue to acknowledge ‘recognised professional associations’ (Croker 2007). The outcome of this claim for jurisdiction in the taxation arena is explored in Chapter 7.

6.6.2 Workplace and public claims for jurisdiction

The regulatory regime did not address the inherent conflict of interest in the financial planning industry; this resulted in a statement of advice producing masses of paperwork. The commodification that occurred because of this changed the workplace considerably not only for accountants but for financial planners. Neither professional body advanced their workplace claims for jurisdiction while the public jurisdiction of financial planners remained unresolved. Nor had the financial planning industry moved on from the remuneration debate (Carmichael-Rulten 2007). The public perception of financial planners was poor, and the professional accounting groups were not visible. Accountants still viewed themselves as having a higher-level professional stature; however, they were unsure if the public associated financial planning with accountants. Cavaney (2008), a CPA, commented when talking about her role as a financial planner that accountants still must convince industry participants to see the
value in higher-level professional designations, such as the CPA Financial Planning Specialist and the CFP, and to convince other CPAs to understand the value and merit in specialising in the financial planning area.

The message from the accounting groups was that the financial planning industry had no basis to claim professional status (Brown 2007a). Financial planners countered with a description of the traits approach to the establishment of a profession and described themselves as:

a disciplined group of individuals who adhere to ethical standards and who hold themselves out as, and are accepted by the public as possessing special knowledge and skills in a widely recognised body of learning derived from research, education and training at a high level, and who are prepared to apply this knowledge and exercise these skills in the interest of others (‘Professionalism is more than a definition’ 2005).

The public esteem for financial planning was very low. Accountants continuously reported that the commission remuneration model needed to change to a fee-for-service model. It was hoped that the accountants who entered the financial planning profession would change the commission culture to a ‘charge by the hour’ culture. However, the observation was made that some accountants making the switch to financial planning were content to accept the commissions (Kohler 2007, p. 12).

Apart from the lucrative cash flow from upfront commissions, the valuation of practices was based on a multiple of recurring income, and accountants who were authorised representatives of institutions were content to abide by industry practice. These accountants were the nucleus of the discontent that was to emerge with the proposed introduction of accounting standard APES 230. This issue will be discussed in Chapter 7.
Some interviewees refer to financial planning as an emerging profession (Negline 2005, p. 3):

[It is a bit like the accountants missing an opportunity to build a natural addition to the range of services that they offer their clients. At the big end of town, I think it was because they didn’t want to invest the time and effort to find the solution to the auditor-independence issue. At the smaller end of town, I do think there is a level of arrogance in the Institute…about the fact that, well, you know, we are the best persons to provide financial advice (Interviewee I 2015, interview, 11 March).

No professional body progressed their workplace claims, although the institutions were progressing increasing their market share through their own adviser networks. There still was a growing demand for the service provided by financial planners. The public esteem for financial planning was very low, and the banks used their traditional safe institution reputation to actively promote their conflicted business structure. In Chapter 7 the results of the commodification of the advice process is explored in detail.

6.6.3 Educational jurisdiction of FSRA

Chapter 5 established that the skill sets of financial planning and accounting overlapped. Bailey (2002, p. 105) suggests that there is clearly an overlap in the fundamental training required by the two professional disciplines of accountancy and financial planning. It was suggested that the FSRA legislation would remove a good deal of the uncertainty and confusion concerning who is competent to advise and on what matters; however, this did not eventuate.

Accountants did not embrace the regulatory process in relation to education, implying that they knew all that was required to conduct a financial planning business if they
wished to do so. Financial planners recognised this issue in meetings attended by various participants in the formative early 2000s. Interviewee M, a senior financial planning executive, recalls:

[I]t showed me very clearly that this platform of ‘we know’ was completely incorrect. And so, I think that the view of believing that just simply because they were accountants they would know it was foolhardy (Interviewee M 2015, interview, 30 April).

There was little evidence that accountants appreciated that additional knowledge was required to conduct a financial planning practice. Another issue was that there was just too much new knowledge that needed to be assimilated into accountants’ practices. Interviewee Q, a chartered accountant who is also a financial planner, observes:

[F]rom a regulatory perspective, my sense was that the laws and the regulatory changes made it harder for accountants to maintain their generalist knowledge. A good example of that is the introduction of the GST in the early 2000s, or whatever, where accountants became effectively tax collectors for the tax office. And it took a lot of their time and energy educating clients and keeping up to date with those, so it became more of a compliance transaction processing (Interviewee Q 2016, interview, 22 January).

The ‘tick the box’ compliance regime had the effect of taking away the professional judgement that is crucial to the development of an abstract body of knowledge. Interviewee A raises this issue in discussing the effect of legislation on financial planning:

[I]t takes away any non-verbal type of communication that you might have where someone who might be a more astute advisor, who might ask a further question in relation to the risk profile which might not come out of ‘tick the box’, so you might be able to extend it further by talking about the scenario in greater detail…. Professional judgement is something which is taken away…by legislation (Interviewee A 2012, interview, 23 November).
Financial planning practice adopted a six-step process, as outlined in Chapter 5 of this thesis. The process was adopted both in the legislation itself and in ASIC’s interpretation of the legislation. The six-step process has been criticised in academic circles and does not conform with the process in other professions, especially the medical profession, in developing a body of knowledge for the profession. Financial planners took ownership of the adoption of the process:

[T]he FPA pride themselves that the regulator adopted their process effectively – that that was an expensive process for a lot of different circumstances. And it didn't allow for things that you should have been able to do to provide a cost-efficient solution and a timely one and a practical one (Interviewee S 2017, interview, 29 March).

(Note: Additional interview excerpts are in Appendix J Chapter 6 under the ‘Six-step process’ theme.)

Accountants were quite critical of the financial planners’ claim of a professional approach because of the six-step process:

AMP was talking about their people not being life agents, they were financial planners, you know. Because they wanted to get away from the smelly reputation. The only problem is, this reputation wasn't much better…. [T]hey said, “Our people are financial planners. They do this six-step process. Not like you …bankers or accountants or whatever else, you don't understand this. This is different.” They tried to pretend that they were professional, had this approach or whatever. And eventually ASIC went along with this. And the regulation had to be based on something, had to be based on a process (Interviewee S 2017, interview, 29 March).

Accountants struggled to maintain their knowledge base in their traditional work due to the introduction of the GST legislation, other taxation changes and administrative pressures on their practices. In this environment of change, accountants did not see the need to update their skills in financial planning. The market perceived that accountants could not advise on the many changes affecting superannuation and other investment areas. Interviewee Q describes clients’ perceptions:
Say I’m now in the late 1990s and early 2000s… I’ve got a reasonable amount of superannuation, but I don’t understand it – what are all these terms, preservation, what are all these things I’m meant to have preserved, all these words and jargon and who do I talk to? And my accountant is not necessarily the right person to talk to because they’re no longer across all the general areas (Interviewee Q 2016, interview, 22 January).

Interviewee H comments that accountants’ lack of involvement in the financial planning knowledge base was “because they don’t see it as part of their jurisdiction” (Interviewee H 2015, interview, 11 March). However, accountants seemed to be surprised when financial planners, through their professional organisation, the FPA, claimed the knowledge base. Interviewee P notes the accountants’ reaction:

[T]here was general discussion around the FPA and that’s all. “They can’t do that, they’re not qualified, we’ve got much more qualifications than them, why should they be allowed to practise when we have all the credentials and therefore the market will see that and come to us?” That was the attitude (Interviewee P 2015, interview, 30 September).

However, financial planners did not have sufficient numbers compared to the total number of advisers, and of those, a great number were not sufficiently qualified to claim CFP status within the FPA. Another factor was that membership of the FPA included the institutions, and, as with accountants, the committees were controlled by the large corporations. This situation was addressed by the FPA and will be covered in Chapter 7. Interviewee O alludes to these issues:

Until you have a situation where the majority of FPA members are qualified and retrained and receive the educational standards I think they’re going to be plagued by this issue of compliance-based mentality rather than quality (Interviewee O 2016, interview, 15 February).

(Note: Additional interview excerpts are in Appendix J Chapter 6 under the ‘FPA membership’ theme.)
Accountants did not address the abstract body of knowledge as a reason why the industry lacked credibility. Instead, they criticised the planners’ attempts to provide training on investments, concluding that accountants requesting a fee for service was the option to add legitimate value (Brown 2005a). Some understanding of the issue was raised by investment commentators such as Kohler (2007, p. 18). He contrasts the masses of paperwork in the construction of a SOA with a trip to the doctor, where a GP can give a recommendation in 15 minutes, based on nothing more than the GP’s professional judgement, accrued through many years of gruelling study leading to a medical degree. He adds that financial planners deal with issues of money rather than health, but arguably they are just as important.

The accountants did not embrace education of financial planners implying that they knew all that was required to conduct a financial planning business if they wished to do so. The commodification of the process and the compliance issues had the effect of withdrawing the professional judgement inherent in an abstract body of knowledge. The six-step process adopted by the FPA and the FSRA contributed to the absence of a theoretical base in the education of financial planning. This issue is discussed in detail in Chapter 8.

6.7 **FSRA jurisdictional transformation and settlement**

The aim of the FSRA legislation was to bring the insurance, superannuation and investment industries under one legislative umbrella and ensure that the provision of financial services advice was uniform across the industry. While the FSRA required financial services licence holders to examine their operations and make significant changes to technology, compliance systems and product offerings (Dangar 2004a), the
level of advice was commodified by the major institutions to such an extent that the structure of financial planning was fundamentally flawed.

The accountants’ position as set out in Brown (2007d) seemed to be the mantra of the profession (Financial Planners Debate Industry's Direction 2007), although the FPA and the institutions noted that they were urging advisers to take up a fee-for-service approach to remuneration. MLC urged advisers to consider the long-term benefits of a fee-for-service approach; however, they did not advocate that commissions be banned either permanently or in the short term, as they believed in providing clients a choice of remuneration structures (Tucker 2006).

Many accountants were deluged with compliance requirements and overwhelmed by the administrative burden of meeting their clients’ compliance deadlines. While they may have understood the opportunities beyond the paper shuffling, including the opportunities of financial planning, they had neither the time nor the resources to explore and develop them (Smith 2003). With these compliance issues attached to their traditional work it is understandable that they did not wish to enter the high-compliance area of financial planning, where “the paperwork has become so voluminous that financial planning clients are less likely than before to read it” (Kohler 2007, p. 9).

The FPA was aware that the scandals in the financial planning industry, such as the Westpoint debacle, shadow shopping and the AMP enforceable undertaking in 2006, reflected badly on the industry; however, FPA chief executive officer Jo-Anne Bloch outlined strategies to move the FPA forward in its quest for greater public awareness.
For example, in 2007 it was planned to launch a two-year program to promote the CFP designation and learn from the AMP super-switching controversy, remuneration models and attempts to pinpoint what a financial planner does, along with entry standards and disciplinary processes. The FPA was planning to progress a charter of professional practice and lobby for a co-regulation model that embraced the role of professional associations in the regulation of financial planners (Forrest 2007).

Meanwhile, accountants were left to wonder how the financial profession had developed without their active participation. Very little attempt was made to change any aspect of the conservative approach that had proven to be ineffective. In answering the question concerning the role of accountants in financial planning, an interviewee doubts accountants’ interest: “[D]oes the accounting professional want to take over that, reclaim that jurisdiction? I don’t think they want to…” (Interviewee H 2015, interview, 11 March). The ICAA suggested in its journal Charter that they had a wide range of training solutions for those members in finance (Dunn 2007). However, in reviewing the training areas offered in 2007, not one of the 23 CPD programs included training in financial planning. In hindsight, several interviewees pondered what would have occurred had the accounting profession acted earlier. For example, Interviewee L laments:

[W]e probably could have found ways into the industry earlier, and I guess if that had happened, and the accounting profession going back then to the more dominant role… Yes, profession. In regulation and supervision, it might be a different ball game to what it is now (Interviewee L 2015, interview, 4 May).

Accountants still maintained that their profession enjoyed public acceptance, which for their tasks other than financial planning was an appropriate observation. Uhlmann (2006, p. 26) provides insights into this acceptance, as accountants conducting
business professionally distinguished themselves from a business, which “ensure[d] Chartered Accountants are viewed favourably by the public”. Ironically, in the same article it was noted that knowledge is power, and the chief executive of Professions Australia Bev Clarke was quoted as saying:

There are also skills that were never considered part of professional training years ago that have become part of the weft and weave of the modern world.… A study of the medical profession has shown that 70% of complaints stem from poor communication skills.… So, people have to develop skills that they may not have picked up 20 years ago (Uhlmann 2006, p. 28).

It appears that the message that accountants needed to update their skills in financial planning was just not accepted. However, as accountants now needed to have a license to give advice, there was no other solution. An interpretation was that this was a legal settlement. Interviewee F is of this opinion:

Well, you’ve got have a license, an Australian financial services licence to, frankly, engage in product selling. That’s the way the law is set up. But nevertheless it’s product selling and advice around that, so, yes, there’s a strong legal jurisdiction (Interviewee F 2013, interview, 25 July).

Interviewees suggested that the work jurisdiction had been assumed by the institutions, and that accountants underestimated the competition that they offered. In a discussion about whether accountants had missed an opportunity with financial planning, Interviewee D observes:

[T]he accountants can’t be blamed for missing this boat, when there was an active competitor pushing the boat in another direction, because it would have required the accountants to undergo massive change, a shift from historical to future and to be as aggressively marketing and product offering as the institutions. And those two things were never going to happen…. I think the growth in financial planning was unquestionably driven by the institutional power behind investment solutions, these guys being the large entities that populate the skylines around us (Interviewee D 2013, interview, 2 May).
The jurisdiction did not settle in the public arena, as no one organisation could claim that they were accepted by the public, and the issues raised, such as conflict of interest and the business model of the institutions, contributed to a deterioration of the public image of financial planning. It appears that some of the practices that contributed to this public image were condoned by ASIC. Interviewee M, in reviewing the role of the institutions, comments:

With the public acceptance, I think…we would look at the banks in terms of what has happened there now and the promotion of product. Part of what we were trying to do again around those sort of disclosure issues, way back then, was to make sure that there wasn’t any incentive, even internally, to use certain products over another. And at the time ASIC said, “No, that’s okay; banks can do that” (Interviewee M 2015, interview, 30 April).

The other issue as to why public or legal jurisdiction could not be claimed was the number of organisations involved in the financial planning industry, and as the accounting associations consisted of three different associations, again, no single voice could be determined from the debate. Interviewee G makes the following point:

[T]here are 40 associations participating in the financial services industry. And when you’ve got so many voices speaking to then have, if you could have the two leading accounting bodies working together on the same policy, then basically it assists the members and assists the Government (Interviewee G 2013, interview, 29 July).

Accountants were too occupied with their other activities. As Interviewee Q describes, the accounting profession became…we now use the world disruption…. That’s what happened. The accounting profession was disrupted. With all the other stuff that was happening, there was legislative, regulatory, innovative, personal, complexity disruptions that [were] happening over time (Interviewee Q 2016, interview, 22 January).
The work jurisdiction remained with the financial planners, with the only change being that the restriction on accountants may have resulted in additional work for financial planners and institutions. These points are evidenced by Interviewee A:

I think by restricting them [accountants], they’ve effectively carved out a little bit of the areas accountants might have talked about in the past (Interviewee A 2012, interview, 23 November).

(Note: Additional interview excerpts are in Appendix J Chapter 6 under the ‘Work’ theme.)

The settlement that occurred for the legal jurisdiction is not in the normal method envisaged by Abbott’s (1988) theory. Both the accountants and financial planners had regulation forced upon them:

So that is the journey that the profession is on [in] the legal jurisdiction: it is being imposed by law by Government, and then the consumer acceptance piece is in contention as well (Interviewee E 2013, interview, 3 May).

However, financial planners viewed that as they provided advice to retail clients, who were recognised in the Act, the planners thus obtained legal jurisdiction. This argument is put forth by Interviewee D, who asserts

that financial planners, or under Corporations Act definition, are providers of financial advice to retail clients. It has a legal jurisdiction. The fact [is] that that is understood by almost all, at least within the industry, to mean financial planners or financial advisors and not accountants (Interviewee D 2013, interview, 2 May).

However, legal jurisdiction in terms of Abbott’s theory (1988) means that the profession claiming legal jurisdiction can usually claim a monopoly on certain activities, a monopoly on certain kinds of payments by third parties and control of certain settings of work (Abbott 1988, p. 62). Given this definition, no professional organisation could claim any legal jurisdiction over financial planning. This should
not be confused with the increase of the market share and influence of institutions on
the financial planning profession outside the control of any professional association.

Accountants believed they were “regulated out of it, really” (Interviewee P 2015, interview, 30 September).

6.8 **Summary and conclusions**

Jurisdictional settlements can vary among the six forms discussed in Chapter 3. Weak forms of settlement perpetuate jurisdictional competition. For example, some elements of a jurisdictional settlement between accountants and lawyers over bankruptcy work in the UK was achieved during the 1870s and 1880s through an intellectual division of labour, judicial decision-making and organisational change. However, these forms of settlement seldom proved conclusive, and statutory changes effectively perpetuated inter-professional competition for insolvency work into the 20th century (Walker 2004a). Accountants were not successful in any legal claim for jurisdiction through the regulatory framework, and were left with a limited advice capability based on ‘incidental advice’.

This incidental advice was being used as a reason why accountants did need to register under the FSRA. In a public hearing on the draft Bill, the ICAA representative admitted in his own practice: “we, like most accountants, chose to rely on the incidental advice and pushed it as far as we could” (Australia 2000b). The same accountant indicated that applying for their own license was not cost-effective. Moreover, an accountant needed three years’ experience to be eligible to apply for their own license. The accountant argued the fact they had been providing financial
advice to their clients non-stop. The remaining issue reflected on the institutions. The point was made that if an accountant joined an institutional dealer, they would be required to sell the dealer’s products and could lose control of the client base if they wished to withdraw from the arrangement.

Signs of margin-lending risk issues were emerging in 2005. Financial planners were increasingly moving into margin lending. According to Rumney (2005), between March 2001 and March 2005, the number of margin lending investors increased by over 60%. He signposted the impending issues, reporting that the financial planners he had interviewed had indicated that they understood the risks of the products, were more interested in having a long-term strategy for their clients and were less influenced by day-to-day market moves. Many financial planners indicated that they had been using such products for about a decade, and therefore had been through times when share markets had been volatile. Rumney (2005) emphasised that understanding margin lending and margin call calculations is essential to any investor wanting to invest in margin loans.

The next phase of the development of financial planning centres on another disturbance: the GFC. The work structure and commodification process that supported compliance with the FSRA permeated through the industry as a whole, with the emphasis on the sale of products by institutions and large dealer groups. The next phase indicated that the regulatory framework of the FRSRA was not appropriate, and further regulation was required. Chapter 7 covers this aspect.
In the fight for jurisdiction, the hardest claim is that of public acceptance. The industry was to about to enter a period where public acceptance was destroyed due to the business models that were permitted to flourish under the FSRA. In terms of Abbott’s theory, Chapter 7 evaluates the claim for public acceptance for the jurisdiction. The GFC exposed some unethical behaviour by institutions, especially banks, that raised the issue of the effect of the culture of the banks on financial planning.
Money is like muck, not good except it be spread.

Francis Bacon in *Of Seditions and Troubles*, (1597-1625)

### 7.1 Introduction

The background to the FSRA legislation, the preamble to the FSRA and its implementation were discussed in Chapter 6. In the implementation of the FSRA, the professional associations reacted differently. The accountants did not embrace the legislation except to indicate that they had the skills to compete with financial planners, and their attempt to enter the debate seemed to protect their own position. Prior to the legislation, the accountants were more concerned with promoting their position as experts in tax and focusing on the accountant’s exemption. The accountants found it difficult to conduct a financial planning practice under the FSRA, and their part in the jurisdictional context was only to discuss with their members the various issues that affected their capacity to conduct financial planning.
Chapter 7 explains the major external disturbance to the Australian finance sector. The GFC was a significant awakening to the fledging profession. The commodification of the process of financial planning that had occurred under the FSRA regulations and been implemented by the institutions and financial planners in general, together with the favourable economic conditions, saw a growth in financial planning, all within a framework of low educational standards. The concentration of financial planning conducted by institutions together with the growth of large financial planning firms that were built on dubious business practices was a potential financial disaster. Indeed, the business model, which involved dubious business practices built on debt, meant that when the markets corrected because of the GFC, the business model was shown to be ineffective, and the reputation of financial planners was severely diminished. Government intervention was required, and further safeguards were necessary.

These further safeguards were necessary due to the loss of faith in the financial planning industry because of the collapse of several financial service organisations, the flawed business models of the institutions built on leveraged investments, low training standards and the adverse media coverage. All these issues, detailed later in the chapter, provided the catalyst for regulatory action by the Australian Government.

The chapter covers the period 2008 until December 2014. The research questions in Chapter 6 are still relevant to this time frame, as regulation was still ongoing, and accountants were still seeking to claim jurisdiction. The chapter covers cross-national disturbances, as the GFC emanated from overseas, initially the USA, and spread
throughout the world economies. The following research questions are covered in this chapter:

RQ1 What external and internal disturbances contributed to the emergence of financial planning in Australia?

1.1 Cross-national disturbances
1.2 Australian disturbances

RQ2 How does the regulatory framework affect the professionalisation process of financial planning?

2.1 Has the regulatory framework contributed to the development of financial planning in Australia?
2.2 How did regulation alter the work practices and public and legal acceptance of financial planning?

RQ3 Did the Australian accounting profession claim the jurisdiction of financial planning?

3.1 What aspects of the work, public and legal arenas were operative in accountants’ claims to jurisdiction over financial planning, and how did these aspects create disturbances in the emergence of financial planning?

The chapter is organised into seven sections including the introduction. Section 7.2 outlines the impact of the GFC on the financial planning profession, the resulting financial losses in the sector and the business models that contributed to the loss of public and government credibility in the financial planning industry. The section traces the response of the professional associations in the sector, including the accountants, the industry and the institutions. Section 7.3 examines the regulatory responses to the
GFC and details the inquiries undertaken because of the failure of various financial planning organisations, poor practices and, in some cases, negligence. Section 7.4 discusses the jurisdictional contest resulting from the GFC and implementation of the FOFA legislation and the role and response of the professional associations and institutions. The section concludes with the educational impact of the GFC and FOFA on the development of financial planning. Section 7.5 reviews the jurisdictional claims on the public acceptance and the workplace and legal jurisdictions. Section 7.6 examines the effect of the GFC and FOFA on the jurisdictional settlement. Finally, Section 7.7 summarises and concludes the chapter.

Strong investment markets in the period up to the GFC, both in Australia and overseas, gave impetus to strong growth in the financial planning industry. With an increase in the number of consumers seeking advice, banks with large customer bases nurtured financial planning as part of their business model to meet this increased demand (De Bruyn & Searle (2007) cited in Cull 2009, p. 32).

The loss of faith in the financial planning industry and the personal financial losses of numerous individuals, in some instances their life savings, resulted in the Australian Government conducting an inquiry into the reasons for the losses. The Ripoll Inquiry (2009) examined issues associated with the collapse of financial products and services providers such as Storm Financial and Opes Prime and Westpoint. The Government

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54 Opes Prime Group Limited was an Australian securities lending and stockbroking firm that suffered a dramatic collapse in 2008.
55 Westpoint Corporation Pty Ltd was the head company of the Westpoint Group of Companies ("Westpoint Group"), which was primarily engaged in property development. The company was founded by Norm Carey and operated under a risky business model. Receivers and managers were appointed on 2 February 2006 and the company was subsequently liquidated. The collapse of the company ultimately cost debtors and investors billions of dollars; many people lost their life's savings.
responded with a package of reforms called Future of Financial Advice (FOFA), which were designed to tackle conflicts of interest and selling of products identified in the Ripoll Inquiry as major factors in the collapses of the financial service providers. The reforms were subject to several changes, and because of a change of government many were delayed or withdrawn.

Even after the Ripoll Inquiry highlighted the reasons for the losses after the GFC, the business models of the institutions and large financial institutions continued, and further scandals were uncovered. The adverse media coverage resulted in further inquiries into the regulator, ASIC, and the culture of the banking institutions, particularly the Commonwealth Bank of Australia. These inquiries are covered in this chapter.

The ASIC Inquiry recommended that the professional, ethical and education standards of the financial planning industry be lifted. The Government accepted the recommendation for the Inquiry, and the Inquiry reported in December 2014. This is covered in Chapter 8. The inquiry’s recommendations formed the basis of subsequent legislation, which is currently being implemented.
Figure 7-1: Themes of Chapter 7

Section 7.2 Impact of the GFC on financial planning
- Response of professional associations
- Impact on accounting profession
- Institutions’ reaction

Section 7.3 GFC regulatory responses to financial planning failure
- Inquiry into financial products and services in Australia
- Future of Financial Advice (FOFA)
- Inquiry into ASIC
- Financial System Inquiry

Section 7.4 GFC and FOFA jurisdictional contest
- Professional associations
- Role of the accounting profession
- Impact on the accounting profession
- Role of financial planners
- Role of institutions and dealer groups
- Educational impact of GFC and FOFA

Section 7.5 Impact on jurisdictional claims
- Impact on public acceptance
- Impact on workplace and legal claims

Section 7.6 GFC and FOFA Jurisdictional settlement

Section 7.7 Summary and conclusion

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7.2 Impact of the GFC on financial planning

Governments responded to the GFC by regulating the activities of individuals offering financial advice and products (Financial Planning Standards Board 2010b). In the USA, the GFC resulted in regulatory reforms, with the major regulatory response in the form of the landmark Dodd-Frank Wall Street Reform and Consumer Protection Act (Investor Protection and Securities Reform Act 2010 2010). The Act had significant effects on the operation of the financial planning industry in the USA.

In Australia, the collapse of several financial service organisations provided the catalyst for regulatory action by the Australian Government as the GFC highlighted the damage to community trust in financial institutions (Fahy 2010). Westpoint had collapsed prior to the GFC in 2006 (Cooper 2006; Jacobs 2008). These collapses were followed by Opes Prime in 2008 (Jury 2008) and Storm Financial in 2009 (Washington 2009b). The estimated losses of investors’ funds from these collapses were $AUD 3 billion for Storm Financial, $AUD 388 million for Westpoint and $AUD631 million for Opes Prime (Steen et al. 2016, p. 8).

The GFC uncovered the flawed business models that had contributed to these losses and severely dented the public’s trust in the industry (Collett 2009). The collapses culminated in the Inquiry into Financial Products and Services in Australia (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2009). Even though Australia did fare well during the GFC compared to the USA and UK, intervention by both the Government and the RBA was required to mitigate systemic risk; it was determined that wholesale changes to the system were not needed (Harper 2009).
The events placed financial planning in the centre of media attention and resulted in a renewed interest in its future development. While consumers and regulators were calling for an inquiry to investigate the link between commission-based payments and the collapse of companies in the financial planning industry that led to investor losses, the industry itself was at a crossroads as to whether it was to be classified as an ‘industry’ or a ‘profession’. Accountants’ role in this process was as interested onlookers, grateful they did not have to address the industry issues, whilst at the same time acting as if they had advisory jurisdiction on the industry due to their established professionalism and ethics.

The GFC highlighted the regulatory and structural inadequacies of financial advice, such as the low minimum training requirements and the lack of a fiduciary duty for advisers to clients, which created risk for consumers of financial advice services. While the implementation of regulation was needed because of scandals such as those involving Storm Financial and the major banks, regulators were mindful that increased compliance costs would make financial planning inaccessible to many individuals. Risks in the market were becoming apparent as early as 2006 as the Westpoint scandal began to emerge. Financial planners were being warned to be fully aware of the risks in advising clients to enter some products (Elliott 2006). In early 2008, the financial planning journals were questioning whether margin lending, a high-risk strategy, was still appropriate for investors (Mace 2008b).

The extreme market conditions led to the failure of high-risk investment structures, which clients did not fully understand, and financial advisers, including accountants,
did not take steps to advise them. In many instances, it is argued, the advisers did not know of the associated risks and just accepted the promoters’ sales pitch. Some financial planners and bankers recommended that their clients use equity draw-downs and gearing to fund investments in various asset classes, with disastrous consequences as the markets fell. Indeed, the realisation of the risk held in portfolios that materialised in the declining markets highlighted the flawed advice process and business model of some of the larger dealer groups.

The heightening of these concerns served to speed up the regulatory agenda in relation to financial advice, with significant further public and political concern leading to ongoing Government review and intervention in the market. These interventions were designed to tackle conflicts of interest that threatened the quality of financial advice provided to Australian investors. It was suggested that the GFC represented a structural break, a tectonic shift that required new and coordinated approaches to regulation (Drew 2010).

The impact of the GFC on financial planning was an external disturbance, using Abbott’s (1988) definition. The financial planning industry had grappled with the introduction of the FSRA, and the accounting profession had appeared to be an onlooker, for the reasons discussed in Chapter 6. Even with more regulations in place, consumers were not protected when the GFC disrupted financial markets in late 2008.

The GFC affected those individuals who relied on their savings to maintain their income in retirement. The Association of Superannuation Funds of Australia Limited (ASFA) retirement standard for a comfortable lifestyle is currently $60,063 a year for
a couple (ASFA 2017), and it is estimated that one in three Australians will not have enough money for their retirement\textsuperscript{56}.

The falling investment returns, and capital losses associated with the GFC weakened the confidence in the financial system because of the inability of regulators to contain the financial markets. A survey revealed that one in two self-funded retirees' retirement funds decreased by a quarter as a result of the GFC, and 42 percent were less likely to seek or use financial advice (‘Self-funded retirees hit hard by crisis’ 2009).

Superannuation funds still dominated the investment landscape after the GFC. Analysis indicated that, despite the GFC, Australian superannuation assets were $AUD 1.2 trillion in 2009. The other finding was that a shift had occurred in the ownership of superannuation assets, with SMSFs becoming the largest single segment of the industry (Monaghan 2009).

The business models of financial organisations were tested, and the effects of the scandals that followed continue to the present. The business model that was to develop under the FSRA, especially as adopted by the major institutions, was based on highly geared investments. Storm Financial’s business model was typical of these risky approaches. Margin lending was one of the products that Storm Financial recommended to and implemented for their clients. Margin lenders were not subject to the conduct and disclosure requirements of AFSL holders (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2009, p. 14). Giving advice

was one aspect; however, the margin loans were outside the legislation. The gearing
into products contributed to recommendations of inappropriate investments to
investors. An industry veteran recalls a discussion relating to Strom Financial. The
interviewee was endeavouring to warn the FPA executive of Storm’s activities before
the GFC:

[W]e had…an off-side meeting and I said…, “You guys are never going to have any
credibility while you’ve got Storm as part of your organisation…you know, they
charge… up to 7 per cent up-front costs for advice.” The executive replied…, “I hear
they do very good things. In fact, they’ve just taken a whole lot of their clients out
for a safari”…. They [FPA] just couldn't see what was wrong with the industry; the
industry bodies…. The industry brought it on themselves. So, this regulation [had]
begun (Interviewee S 2017, interview, 29 March).

(Note: Additional interview excerpts are in Appendix J Chapter 7 under the ‘Storm
Financial’ theme.)

The executive did not heed the interviewee’s warning, and Storm Financial had a
detrimental effect on the reputation of all financial planners and the professional
association to which they belonged, the FPA. The FPA later acknowledged that the
issues surrounding Storm Financial “weighed heavily on regulators, the Parliament,
clients and the FPA, as your professional association” (Bloch 2009d, p. 4).

To fully appreciate the effect of the change in wealth that a margin loan can achieve,
an explanation of how a margin loan operates is necessary. A margin loan allows the
borrowing of money to invest, and uses the shares or managed funds purchased as
security. It can help to increase borrowers’ returns, but it can also magnify their losses.
Margin loans are for dedicated investors who actively monitor and manage their
investments\textsuperscript{57}. The simple example below summarises the net asset change due to the negative effects of a margin loan.

This example assumes that an investor with initial funds of $\text{AUD}800,000 (consisting of $\text{AUD}30,000 cash, a redraw of mortgage loan of $\text{AUD}400,000 and a withdrawal of $\text{AUD}370,000 from superannuation) can, through a margin loan, borrow an additional $\text{AUD}3,200,000. The total investment is $\text{AUD}4,000,000. Assuming a market correction of 37\%, as occurred in the GFC, the overall result is that the investor's net equity is reduced by $1,080,000, due to the reduction in investments from $4,000,000 to $2,520,000. The full calculation and explanation of terms associated with margin loans is contained in Appendix L.

The clients of Storm Financial were convinced to invest in such margin loans. They were not aware of a margin call being made on their accounts after the GFC, and in most cases, would not have had additional security or cash to maintain an appropriate margin. Colonial First State (owned by Commonwealth Bank) sold down the investments to pay off their loan, so as to restore the loan to an agreed ratio to the total investment value (usually 80\%). For the above reasons, MoneySmart\textsuperscript{58} suggests that margin accounts are generally for more sophisticated investors who understand and can handle the risks involved. Storm Financial clients were not sophisticated investors.

\textsuperscript{57} The definition of margin lending is taken from the MoneySmart website, which is operated by the Australian Securities and Investments Commission (ASIC) to help people make the most of their money. In the thesis the website will be referred to for explanations of various terms related to financial planning relevant to the thesis. Viewed 13 October 2017, \url{https://www.moneysmart.gov.au/investing/borrowing-to-invest/margin-loans}.

\textsuperscript{58} \url{https://www.moneysmart.gov.au/investing/borrowing-to-invest/margin-loans}
Similar investor loan circumstances were replicated in witness statements to the Ripoll Inquiry detailed in Section 7.3.1.

The impact of the GFC brought to notice the lack of investment knowledge not only from financial planners, but also from accountants. The market failures drove the Government regulation; however, most advisers were not aware of the severe impact of market corrections. As Interviewee A comments, many financial planners had not experienced market corrections:

I think this is where a good knowledge of waves and cycles in the economy and the study of history needs to be there…. [A] lot of the people that were selling the products weren’t even born in the last crash. So, they’ve lost any sense of waves of cycles (Interviewee A 2012, interview, 23 November).

7.2.1 Response of professional associations

The role of professional associations as an essential foundation for the financial planning profession is recognised by the financial planning community, but the industry is aware that there is no official body enshrined in law, nor even universally recognised within the industry (Lumanta 2011, p. 13). The lack of such a body helps explain why “so many divided views exist within and about the [financial planning] industry;… [why the industry] presents conflicting views to lawmakers and regulators; and why the public remains, largely, wary of the industry and its practitioners” (Lumanta 2011, p. 13).

Financial planners suffered because of the GFC as their clients’ investments lost value. Those advisers who overemphasised the investment side of their business, or positioned themselves as talented stock-pickers, suffered most from the GFC market
corrections (Mace 2009b). The losses that occurred because of the collapse of Storm Financial put pressure on the FPA to act, as Storm Financial were members of the FPA. FPA were certainly aware of the public scrutiny (Bloch 2009c).

7.2.2 Impact on the accounting profession

Accountants still felt that financial planning was important to the profession. President Andrew Arkell advised in May 2008 that financial planning was an important growth area for chartered accountants (Arkell 2008d). He explained that more than 17% of the members of the Institute [ICAA] were actively involved in financial services roles such as bankers, fund managers, financial planning practitioners and traditional accounting roles. Arkell (2008d, p. 14) notes that “as members involvement in financial planning grows, so does the Institute’s [ICAA] focus need to grow”. However, the duration for such effort was short-lived, and a few months later the attention was on SMSFs without linking it to financial planning (Arkell 2008a).

The public’s poor perception of financial planners was further exacerbated. The FSRA had set a regulatory framework, but it was focused on the licence, not the individual. Interviewee N comments:

Education standards haven’t been lifted since 1997. People’s wealth is increasing, …with an aging population, and we need quality advisors. And I think we have got so many examples of poor systematic advice driven by conflicts. The licensing regime is focused on the license. It is not focused on the individual…there is no framework that influences a person’s conduct and behaviour (Interviewee N 2015, interview, 1 May).
Many accountants, through their authorised representative arrangements, were also financial planners and aggressively targeted their own clients, turning from long-term relationships to short-term sales (Agland 2011).

7.2.3 Institutions’ response

Institutions and large dealers needed to provide for claims from clients for inappropriate advice after the GFC. For example, Australia’s financial planning network, Professional Investment Holdings, announced a threefold increase in provisions against claims for inappropriate advice to clients (Hughes & Yeow 2009).

Interviewee S indicates that the banks did not recruit bankers, instead seeking outside advisers, of whom they then lost control:

They brought in an outside group. They brought in a life agent type [of] people to do some financial planning. If they'd only used bank staff that would never have happened…. [T]hey had this ex-financial planner running them. They lost control of that division…. They weren't bankers, and that's why they didn't act like bankers (Interviewee S 2017, interview, 29 March).

(Note: Additional interview excerpts are in Appendix J Chapter 7 under the ‘Bank staff’ theme.)

The collapse of Great Southern showed what could result from the large commissions paid to advisers to promote their managed investment schemes (Chessell 2009). It was anticipated that the GFC would alter the fee structure of financial planners (McGregor 2009); however, sales commission-based remuneration continued unabated.

Fees remained an issue for the institutions’ credibility. The fee structure of the industry prompted accountants to criticise the motives of the financial planners, not just the
institutions; the financial planners argued that the fee structure resulted in excessive remuneration and mistrust in the community. The industry argued that most Australians would not pay professional fees. It was suggested that the Government was influenced by the industry’s claims that the community would not accept a fee for service model (Brown 2009b).

After the GFC, which resulted in a downturn in investment of managed funds, the institutions started to emphasise insurance products. Fielding and Patten (2009) reported that “sales of life insurance products are booming as financial advisers work to generate new revenue streams and consumers feel increasingly vulnerable in the downturn” (2009, p. 1). It was reported that financial planning businesses would rush to circumvent a ban on volume-related payments by putting contracts in place ahead of the ban, and by transforming their business models to seek other sources of revenue (Fielding 2011).

7.3 GFC regulatory responses to financial planning failures

In Chapter 2, an analogy was made concerning the development of the USA financial planning industry that compared the development of financial planning to a restless, dynamic adolescent growing to adulthood (Rich 1984, p. viii). In the Australian context, few would argue that the industry was a problem adolescent, and some might even suggest that financial planning has grown into a troublesome adult – or worse, has never grown up and has fallen in with the wrong crowd. The reputation of financial planners is reflected in the interviewees’ responses; for example:
[I]f what we are saying is, do the public...have an acceptance of financial planning, I think they look at all financial planners as rogues (Interviewee I 2015, interview, 11 March).

(Note: Additional interview excerpts are in Appendix J Chapter 7 under the ‘Reputation’ theme.)

The above comments are from an accountant, and represent entrenched attitudes towards the financial planning profession shared by the public and regulators as well as accountants, as discussed later in the chapter. The press mirrored the public’s contempt, which had been provoked by the bad advice given to consumers. While a detailed analysis of public comment will be covered later in the chapter, it can be noted here that the press covered in detail the scandals surrounding the financial planning industry in the wake of the GFC. For a sample of coverage see (see Ferguson & Williams 2015a; Hughes 2009n; Klan 2014a; Patten 2011a).

In the wake of the GFC corporate collapses, the Government advised that it would regulate margin lending (Mace 2009a), and initiated a working group to investigate a national margin lending regulatory framework (Jimenez 2009). In October 2009, the Australian Parliament passed a bill to amend the Corporations Act to ensure that margin loans would be regulated as financial products under the Act (Corporations Legislation Amendment (Financial Services Modernisation) Bill 2009). Before the enactment of the legislation, Storm Financial and others had been able to use this oversight by the regulators to expand their business model, seemingly without hindrance from ASIC, even after investors began making complaints. The new legislation provided a clear definition of a margin lending facility to ensure that all arrangements with the characteristics of a margin loan would be covered under the legislation (‘What is a margin loan?’ 2009). Financial planners, along with others who
advised on margin lending, had until June 2010 to apply for margin lending authorisations in their Australian Financial Services Licence (AFSL) if they wished to continue to offer margin lending facilities from 1 July 2010 (Bell 2010; Hii 2011c).

The collapse of some major financial planning firms and organisations during the GFC resulted in the loss of millions of dollars of investors’ savings, the result of poor and misleading advice. Because of significant political pressure, the Government formed a Parliamentary Inquiry into the failure of financial planning providers, with a view to protecting investors.

Interviewee O comments that the regulation issue was looming over many years because of financial institutions failures:

I think that was part of rationale behind it. We had the FSRA, we had a range of large failures…we had these dotted throughout the landscape of the last 15, 20 years. And I think the government’s hope was that the industry and the profession would have just sorted it out, but as we know, it didn’t (Interviewee O 2016, interview, 15 February).

Other interviewees indicate that accountants were also included in this regulation. Interviewee A relates:

[A]ll I can see is a continuing compliance regime, and the accountants will have to abide by that as well. And I think the accountants have effectively lost that ground, and they might be fighting to maintain what they have got (Interviewee A 2012, interview, 23 November).

An interviewee involved in the regulatory landscape indicates that ASIC did not see accountants as being interested in financial planning:

I just don’t think they [ASIC] see the accountants as interested (Interviewee K 2015, interview, 5 May).
ASIC sought to wind up Storm Financial Services amid concerns that “former investors have been provided with ‘fundamentally flawed’ information about their prospects for recovering some of their billions of dollars in lost assets” (Hughes 2009c, p. 2). However, ASIC did not see their role as being to comment on the business models of the industry participants. Interviewee K comments:

They very much see it as their role as being regulatory and enforcement, rather than [as] encouraging new competitors into the market or structural changes to the market (Interviewee K 2015, interview, 5 May).

(Note: Additional interview excerpts are in Appendix J Chapter 7 under the ‘ASIC and accountants’ theme.)

Another interviewee supported the view that ASIC was not assisting the professional associations to monitor the standards of the industry:

[W]e need to be able to ensure that the ground rules are set from the time that people gain their formal education in this skill set, to understand that the technicalities to understand the educational requirements through to gaining the professional and day-to-day experience that allows you to undertake this work in the public arena…. The regulator seems to think that its sole role is monitoring enforcement, and I think its primary role is to help the professional organisations to ensure they maintain the appropriate quality of people coming into the profession to do the right thing (Interviewee I 2015, interview, 11 March).

Investors raised questions about the relationship of the banks with the collapse of financial planning groups such as Storm Financial and the two banks associated with funding margin loans for Storm Financial’s clients. The media reported on the issues extensively (Hughes 2009d) as the business practices came to journalists’ notice, before, during, and after relevant Government inquiries. Interviewee R comments on the banks’ professionalism:
Because ultimately professionalism is not only about competency, but it’s about your integrity and your ethics. And, so, from that point of view the industry has suffered through these revelations of the large banks (Interviewee R 2017, interview, 23 March).

Interviewee O observes that the regulator was not concerned with professionalism or ethics in the industry but only compliance, and that in dealing with Storm Financial, ASIC concentrated on compliance:

[T]hey were emphatic about the documentation, but not about whether you gave proper advice. It was about whether you ticked all the boxes…. It’s extraordinary (Interviewee O 2016, interview, 15 February).

Leading the debate on regulatory reform, the FPA has addressed the Parliamentary Joint Committee on Corporations and Financial Services (PJC) (‘FPA appears before PJC hearing’ 2009). The financial planners may have been unfairly targeted as the Government reacted to the GFC and a rush for reforms that would not necessarily fix the problem, but would give the appearance of action (Sanders 2012).

Accountants’ elitism surrounded the debate on the ‘carve out’ of advice on SMSFs. Brown (2009d) suggests that the ‘carve out’ was not because accountants had a special entree to government, or some unique expertise that distinguished them from the average licensed planner. He indicates that it was because “Government was convinced…that financial planners could not be relied upon to give independent advice and there had to be come kind of gatekeeper protection to clients wanting to establish and operate self-managed superannuation funds” (2009d, p. 46).
There still was a push for self-regulation amongst the professions. Interviewee D is of this opinion in his professional position, and views the Government as stifling professionalisation,

I think Government law stifles professional rudimentary development, and my current role is back in that sort of environment of saying that self-regulation is admirable, professions are admirable. How [do] the Government and the law support that, rather than take it over? (Interviewee D 2013, interview, 2 May).

(Note: Additional interview excerpts are in Appendix J Chapter 7 under the ‘Government’ theme.)

ASIC had power in its relationship with the financial planning industry, as they governed training and education. No professional body acted as gatekeeper on setting standards. Interviewee E indicates that professions usually set entry levels and enforced standards, but not in the financial planning industry in Australia:

...whereas in the financial advisory world, whether it is us or the AFA or the FPA or anyone else, never had – and still doesn’t have – that power to compel. We don’t own the gatekeeping role, we don’t own the standard-setting role. In many ways that is done by the regulator, and because of the absence of that strength, the immaturity of the profession, the Government has come in and done it for us (Interviewee E 2013, interview, 3 May).

7.3.1 Inquiry into financial products and services in Australia (Ripoll Committee Review)

The Ripoll Committee was formed on February 25, 2009 (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2009) with a brief to review issues associated with the collapse of financial product and services providers, such as Storm Financial and Opes Prime, with particular reference to the role of financial advisers. The Ripoll Committee had a high profile in the financial planning community, as well as in the wider community during the hearings (Fitzpatrick 2009).
Storm Financial was constantly in the press because of the public hearings associated with the Inquiry. Ron Jelich claimed he had lost $AUD20 million in the collapse, although the board had reassured him only weeks before the collapse that the company had enough funds to last 18 months. A former senior executive of Storm alleged that up to $AUD15 million went missing from the company’s accounts before it collapsed, with investor losses of up to $AUD3 billion (Hughes 2009j). ASIC also alleged that Emmanuel Cassimatis, Storm Financial’s founder and chief executive, sent more than $AUD10 million offshore prior to the collapse (Hughes 2009p).

The Ripoll Report made 11 recommendations for reform. The three major recommendations were the introduction of a statutory fiduciary duty for financial advisers (Recommendation 1); the development of an appropriate mechanism by which to cease payments from product manufacturers to financial advisers (Recommendation 4); and the establishment of an independent, industry-based professional standards board to oversee nomenclature, competency and conduct standards for financial advisers (Recommendation 9) (Yeow 2009). Full details of the recommendations are in Appendix C 3.

The Ripoll Committee highlighted the sales-advice conflict arising from significant structural tensions that are central to the debate about conflicts of interest and their effect on the advice consumers receive, and about the vertically integrated59 structure

59 ‘Vertically integrated’ refers to an organisational structure whereby multiple businesses at different points in a manufacturing or production process are controlled by the same organisation. In the context of financial planning, it refers to situations where the investment product manufacturer also distributes the in-house products through their own financial planning network (Hoyle 2013d, p. 12).
of the financial planning industry. The Committee notes (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2009, pp. 69-70):

On one hand, clients seek out financial advisers to obtain professional guidance on the investment decisions that will serve their interests, particularly with a view to maximising retirement income. On the other hand, financial advisers act as a critical distribution channel for financial product manufacturers, often through vertically integrated business models or the payment of commissions and other remuneration-based incentives.

The FPA supported many of the recommendations made in ASIC's submission to the Parliamentary Joint Committee Inquiry into financial products and services; however, the FPA felt that ASIC’s suggestions regarding remuneration and disclosure missed the mark (Bloch 2009a; Munro 2009c).

The financial planning industry responded to the damning Ripoll Report in a self-interested manner, ignoring several of the Report’s crucial points. Storm Financial’s business model and behaviour mirrored the financial planning industry, and yet, in the industry publication seeking input on the Ripoll Report, one expert interviewed writes,

I found it a great relief that the Ripoll committee saw the Storm debacle for what it really was: an isolated example of thirteen 'bad apple' financial planners out of a population in excess of 10,000 planners. The Storm business model of 'double gearing for all' is clearly an outlier (‘Ripoll report: Dud or dynamite’ 2010, p. 12).

If the recommendations of the Ripoll Report were to be implemented, the business models of the dealer groups would be called into question. The industry participants recognised the inevitable lobbying of the institutions. It was suggested, given that the Minister sought industry input, that “the large dealers will probably drive the process…it will become political and the clients’ best interests will be superseded by the interests of the product providers” (‘Ripoll report: Dud or dynamite’ 2010, p. 13).
The regulatory response to the GFC at times became quite intense from the regulators’ perspective. In some quarters, it was deemed that the regulator was sympathetic to the large institutions and not proactive enough to stem the sort of scandals surrounding Storm Financial. However, the regulators’ criticism of financial planners is evident in public speeches by staff from ASIC. The emotion shown by the Chairman of ASIC, Greg Metcraft, in a YouTube video from ABC News (Australia) (2014a) of a National Press Club presentation says more than words alone. He conveys his frustration very emotionally:

…we keep on nudging them, but we don’t get confidence…. [T]here has been enough nudges…. Australians want advice they can trust…. [I]t’s absolutely appalling…what I see financial advisers have actually done to people…and what they continue to do to people, it’s wrong and the industry has to learn they have to win trust and confidence…. I do get emotional about it because I see the casualties…. [I]t is heart-breaking to see clients who have been advised into products which are completely inappropriate, they have no idea what they are invested in, people who have SMSFs who didn’t actually know they had an SMSF….

The witness statements provide harrowing examples of the business model of Storm Financial and other financial institutions (see Australia, Joint Committee on Corporations and Financial Services 2009c; Australia, Joint Committee on Corporations and Financial Services 2009d, 2009e, 2009f, 2009g, 2009h, 2009i, 2009j, 2009k, 2009l). In the period surrounding the Inquiry into Storm Financial, which received widespread press coverage, the accounting journals remained silent. Of the 600 articles reviewed and recorded in this study, not one article from the accounting journals contained debate on the issues. Conversely, of the 280 FPA journal articles

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60 The scathing attack on the financial planning profession by the ASIC chairman is very poignant. Viewed 20 October 2016 [https://www.youtube.com/watch?v=5NVph2szEI](https://www.youtube.com/watch?v=5NVph2szEI).
reviewed, four key articles were published in the same period (‘Cassimatis found guilty of breaches’ 2011; Bloch 2009c, 2009d; Munro 2009a).

Generous property valuations from the banks, in particular Commonwealth Bank, drove millions in new investments in margin loans with Storm Financial prior to the GFC (Hughes 2009m). It was reported that, in some cases, the cost of mortgage insurance on the 90% loan-to-value ratio loan was waived after the Storm adviser negotiated a deal with Commonwealth Bank. It was alleged that Australian cricket star Andrew Symonds helped secure a seven-figure loan with Commonwealth Bank to raise funds to invest with Storm Financial Services by providing an autographed cricket bat to a branch staff member (Hughes 2009i). In an understatement, the bank admitted, “the bank had failed to follow our own policies and lending practices when lending to clients of Storm Financial” (Hughes 2009n).

The banks wrote scripts for its employees, who had to try to collect margin debts from thousands of Storm Financial clients. The employees were told to blame all their woes on their adviser. Among the carefully calibrated responses were suggestions on how to reply if someone said they had lost their life savings and home, threatened to go to the media or just simply refused to pay their debt to the bank (Hughes 2009h).

Abbott’s theory requires three environments in which an organisation needs to claim a jurisdiction: the work and public and legal acceptance. The professional organisations claiming jurisdiction were impeded by the lack of public acceptance. After the GFC, the public outcry was constant, as was evident in the newspapers of the day. In the period immediately after the Storm collapse and the subsequent inquiries,
23 major newspaper articles featured Storm Financial as a story, and eight of these stories were front-page news (Durkin 2011; Hughes 2009b, 2009c, 2009d, 2009e, 2009f, 2009g, 2009h, 2009i, 2009j, 2009k, 2009l, 2009m, 2009n, 2009o, 2009p, 2009q; Hughes et al. 2009; Hughes & Singer 2009; McMaster 2011; Swift 2009; Washington 2009b). The reports were not only in the main financial press, The Australian Financial Review, but also in The Australian and The Age newspapers. The reports questioned not only the business model of Storm but also the banks’ involvement in facilitating the Storm business model through lending and investment in bank-owned products (Hughes 2009d, 2009e, 2009f, 2009g, 2009m). The involvement of ASIC was also asserted, as shown in such headlines as “ASIC knew about Storm for months” (Hughes 2009b). Storm owners’ allegations of missing monies added to the intrigue (Hughes 2009j, 2009p, 2009q). The scandal indicated that the public’s attitude to financial planners was at a very low level. The subsequent responses by the Government were a result of the public outcry.

7.3.2 Future of Financial Advice (FOFA)

In April 2010, the Government responded to the Ripoll Report\textsuperscript{61} with a detailed package called Future of Financial Advice (FOFA). The reforms were designed to tackle conflicts of interest and the mis-selling of products that culminated in collapses such as Storm Financial, Opes Prime and Westpoint, details of which were clearly documented in the report (Bowen 2010).

\textsuperscript{61} Details of the recommendation are included in Appendix C3.
In the same media release the Government announced additional initiatives, which included the resolution of the lingering accountants' licensing exemption. The exemption permitted accountants to provide advice on the establishment and closing of SMSFs without holding an AFSL. The Government announced that the exemption would be removed, as it was concerned that the current exemption did not provide an appropriate framework for advice in relation to SMSFs, or to superannuation more generally. The Government advised it would consult with industry on an appropriate alternative to the current exemption, including potentially a streamlined licensing regime, and there would be an appropriate transitional period.

The FOFA reforms were voluntary from 1 July 2012, and became mandatory on 1 July 2013. The FOFA reforms contained three key reforms: a prospective ban on conflicted remuneration, including commissions, volume payments and soft-dollar amounts; the introduction of an adviser charging regime, which would require annual fee disclosure and client ‘opt-in’ every two years; and the introduction of a statutory fiduciary duty for financial advisers, requiring financial planners to act in the best interests of their clients (Bateman & Kingston 2012).

FOFA added to and amended existing legislation covering the activities of financial advisors. Despite scandals such as that involving Commonwealth Bank, detailed in Section 7.3.3, in March 2014 the incoming Coalition Government attempted to dilute the FOFA reforms. In response, Labor Senator Sam Dastyari and independent Senator Nick Xenophon organised a ‘coalition of common sense’ that bought together Labor, the Greens and independent Senators Jacqui Lambie, John Madigan and Ricky Muir to vote down the Coalition's FOFA wind-back (Steen et al. 2016).
Industry observers pointed out that FOFA only set a minimum standard. Complying with, but not belonging to, a professional association would not qualify anyone to call themselves professional. They suggested that there should be a professional code that set standards that exceeded the law (Hoyle 2014c).

The prescriptive FOFA rules were necessary, as the industry wasted several chances over several years to upgrade its practices to a standard suitable for an occupation of such influence, on each occasion failing to respond to demands for change and only appearing to adhere to professional standards as a matter of form. Planners were encouraged to embrace the spirit of the reforms and recognise that the professionalisation involved could only benefit the industry over time (‘Planners should take advice and face the future’ 2011).

The FOFA regulations did not eliminate the culture of product-focused sales. If the regulations were to be implemented as recommended, the FOFA dealer groups would need to review their training programs and compliance framework and put appropriate measures in place to avoid conflicted remuneration structures and soft-dollar benefits (Hii 2011a, 2011b). The necessary changes did not address issues such as restricted investments in AFSL’s Approved Product List. In the opinion section of Financial Planning, FPA members expressed the view that they could provide independent advice by using the restricted choice of product and platforms provided by an Approved Product List that most dealers provided to their advisers (‘The best interests of clients’ 2010).
The industry seemed to develop two major offers. The first was a narrow, product-focused offer within the product manufacture associated with the big four banks, as well as with insurance companies and large, vertically integrated financial institutions. The second was a broader, strategy-focused offer unrelated to the quantum of investment and directly related to degree of financial complexity and/or depth of advice required. The first business models are only sustainable within vertically integrated institutions (Pritchard 2011).

The FOFA reforms were subject to several changes, and many of the reforms were withdrawn with a change of Government (‘FOFA: The birth of a profession’ 2012; Hughes 2011g; Main 2012b). On 20 December 2013, the Federal Government announced a package of changes to FOFA to reduce compliance costs and the regulatory burden on the financial services sector. The changes aimed to ensure that the integrity of the financial advice framework was maintained whilst delivering a system that offered affordable and accessible financial advice to the Australian community (Fox 2013). On 20 June 2014, the Government announced its package of changes to FOFA. The Government's amendments were implemented through the Corporations Amendment (Streamlining Future of Financial Advice) Regulation 2014. The Regulation commenced on 1 July 2014. On 19 November 2014, the Senate disallowed the Corporations Amendment (Streamlining Future of Financial Advice) Regulation 2014 (The Treasury 2017).

With bipartisan support, the Government remade several time-sensitive elements of the disallowed regulation. These changes were implemented through the Corporations Amendment (Revising Future of Financial Advice) Regulation 2014 and the

The FOFA legislation was delayed because of the change of Government and the opposition of the industry. The arguments used against FOFA’s position at the time on the opt-in rule, along with staunch opposition to the principles in the APES 230 standard, *Financial Planning Services*, did not help progress towards a true “profession” (Mulcare 2014b). For example, Zinn (2014) reported a push-back to the FOFA by sections of the industry, and called on consumers to protest against those vested interests seeking to destroy the protections it offered. It took a Senate revolt to curtail the newly elected Coalition Government from dismantling Labor’s planned FOFA legislation (Coorey 2014). At the time of the FOFA reforms, it was still possible for the professional bodies to take an active role. On the election of the new Government, the view of the accountants was that the FOFA legislation would be politically compromised due to the successful lobbying by sections of the industry (Brown 2013c; Hughes 2011f).

However, the industry view was that vertical integration is neither illegal nor necessarily even undesirable. The institutions viewed it as a natural and inevitable consequence of regulatory reforms, such as FOFA. Other industry groups felt that such a structure was a necessary response to pressures created by the GFC, in that it could generate significant efficiencies, leading to lower costs and better products and services for consumers. Yet other commentators viewed the structure as

the most insidious and malign influences on the financial services landscape, one which drives institutional behaviour that is contrary to the clients’ best interests – and which was in large part actually responsible for, rather than being a result of, the GFC (Hoyle 2013d, p. 12).
7.3.3 Inquiry into the Performance of the ASIC

The accounting profession and the FPA still envisaged a regulatory framework based on self-regulation in conjunction with Government oversight; however, the accounting profession indicated that regulation was required because financial planners could not be trusted as a result of conflicts of interest, irrespective of the good intentions of individual planners (Spinks 2010b). There was little evidence of the Government accepting self-regulation, and the financial planning industry still needed effective legislation to underpin consumer trust and confidence (Campo 2014).

Some industry practitioners were disappointed in the Government’s decision to wind back the FOFA legislation, commenting:

[I]f the financial planning industry were a house and you were considering renovating and improving it…there could be an argument for just knocking it all down and establishing new foundations upon which to build great financial advice firms (Stackpool 2014, p. 7).

The Ripoll Inquiry detailed the inappropriate business models prior to the GFC that had caused the collapse of several financial planning organisations. After the Ripoll Inquiry, media reports (ABC News (Australia) 2014b; Hoyle 2014b, 2014d; Low & Fielding 2011; Main 2011) raised concerns about the financial advisers in Commonwealth Financial Planning Limited (CFPL), which is part of the Commonwealth Bank of Australia Group, and the flawed culture within the bank (Ferguson & Vedelago 2013). Many in the media were made aware of the misconduct in CFPL by whistleblowing employee Jeff Morris (Hoyle 2014d).
In June 2013, the Economics Legislation Committee questioned ASIC about CFPL and was clearly dissatisfied with ASIC’s response. Within weeks, the Senate referred the inquiry on ASIC’s performance to a Senate committee. In June 2014, the Senate Economics References Committee tabled a report on its inquiry into the performance of ASIC (Australia, The Senate Economics Legislative Committee, 2014). The inquiry was conducted over many months, receiving 474 submissions and examining many areas of ASIC’s performance, including regulation of financial advisers.

The inquiry recorded not only how hundreds of millions of dollars of clients’ money were lost because of poor financial advice, but also how ASIC had mishandled the scandal (Klan 2014b). The inquiry also laid bare the problems of a vertically integrated business model such as CFPL. The model encouraged a sales-volume culture, where clients’ interests were secondary to the interests of the bank (Hoyle 2013d). This encouraged self-interested behaviour and failed to rein in the behaviour once the bank became aware of the problems. Hoyle (2014b) noted that of “all the revelations that were uncovered in investigations by the ABC and Fairfax Media into CFPL, the one that stood out was former CFPL financial planner Don Nguyen’s claim that ‘he did not know’ that what he was doing was wrong” (2014b, p. 4).

The report made 61 recommendations, including Recommendation 54:

The committee recommends that the Parliamentary Joint Committee on Corporations and Financial Services inquire into the various proposals which call for a lifting of professional, ethical and educational standards in the financial services industry.

On 14 July 2014, the Government accepted Recommendation 54 and established an Inquiry into Proposals to Lift the Professional, Ethical and Education Standards in
the Financial Services Industry (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014). The Inquiry’s recommendations are detailed in Appendix C4. This Inquiry will be discussed in Chapter 8.

7.3.4 Financial System Inquiry

The Financial System Inquiry (Murray 2014a) and the PJC Inquiry into Proposals to Lift the Professional, Ethical and Education Standards in the Financial Services Industry (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014) highlighted five main deficiencies in the current education and training requirements:

- the current education and training requirements prescribed in the Corporations Act were low;
- the standards were vague;
- the standards were not holistic; they did not require all financial advisers to undertake ethical courses and there was only a cursory reference to continuous professional development;
- stakeholders had raised concerns that the training requirements were not in keeping with changing market conditions; and
- there was no central database with information about the quality of various education and training courses.

A detailed discussion on the above deficiencies and the claim for the education jurisdiction is covered in Chapter 8.
7.4 GFC and FOFA jurisdictional contest

As part of the FOFA reforms, the Government announced in June 2012 that the accountants’ exemption would be removed and that a new regulatory framework would be put in place. The framework would apply to recognised accountants providing non-product strategic financial advice and advice on the establishment of SMSFs.

7.4.1 Professional associations

The role of professional associations was usurped by the Government during and after the GFC. In the debate on improving the professionalism of financial advice, Sanders (2011) commented that the Government’s emphasis was on the role that law and regulation should play in achieving professionalism, rather than the role that professional associations could, and should, play as the primary vehicle for professionalism.

The professionalisation of financial planning was hampered by the continued scandals and behaviour of financial planners, particularly the institutions. The financial planners expressed the view that there were areas where professionalism existed, but that public acceptance was shattered because of the scandals after the GFC:

No, I think in parts, I think it’s not one profession yet, and so there are pockets of practices and advisors that are professional and deliver great advice, have the body of knowledge...have the qualifications and clients that are happy, and that’s going to be accelerated through FOFA. That’s from the professional to their clients, but from the profession to the broader consuming public there’s a long journey still to get there (Interviewee E 2013, interview, 3 May).

62 A recognised accountant is a person who holds a practising certificate issued by the Institute of Chartered Accountants in Australia, CPA Australia Ltd, or the Institute of Public Accountants.
The time had passed for the accounting organisations to obtain their own licence, as the institutions had built their model on the distribution of products through their networks. The accounting bodies indicated that they were only interested in the fee for service and not the placement of the products. The view did receive some support from the industry, where the conflicts of the current structure were recognised as an issue preventing a claim for classification as a profession (Fahrer 2009). However, several industry observers commented that an investment platform without funds under management would not be viable. Subsequent actions by CPA Australia to obtain a license proved a financial disaster. As Interviewee S comments that a professional association obtaining its own license would present difficulties:

If I was still in practice my professional body would be in competition with me...I'd conflict with my professional body. CAs and CPAs [professional organisations] don't set up accounting businesses or insolvency businesses (Interviewee S 2017, interview, 29 March).

Financial planners still held to the belief that the issues were not industry-wide and felt they were, like other professions, which have some rogue members. Interviewee C summarised the position:

It’s interesting, if an accountant goes bad, the accountant’s blamed, not the profession, [but] if a financial planner goes bad, the profession seems to be blamed more than the financial planner. Every profession has its rogues, even doctors. I think it’s a sign that we haven’t reached professional status if that happens (Interviewee C 2013, interview, 29 April).
The financial planners felt that the regulator was interfering in areas normally associated with professional associations. Interviewee M, a senior executive with a financial planning professional association, comments on the Government’s role:

I think they [the regulators] are getting involved in stuff they don’t need to be involved in. You know, setting up all sorts of bodies and professional standards, that’s the domain of the associations, it’s not the domain of the legislators or regulators, it’s not for them to do (Interviewee M 2015, interview, 30 April).

(Note: Additional interview excerpts are in Appendix J Chapter 7 under the ‘Regulation interference’ theme.)

The FPA were proactive and provided to members a comprehensive FOFA Pack detailing the key issues raised by the FOFA reforms. The pack encouraged financial planners to engage with their local MPs to ensure they had a clear understanding of the issues facing the financial planning industry and consumers (‘FOFA explained in member information pack’ 2011).

The opt-in provisions of FOFA caused an issue for the industry. Even before it was legislated, the FPA raised concerns across the industry about its effect on business, and indicated that the opt-in provisions were bad public policy (‘Assessing the fall-out of opt-in’ 2010; ‘FPA continues call to scrap opt-in’ 2011; ‘"Opt-in" a harmful policy lock-out: FPA’ 2011; Yeow 2010a). One of the accounting groups, the IPA, indicated that the reforms provided appropriate objectives except for the annual opt-in provision (Conway et al. 2011).

However, the FPA recognised the clear benefits for clients and saw that the greater consumer protection provided by the reforms could only be good for the profession. They took the view that they were turning the corner towards becoming a truly
respected profession (De Gori 2013). The regulator referred to the FPA as a major representative of the financial planning industry; however, no single organisation was able to claim legal or public jurisdiction. The prevailing attitude expressed by the accountants concurred with this assertion. Interviewee F comments:

I don’t think there’s any one organisation that could claim to be representing the whole financial planning industry as such, because I don’t call it a profession, I call it an industry. There are people who operate professionally in it, but I don’t think it’s a profession by any means (Interviewee F 2013, interview, 25 July).

(Note: Additional interview excerpts are in Appendix J Chapter 7 under the ‘Professional associations’ theme.)

Accountants claimed jurisdiction over the SMSF industry; however, and had competition not only from financial planners but professional organisations representing the SMSF, sector such as the Self-Managed Funds Association (SISFA), which represent over 20,000 SMSF trustees, and the Self-Managed Super Fund Association, which offer specialist accreditations and graduate certificate qualification. Interviewee O recognises the growth of SISFA:

I think the Financial Planners Association clearly are a key player as the organisation which has space. I think you’d also have to raise the question about SISFA: what role do they play? I mean they’re in an interesting position, I think they’ve done well to position themselves and grow really from nothing. But they were looking after the audit space, they were looking after the specialist space, but a lot of that’s been overrun by regulation, so what role does it play in the future? I mean, I really do think that the accounting bodies do have a huge role to play (Interviewee O 2016, interview, 15 February).

Institutions were also lobbying on the inappropriateness of selling SMSFs, and this criticism was directed at accountants. Interviewee C, from an institutions background, comments:
I’ve got some strong views on self-managed super funds in that I think in some cases that’s a mis-selling scandal that people haven’t picked up on. Because there are people in self-managed super funds, but importantly for the reason of control, but shouldn’t be in there. They are paying too much, don’t understand their responsibilities as trustee and [their] investments [are] lacking in diversity. That’s the best point, diversity. And one day they’ll wake up about it and it’s not going to be pretty (Interviewee C 2013, interview, 29 April).

7.4.2 Role of the accounting profession

The role of accountants in financial planning was cemented in the industry’s formative years, as detailed in Chapters 5 and 6. The Big Four firms flirted with the financial advice business in the late 1990s and early 2000s. It was also apparent that the small to medium-sized firms had a different view on financial planning (Wines et al. 2013), but the accounting associations did not take this up on behalf of most of their smaller practitioners. The smaller practitioners always thought that they needed to provide financial planning services to their clients and remained trusted advisers to their clients. Accountants without a licence could provide incidental investment advice to their clients as part of their overall services. In giving evidence to the Ripoll Inquiry in a public hearing (Australia, Joint Committee on Corporations and Financial Services 2009a, pp. 79-80), Mr Black from APESB provides an example of the position of accountants in the matter of accreditation, the culture that they have skills to provide investment advice and a feeling that the regulations should not apply to accountants. A full transcript is included in Appendix K 1.

The Institute of Chartered Accountants sponsored a book entitled Partnering with financial planners – a guide to growth for accounting firms (Charlton 2011). The title indicates that the professional body had given up suggesting that their members apply
for an AFSL licence, but still felt an obligation to provide a mechanism where accountants could partner with financial planners.

Interviewee P, who was involved in membership services at an accounting professional association, confirms the lack of communication with members on financial planning issues:

[T]he institute [ICAA] didn’t carry it out strongly with enough public communication about why accountants were good financial planners, and they relied upon those ethical, the ethics of [the] accounting profession or the process the institute had over their members…. [The] Government lost faith in the profession [financial planning] because of some of the disasters (Interviewee P 2015, interview, 30 September).

The accounting associations were preoccupied with traditional professional tasks. In 2012 the breakup of the work environment for chartered accountants was 34% in commerce, 38% in practice (including the Big Four) and 3% in the public sector (Institute of Chartered Accountants 2012), and this created a problem for the allocation of funds to the different work areas. Interviewee D comments on the accounting associations’ obvious preference:

[W]hat’s always been bemusing to me is auditing. Insolvency takes such precedence in the minds of the associations, even the minds of practitioners, but when you look at the raw numbers of activity, the ‘other’ box represents by far away the vast bulk of activity that accountants engage in. I think that’s a mistake by the accounting bodies and the accounting communities, to misunderstand that, in any business, if ‘other’ was 70% of what you do, you’d suddenly pay attention to what that ‘other’ was. It’s confusing (Interviewee D 2013, interview, 2 May).

(Note: Additional interview excerpts are in Appendix J Chapter 7 under the ‘Membership breakup’ theme.)

Financial planners still viewed accountants’ work tasks as the traditional tasks associated with accountants, and claimed jurisdiction for the investment aspect
normally associated with accountants. For example, superannuation structures had always been viewed as part of accounting advice, but the investment aspect was now being controlled by financial planners. Interviewee M, from a financial planning background, comments on both aspects:

[T]he nature of an accountant is to check, to validate, to, you know, establish the facts and look at what has happened…. I think, from the accounting side, it is very much around the structures and the superannuation side of things, and I would have thought, when I look back at it, in the early days of financial planning, they were seen to be the domain of the accounting space then…. [F]inancial planners really settled, we just dealt with the investment (Interviewee M 2015, interview, 30 April).

Accountants’ attitude regarding financial planning did not improve because of the GFC and subsequent inquiries. The Big Four, who had exited financial planning early in the millennium, gave no leadership. Financial planning should have been an easy transition for accountants, but it did not eventuate. Interviewee H points to negativity about financial planning and a powerful group among professional accountants who are not active in financial planning:

I believe if they [accountants] want to they can [conduct financial planning]. The biggest question that would be asked is, “What’s in it for us? Why do we want to do this?” And you have certain members within the profession that it would be very much within their interests, because now it’s their bread and butter work. And you have another lot that say, “Well, there is nothing for us, we are not involved in it”… That’s the powerful group (Interviewee H 2015, interview, 11 March).

(Note: Additional interview excerpts are in Appendix J Chapter 7 under the ‘Participation’ theme.)

Interviewee F, a strong advocate for financial planning within the accounting profession, admits that accountants cannot claim to represent the financial planning profession:
I don’t think we can reasonably claim to represent the financial planning industry. We have some good things to say about it from time to time, and some not so good things, and we’ve put some limited resources into it (Interviewee F 2013, interview, 25 July).

(Note: Additional interview excerpts are in Appendix J Chapter 7 under the ‘Representation’ theme.)

One interviewee, from an accounting background, makes an interesting comment when asked how he envisaged accountants being engaged in financial planning. The interviewee explains that he has a financial planner and comments on the fee structure of the financial planner and his trust in the financial planner’s independence:

The first thing I ascertained with him was that it was a fee for service and that he gets no commissions whatsoever. Any commissions he gets, they just get credited straight back to me… there is no trail. He charges me for a fee…. And I therefore have a certain amount of trust that he will be looking after my interests and not his own interests (Interviewee J 2015, interview, 5 May).

The ICAA indicated that it aimed to be relevant to its members. In the regular president’s update section of the ICAA journal Charter, there is minimal coverage of financial planning. In one article published just before the GFC, the ICAA position was that “[t]he Institute [ICAA] is working to position itself as a leader and key stakeholder in the financial services sector”; this suggested that the ICAA was aiming to develop a framework applicable to chartered accountants and their existing competencies, such as estate planning (Arkell 2008d). Two months later, a further article emphasised SMSFs without linking them with financial planning ( Arkell 2008b). Similarly, the CEO had a regular update column in Charter in which there was little mention of financial planning. In an article on leading the profession, there was some mention of SMSFs but not of financial planning (Meyer 2008b).
There was no strategic vision for financial planning throughout the period when financial planning was under scrutiny after the GFC, although successive presidents of the ICAA reported to members that they were dealing with public policy issues (Grimes 2011b; Spinks 2010c). Where financial planning was mentioned, the issue was recognised, but there was no subsequent action. For example, by June 2010 there was no direct comment on the attitude of ICAA to the recommendations of the Ripoll Committee Inquiry. The only comment in 2009, discussed in Section 7.3.1, was a realisation that

both a Chartered Accountant and a Financial Planner is a great combination of disciplines. After all, the training and education of our members is perfectly suited to the range of expertise that is required to successfully offer this strategic service (Spinks 2010a).

The response was to indicate that the ethical issues of financial planning was the main concern, and that accountants already possessed relevant attributes as part of their training. Spinks (2010a, p. 14) did concede:

It is not a practical proposition for members to hope that the day might return when accountants will be able to engage in financial planning with the help of special exemptions or carveouts. Even though much of the regulatory framework might seem complex, expensive and oriented towards product advice rather than strategic planning, we are required to comply with these regulations.

The boards of the professional accounting associations and the Big Four firms were not interested in financial planning. Interviewees O and K comment:

[I]f you look at the boards of the institute [ICAA] at that time, it was all the big firms…[a]nd they weren’t very interested in financial planning…. [W]ell, we can debate if the tipping point was back with the Asian Financial Crisis or the Global Financial Crisis or the difficulty in obtaining indemnity insurance. We had a climate of great uncertainty from a risk point of view, and I think that probably led us down the path of “Let us not take up some of these more speculative, or seen to be more speculative, paths in the profession” (Interviewee O 2016, interview, 15 February).
Accountants still maintained the mantra of ‘public interest’, that which surpassed the best interests of the FOFA legislation (Brown 2013b): the level of professional training provided which made truly independent and strategic financial planning available to the community (Spinks 2010a). They called on the Federal Government to remove the inherent conflicts of interest in the financial planning industry (Brown 2009a, 2010e). The CEO of the ICAA indicated that the best model was self-regulation, and that where possible, regulators should help professional organisations co-regulate (White 2012).

7.4.3 Impact on the accounting profession

Accountant bodies also lost the fight for a claim for the SMSF industry. The accountants reacted slowly to financial planners’ encroachment into the SMSF field, which had historically been controlled by accountants since the early 1970s, mainly for the taxation incentives. At that time individual accountants could establish standard superannuation funds on behalf of their clients using a standard document63.

The SMSF market was a large segment in the financial planning industry. Even after the market downturn as a result of the GFC, the number of SMSFs increased as investors were becoming dissatisfied with the managed funds industry and wished to regain control of the investment process (Parker 2009). Accountants were accused of ‘jeopardising their clients’ retirement by pushing them into do-it-yourself

63 The funds were called Section 23F funds, as they were approved as superannuation funds as defined under Section 23F of the Income Tax Act. They were not recognised by the taxation office after Section 1 of the Taxation Laws Amendment Act (No. 4) 1987 came into effect.
superannuation funds to create an annual $1 billion revenue stream for the profession” (Kahler 2008). At 30 June 2014 over 1 million Australians were using SMSFs through 534,176 separate funds. Total assets held in the funds were $AUD557 billion, approximately 30% of total superannuation assets (‘Accountants’ exemption/ Self-managed super funds’ 2014).

SMSF set-up and administration seemed to have been taken out of the hands of the accountants, with AMP and other large institutions providing administration services (Story 2014b). Recent statistics indicate that the majority of SMSFs are being recommended by financial advisers who are lured to seminars by providers of SMSF set-up and administration (‘SMSF investors return to planners’ 2010).

The ICAA advised their members as late as 2011 that Chartered Accountants who specialised in SMSFs could now be formally recognised for their expertise and skills. The ICAA launched a new SMSF specialisation qualification exclusively for Chartered Accountants. The Institute’s head of superannuation, Liz Westover CA, commented that the new qualification was an exciting opportunity for members to build on their existing learning and be publicly recognised for their experience (‘Recognising SMSF specialists’ 2011). This initiative was positive for accountants, and the links with an education institution and the institution of their own professional development program was a welcome support for those of their members engaging in SMSF. However, accountants did not link SMSF education to financial planning, and treated it as a separate specialisation rather than a sub-section of financial planning. SMSFs were soon to be regulated, and accountants needed to hold an AFSL or an ASL Limited. Accountants had not included advice on investments as part of their skill set.
They attempted to build their credibility in the area; however, the work jurisdiction was becoming dominated by the institutions and providers registered under RG 146, and the legal jurisdiction was assumed by the Government. The public jurisdiction was being eroded by other professional associations, and by financial institutions offering specialist SMSF advice and administration.

The FPA did not see the involvement of accountants in financial planning. For example, Interviewee B comments:

They’re very successful and unless they want to do a Pac-Man, take over the whole world. It’s just as likely as saying, “Why don’t they take over the medical profession as well?” I mean, what’s the point (Interviewee B 2012, interview, 28 November)?

The impact of the business structure of financial planning could see the accountants further lose their market share. Financial planners were purchasing accounting practices to give them credibility and a client base. Interviewee S observes:

[F]inancial planners are buying accounting firms to give them credibility, and of course that would give them a client base…. [Y]ou are going to find [that] a lot of these little firms are being gobbled up by financial planners (Interviewee S 2017, interview, 29 March).

(Note: Additional interview excerpts are in Appendix J Chapter 7 under the ‘Sale of practice’ theme.)

The GFC and FOFA legislation had an impact on how accountants viewed financial planning and conducted their practices. A number of those members in financial planning viewed the industry as being conflicted, and those members licensed were usually licensed through a large AFSL holder. Interviewee N confirms this:
I am talking to members daily about it, they say, “We want to provide the structure of advice, we want to provide the strategie, we don’t want to go into product”…Then they say, “Well, why would I want to move into that regime with all the scandals and, you know, conflicts of interest?”…The licensing [of those members involved in financial planning] would be very much consistent with what it is in industry: about 80% of those would be licensed under someone else (Interviewee N 2015, interview, 1 May).

Accountants considered that from a ‘public interest’ perspective they should be involved, but indicated that the public was not requesting the service from accountants. Interviewee Q observes;

[I]f we’re saying public interest is [that] accountants should be involved in financial planning…, there was no direction from the public turning around and saying to the Institute or the profession, “We want financial planning from you” (Interviewee Q 2016, interview, 22 January).

Accountants were not aware of the growing need for financial planning, and the public were using financial planners to attend to their investment and retirement planning needs. It appeared that accountants still held entrenched views about financial planning. Interviewee H feels that “ethically it [financial planning] didn’t fit comfortably with the profession” (Interviewee H 2015, interview, 11 March).

Concern was rife amongst accountants on their reduced role in financial planning (Agland 2011, p. 26). The IPA noted that the accounting profession had allowed itself to be segmented and splintered, permitted a sales approach to be implemented by competitors and devalued financial advice (Agland 2011, p. 26). The IPA commented that there had been a time when financial advice was dominated by financial advice, with the final product merely being an outcome of advice. The licensing regime that followed further promoted commodification, while at the same time pricing out real financial advice (Agland 2011, p. 26). The IPA suggested it would work closely with
the other professional accounting bodies to ensure an ongoing role for accountants and the profession. Agland (2011, p. 27) commented that it was time to re-establish financial services as a core element of the accounting profession or face irrelevance in this rapidly growing market segment. He also claimed that by focusing on the traditional role of building client wealth, rather than acting as a sales force, accountants would re-emerge as a dominant force in financial advice (Agland 2011, p. 28).

The FOFA reforms meant that the accountants had to decide which path their practices would take. Many of the middle-market accountants dealt with high-net-worth clients who were considered wholesale investors under the legislation and not affected by the FOFA regulations. Dunn (2013, p. 26) reports that many accountants were reluctant to work in the broad retail market, but still wanted the ability to talk to their clients about their holistic financial affairs. He makes the point that “most accountants probably break the law right now, in that they're having those discussions with their clients regardless [of the legislation]” (2013, p. 26).

In 2005, the accounting profession released the accounting standard APS 12, which applied to the financial planning profession. The draft standard included the adoption of a fee-for-service remuneration structure. The standard was introduced to enable the financial planning profession to uphold the public interest by ensuring the highest quality of advice and transparency (Cull 2009), and was only to apply to members of the accounting professional associations. It was not accepted by the industry, and remained dormant until being re-introduced by the APESB, which sets principle-based professional standards for the Australian accounting profession. The board comprises members of all three accounting bodies: ICAA, CPA and IPA (Mulcare 2014a).
At the time of releasing the APES 230 exposure in 2010 (Wijesinghe 2010), it was claimed that professional accountants since the implementation of APS 12 in 2005 had been “moving towards fee-for-service models to remove real or perceived conflicts of interest and to ensure quality financial advice is provided to the public” (‘Fee-for-service proposal’ 2012, p. 60). The accounting profession supported this process as a way of converting financial planning into a profession by not relying on either product sales or funds under management (Brown 2010a, 2010d). The ICAA president at the time commented that the principles in APES 230 would assist in enhancing “the reputation of our members who choose to specialise in the area of financial planning” (Spinks 2010b).

The implementation of the accounting standard was delayed until the outcomes of the new FOFA reforms were known. The accounting associations took this position to avoid duplication and ensure consistency in the regulatory landscape (‘Accountants Strengthen Commitment to Financial Advice Reform’ 2010). Brown (2011a) comments that the proposed standard APES 230 would deliver comprehensive, consumer-friendly reforms to the financial planning industry, something that FOFA legislation would not achieve.

Accountants considered that they were adding to the debate on financial planning by releasing the standard and leading the way with regards to the fee structure for financial advice (Brown 2010e; Meyer 2011). Because accounting was universally recognised as a profession, the APESB was determined to set a higher standard of behaviour for
accountants practising in financial advice than the FPA’s standards for financial planners.

The relevant draft standard, APES 230, was controversial for clearly specifying the need for principles such as integrity, objectivity and fairness. After a long and emotive consultation period, the final APES 230 was released in April 2013 (Accounting Professional and Ethical Standards Board Limited 2013), with some significant concessions around the two most controversial sections: third-party payments, and fees expressed as a percentage of funds under management (FUM) (‘Accounting rules arrive with compromise on fees’ 2013). Interestingly, one of the accounting bodies, the IPA, was still not happy with APES 230, and in October 2013, it invoked a “get-out clause” that allowed its members to choose to ignore the APESB and follow an alternative standard. The IPA felt that the fiduciary responsibilities should be removed until FOFA definitions were finalised, after which the standard’s applicability to members not in practice could be reviewed (Agland 2011, p. 27).

Interviewee O, a key executive of the renegade association, notes that it was not up to an association to dictate the way members should conduct their business:

> It’s not up to the profession to be dictating to members what structure their practice must run by, as long as they satisfy us they’re consistent with the ethical code (Interviewee O 2016, interview, 15 February).

This drew an angry response from the other two accounting associations, which accused the IPA of undermining the professionalism of the accounting profession. Interviewee N, an accounting association executive, comments:
[The IPA] have come out with their own standard in financial planning…. [Y]ou know, that again could be perceived as undermining the professionalism of the accounting industry and the whole reason we have an independent standard set up (Interviewee N 2015, interview, 1 May).

The APES 230 standard provided a classic example of the inter-professional claims in the financial planning industry. The financial planners and the industry felt that the accountants did not have the authority to dictate the method of conducting financial planning. The accountants felt that they were addressing a public issue involving the conflict of interest inherent in the remuneration structures of the financial institutions and large dealer groups. The accountants attempted to give themselves a competitive edge by setting the “gold standard in financial planning” (‘Fee wars’ 2012).

The interviewees represented a cross-section of the financial planning participants. The variety in their attitudes and responses to the efficacy and impact of the proposed standard reflect this. Interviewee F, from an accounting background, notes that the standard would have raised the standards of practice and would have meant that accountants would have become licensed:

[I]f we [accountants] had been able to come out with that standard in the way in which they announced it…then the accounting profession would have had … the high-water mark of ethical practice in financial planning; vast numbers of members would have said, “Well, now I can believe in this, I can really do this, I can do it ethically and responsibly.” We would have had thousands of members over time wanting to become financial planners. I think our professional bodies did us a massive disservice (Interviewee F 2013, interview, 25 July).

Financial planners viewed accountants, who had had little input into the financial planning profession, as dictating the standard that should be applied in conducting a financial planning practice as inappropriate. Interviewee M, who had a financial
planning background and was a former senior executive of a professional association, comments:

I was surprised that the accountants took so strong a stance on it, because again it is ahead of the curve. But then [their] members aren’t anywhere on the curve…. [I]t was a very strange position to say, you know, “We are holier than thou and we won’t receive a commission”, as there was no volume of membership to actually support them. So, it seemed to be the wrong way around. I would have thought you would try and get your members involved in financial planning and then have them make a transition to [moving] away from commission, if that is how they were being remunerated…[t]hen deal with whatever the regulation came up with. But they set a standard without any momentum for it, so – odd (Interviewee M 2015, interview, 30 April).

Another interviewee, from a regulatory background, indicates that it was not surprising that the accounting members rejected the standard, as most members in financial planning were in large institutions that were not going to change their structures:

[I]f you were APESB and you’re producing a standard that applies to financial planning, and when you do your analysis and realise that 80% of the people covered by that standard, in fact, work…in those large institutions, and those large institutions are coming to you and saying, “Change this standard or we’re sacking all these people”… (Interviewee D 2013, interview, 2 May).

He also comments that accountants did not realise that major institutions had dictated policy and were not going to allow such changes to occur:

The outcome of APES 230 has been quite surprising because they [accountants] have controlled the agenda for a very long time in the accounting community. And this is the first time they have realised that, “Oh, hang on, there’s another set of players in this base.” … I think the decisions from the APESB in relation to APES 230 show that …they are just financial planners, and the institutional parents and partners gave extraordinary weight to getting that changed (Interviewee D 2013, interview, 2 May).

(Note: Additional interview excerpts are in Appendix J Chapter 7 under the ‘APES 230’ theme.)
The accounting associations underestimated the institutions, and their members who were already in arrangements with institutional dealers and operating under their license, in lobbying their own associations to change the standard. For those members the imposition of a higher standard and the imposition of additional costs compared to financial planners did not seem plausible. Many of the interviewees were part of the process of implementing the standard. Interviewee F comments on the influence of the institutions in the process to amend the standard, saying that it was “just a ‘cave in’ to some very influential people in the financial services industry” (Interviewee F 2013, interview, 25 July).

The impact of the rejection of APES 230 was evident in the lobbying of the institutions, yet it took the APES board by surprise. The events up to and following the rejection were subject to scrutiny on national television. Programs reported that the normally sedate world of accounting was in turmoil over potential changes to payments for those working as financial planners and accountants (Accountancy profession in uproar over ban on commissions 2012; Accountant Financial Planners called to account 2012; ‘Accountants reject APES 230 as FOFA swings into action’ 2013; A backflip on commissions for Financial Planners 2013). The press reported the conflicting views on plans to impose harsher standards on its members offering financial advice than those imposed on non-accountant advisers (Hughes 2011b; Khadem 2013). The transcripts of the television interviews are included in Appendices K 2, K 3 and K 4.

The controversy surrounding the implementation of APES 230 splintered the accounting groups. Interviewee N, a key policy strategist with another accounting group, comments that the ICAA and CPA no longer engaged with the IPA after they
withdrew, urging their members to ignore the standard and releasing their own
document:

We haven’t engaged with the IPA since the accountants’ exemption rule in probably
2012. And the main reason behind that was that when the Government announced
the removal of the accountants’ exemption in April 2010, the three bodies had a
united view that we needed a solution for our members. And the view that we took
was, we needed a transition mechanism to allow our members to have their own
license and a limited license…that reflected non-product strategic advice. Part way
through our advocacy and our working with Government, the IPA signed an
agreement with two large licensees for their members to go and sign up as authorised
representatives…. [I]t was felt by both bodies that that undermined our policy
position…undermined the advocacy work we were trying to do with Government
(Interviewee N 2015, interview, 1 May).

As part of the FOFA arrangement, accountants lost the accountants’ exemption that
had been in place since the late 1990s. It was reported that accountants had been
stripped of the right to establish do-it-yourself superannuation funds (Kahler et al.
2010), which would result in less competition for financial planners. The
announcement caused confusion among both financial planners and accountants, with
Treasury delaying the announcement of how the proposed plans to expand a new form
of limited advice would work in practice (Hughes 2011e). Accountants may have been
unaware of the lobbying that had occurred to remove the exemption. After the
Government announced the intention to remove the exemption, the FPA commented
that they had long advocated for the removal of the accountants' licensing exemption
and the introduction of a new form of financial advice licence, and that the
announcement was a welcome affirmation of that position (Rantall 2012d).

After more than two years of concerted advocacy work, consultation and a highly
visible public-awareness campaign, the accounting bodies reached agreement with the
Federal Government on a replacement to the accountants’ exemption (‘Accountants'
exemption’ 2012). Accountants as a group needed to accept that legislative reform was often the only way to achieve broad-level consumer protection (‘Uniform approach to licensing’ 2012).

7.4.4 Role of financial planners

Discipline was an issue for the FPA after the GFC and the subsequent losses by clients. The industry itself acknowledged that for it to progress to a profession it must maintain a high standard of professional accountability by subscribing to transparent reporting of complaints and discipline procedures (‘Complaints and discipline quarterly report March 2008’ 2008). In 2009 the FPA launched the most significant renovation of its Code of Professional Practice in 12 years with the draft release of the 2009 Code of Professional Practice (‘FPA boosts professionalism’ 2009). Its Conduct Review Commission and Review Board investigated and instituted disciplinary proceedings against a number of members who had breached the association's codes of Professional Conduct and Ethics (‘Conflict of interest leads to expulsion’ 2009). The FPA promoted a vision that in the future, hidden commissions would be a distant memory, best practice would become the norm, and only true professionals who were appropriately qualified and work to a Code of Practice and Ethics would be allowed to call themselves financial planners (Bloch 2009b; Rantall 2011c).

The FPA indicated that it was committed to informing members and the community of the trends and outcomes of complaints and disciplinary action in the financial planning profession. The FPA indicated that it disciplined members for misconduct and misdeeds to its own standards, which in many ways were higher than those of the regulator. They asserted that “while ASIC banned 19 planners in total, of which three
were members of the FPA, the FPA itself sanctioned 13 members” (‘FPA plays key role in FOFA negotiations’ 2011). One of those members was former Storm director Emmanuel Cassimatis, who was found guilty of multiple breaches of the FPA Code of Ethics and Rules of Professional Conduct and expelled from membership of the FPA. The public and the media were justifiably sceptical, as he was only fined a total of $AUD20,000 plus costs (‘Cassimatis found guilty of breaches’ 2011).

The FPA commented on the matter of discipline and compared the attitude of the public and regulators to accountants. Interviewee M notes that she experienced a difference in treatment on the issue of discipline:

[O]ne of those things I found strange with the accounting profession or the accounting bodies, is that [the] FPA – again, I am talking about professionalism – took a very strong view around naming and shaming and disappointments. And I have not once heard accounting bodies naming and shaming or doing anything to any of their members (Interviewee M 2015, interview, 30 April).

The FPA claimed that its members, especially those with CFP status, were not representative of those giving inappropriate advice as investigated by ASIC. Interviewee C makes the point:

If you have a look at the statistics, probably about 32% of the financial planners in Australia are CFP professionals, and only 2% of the enforcement action by ASIC is against CFP professionals (Interviewee C 2013, interview, 29 April).

(Note: Additional interview excerpts are in Appendix J Chapter 7 under the ‘Discipline theme’.)

In 2011, FPA members made an historic vote to usher in a new era of professionalism. Ninety-four percent voted in favour of a new three-year strategic plan that aimed to elevate financial planning as a universally respected profession (‘What the ‘yes' vote means for you’ 2011; Rantall 2011d, 2011e). The change excluded corporate members,
and the FPA transformed from a member association to a professional body of individual practitioners, a change that the institutions supported (Purnell 2011a). The FPA embarked on a quest to promote FPA members as representing financial planning professionals (Rantall 2011b), and developed a set of policy principles, called 'Policy Pillars', that it believed would improve transparency in the development of policy (Forrest 2011b, 2011e). The key elements of the four pillars were public interest; professional practitioners; government and regulatory; and code of professional practice. The FPA considered this code to differentiate the FPA from other associations in the industry (Forrest 2011b). The FPA provided detailed information to members on the process (Forrest 2011c, 2011d). Interviewee D comments on the change:

What it has done, by removing that sort of formal membership, and by engaging only with those who are sitting in front of the client in the provision of professional services – they have become a professional organisation that no longer represents the financial planning sector, yet represents financial planning professionally, and the two are not the same thing (Interviewee D 2013, interview, 2 May).

(Note: Additional interview excerpts are in Appendix J Chapter 7 under the ‘FPA changes’ theme.)

The announcement of the code received both acknowledgment and rebuke from accountants. Their message was that instead of defending conflicts of interest, the industry should remove the conflicts:

[I]ndustry should voluntarily reform itself by acting to remove the conflicts that are the fundamental cause of its inability to be accepted as a true profession, before the government does the job for it (Brown 2009c).

The FPA did provide substantial input to the FOFA negotiations, and reviewed drafts and re-drafts over many years; at times, served as the dissenting voices against industry protagonists seeking to impose various agendas, mistruths and devolved political
arguments on the outcome (Rantall 2014f) (Rantall 2014a). The FPA supported the proposed amendments to FOFA, but firmly opposed the return of commissions on general advice (De Gori 2014; Rantall 2014a; Stewart 2014). They viewed that they had led the way in negotiations and final outcomes for the profession (‘FPA plays key role in FOFA negotiations’ 2011; ‘Profession welcomes the next stage in financial planning reforms’ 2012; Purnell 2012). It was understandable that the financial planning association-related interviewees viewed the FPA as the association representing the profession. Interviewee A illustrates this view:

I think the FPA’s got enough running or clout or liaison with [the] Government that they’ve probably got the best seat in terms of financial planning with the Government. I think even above the accountants in terms of financial planning and financial services, probably they’ve got a greater input into Government policy compared with the accounting bodies (Interviewee A 2012, interview, 23 November).

(Note: Additional interview excerpts are in Appendix J Chapter 7 under the ‘FPA status’ theme.)

7.4.5 Role of institutions and dealer groups

The industry groups, especially the institutions, lobbied the Government to change the FOFA regulations, and the industry groups themselves compromised with other groups to achieve change. For example, an alliance of industry funds and consumer groups sought a compromise with financial advisers to push through a key part of the FOFA reforms (Hughes 2011d).

Interviewee F, from an accounting background, comments on the lobbying that the institutions used to retain their sales culture and concessions from the Government:
It was quite interesting and instructive to see the way the industry constantly pushed back against what the Government wanted to do, managed to get all sorts of concessions and compromises...all directed towards insuring that their product-selling culture continued whilst, at the same time, coming out with all the rhetoric of “We’re being honest and ethical” (Interviewee F 2013, interview, 25 July).

(Note: Additional interview excerpts are in Appendix J Chapter 7 under the ‘Lobbying’ theme.)

The financial advisers’ groups mounted advertising campaigns to stop the introduction of new laws (Hughes 2011c). The advertising predicted job losses in the banking industry, and consequently the Government received protests from a number of industry bodies (Main 2012a). The Government rebuked the financial planning industry for seeking to protect its income streams at the expense of consumers, amid a growing effort to derail plans to force advisers to renew their contracts with clients every two years (Crowe 2011).

The culture of the organisation was still viewed as a problem because of the lack of trust in the industry. However, the sales culture was derived from the banks, not from the financial planning community as a group. Interviewee M addresses the issue of bank culture:

[There is that culture of sales – and I think it is largely within the banks, and it is not within the financial planning. There would be probably a handful of incidents where that person was solely...a financial planner who had done the wrong thing. Mostly, it’s where the culture of sales has been allowed.... Where banks could have cross-referrals and they could have volume benefits around the rewards. (Interviewee M 2015, interview, 30 April).

(Note: Additional interview excerpts are in Appendix J Chapter 7 under the ‘Bank culture’ theme.)

Several interviewees commented on the detrimental impact of the banks on the financial planning profession. There was widespread acknowledgment that the banks
controlled the advice network and the agenda of the reforms implemented by the Government. The media frequently commented that financial planning had been “captured” by salesmen (Washington 2009a), and ASIC commented on the importance of culture to improving conduct within the financial industry (Tanzer 2015).

However, there was evidence in the inquiries that ASIC was not diligent in following up investigations of the large institutions. Interviewee H comments:

[Who do you think represents financial planning in terms of a professional association? (Laughs). Well, it’s no-one, and there are too many in there. You know, I mean, banks run the show…. I think that in the case of the banks, the banks were too big, and they were a bit untouchable by ASIC, and so, you know, they didn’t even slap them over the wrist. They basically did nothing (Interviewee H 2015, interview, 11 March).

In Chapter 4 the Count group was discussed as a group mainly consisting of accountants as financial planners. The group was considered as independent, and one way that accountants fulfilled their aims in entering the financial planning industry. However, by 2009 the mood had changed within the group, and because of regulation they saw a need to expand the business away from individual licencing. Count founder Barry Lambert comments:

The changes that will sweep through our industry because of market, consumer and regulatory changes will undoubtedly drive many advisers into the ‘safety’ of the product-owned distribution forces, banks and life companies that will have their planners on salaries with 'commission-like' performance bonuses. ‘Independents' will find it hard to survive unless they go the same way and acquire their own platforms and funds management (Lambert 2009, p. 17).

The Count group finally succumbed to the institutions and was purchased by Commonwealth Bank. This confirmed the consolidation of the financial planning industry and the banks’ control of the institutions (Hoyle 2011). It also incorporated
all the accountants who had formed the company into the conflicted organisation that the accounting groups criticised. This tested the independence that the accountants so cherished. It was reported that one of the drivers of the sale was the FOFA legislation. Ironically, the board, in refusing a previous offer, gave as a major reason that the board wished to remain independent from the major financial institutions (Hoyle 2011). The sale to Commonwealth Bank indicated the consolidation of the financial planning industry under the major financial institutions.

To some industry observers this sale of Count to Commonwealth Ban was evidence of the effect of the FOFA regulations on the structure of financial planning. It confirmed the view that compliance with FOFA could only be achieved in a vertical integrated structure, where the cost of operating an advice business could be subsidised from elsewhere; for example, client funds placed into in-house investment products that generate profits for the institution, which in turn subsidise losses made from running a sub-economic advice business (Hoyle 2013d, p. 12).

The institutions did start to suggest that they would adopt a move away from commissions. Steve Tucker, Group Executive of MLC & NAB Wealth, became a leading industry advocate of fee-for-service rather than commissions (Patten 2009a), commenting that removing investors' concerns about financial planners' remuneration, affiliations and governance was simply the next step to becoming a profession (Fahrer 2009; Yeow 2010b). In 2010, AMP and MLC claimed to transition from commission payments to fee-for-service for their advisory networks; however, the reason was to provide an edge in the increasingly competitive sector (‘Hillross strengthens
commitment to professionalism’ 2010; Hughes 2010a). The institutions did not embrace the change. Interviewee I comments:

Steve Tucker at MLC tried to drive MLC down a fee-for-service [criterion] and get rid of the whole commission space. He got roundly criticised for it (Interviewee I 2015, interview, 11 March).

It appeared that larger financial advice networks did not understand the need for real reform. They were replacing commissions with fees, but not changing their focus; they continued to push products to clients and lessen the importance of independent client-focused advice (Agland 2011, p. 26).

7.4.6 Educational impact of GFC and FOFA

Accountants did not see the need to upgrade their qualifications to embrace financial planning, viewing their main skill set as taxation and the preparation of financial statements. Interviewee M, a financial planning executive, is very critical of the accountants’ attitude:

I think it scared a lot of them into saying, “Well, it’s too risky” – and, to their credit – “Because we don’t understand it, if it’s too risky, perhaps [we] should put more effort into trying to understand” (Interviewee M 2015, interview, 30 April).

(Note: Additional interview excerpts are in Appendix J Chapter 7 under the ‘Skill set’ theme.)

Banks completed a course that suited their business plan. Interviewee J notes:

A lot of people call themselves financial planners, but, really, I don’t believe they are. I believe the ones at the banks are so broad: they go through a short course on what products they can flog and what the commission structure is… (Interviewee J 2015, interview, 5 May).
ASIC abandoned plans to overhaul education standards in the financial planning industry following lobbying by the financial planning and banking industries without exception. Mr Greg Medcraft (Chairman ASIC) was reported to have abandoned plans to improve education levels because of “tremendous opposition” from “parts of the industry” who “paid lip-service” to the idea of increased standards, and had consistently obstructed concrete attempts to increase adviser standards. He further indicated that “it was clear that there would be no change across the industry without legislation” (Klan 2014c, p. 16).

The FPA proposed that from July 2013, new members would require an approved undergraduate degree qualification and undertake a supervised professional-year program. Research supported the CFP standard of education experience requirements and ethics (‘Independent research validates CFP certification standard’ 2011). The role of education in the jurisdictional claim for financial planning will be discussed in Chapter 8.

Interviewee A comments that “that level of entry is seen to still be an inhibitor to public acceptance of the profession” (Interviewee A 2012, interview, 23 November). RG146 training as delivered by vocational training organisations has been subjected to criticism, particularly in relation to widely reported cheating on exams. For example, in Commonwealth Bank’s West Australian division, two experienced planners were dismissed in 2014 for having junior staff sit tests for them (Ferguson, A cited in Steen et al. 2016, p. 12).
The media were very critical of the financial planners’ education standards, and there were calls for increased educational standards in an effort to restore confidence in the industry (Patten 2009a). While the education debate will be continued in Chapter 8, it should be noted here that the low qualifications were evident in media coverage. For example, Hughes (2011a) detailed how it was possible to qualify as a financial planner under RG146 in eight days.

The GFC had the effect of emphasising the role of education; however, the scandals and the subsequent inquiries delayed any immediate changes due to the finalisation of the inquiries and the lack of ASIC resources to implement necessary changes. In this period, public acceptance was at a low ebb. Interviewee A comments:

> [F]inancial advisors, many of them didn’t see the GFC coming…. The GFC, the lack of action or knowledge or people’s foresight by financial planners, [as shown] by the fact that we’ve had the Storm financial, we’ve had Westpoint and a whole lot of others, all of those worked against the public acceptance of financial planning (Interviewee A 2012, interview, 23 November).

The Chartered Accountant and CPA programs provided the same educational input throughout the period after the GFC. The CPA program reduced the Australian version of some of its programs to appeal to an Asian audience. Financial planning subjects were included in this process. Interviewee A notes that CPA Australia “got rid of a lot of the particular Australian versions” (Interviewee A 2012, interview, 23 November). Competition among the three accounting professional associations was proposed as a reason why their graduate programs were kept focused on their main activities. Interviewee P, who participated in managing the programs for the ICAA, comments
[T]he [Chartered Accountant] program, do you just stick to your lines, so you can just stay very focused on what your profession should be? Or do you go wider? If you go wider, you dilute your focus and make it harder to compete with the CPAs and the IPA guys, I guess (Interviewee P 2015, interview, 30 September).

Members did respond to the lack of financial planning educational material in the Chartered Accountant program. One letter to the feedback column in Charter suggested that the ICAA

neglected having financial planning advice as a module or part thereof in our Chartered Accountants Program…. The educational status quo has remained while the complete financial planning landscape of Australia has changed (Bullock 2008, p. 8).

The IPA agreed that RG 146 was a low-quality entry point into financial planning and whilst it was the minimum, several practitioners needed to learn or review the basics to comply with the legislation:

[Some practitioners say,] “I just want to sit here and do what I’ve always done, what’s the lowest possible thing I can do, and I’ll go and do it to satisfy the regulator” – and that’s not ideal. But that’s the reality of the situation. People just want to get their ticket to continue to operate…. I think RG 146 has led a bit of a race towards the bottom in terms of how, “What’s the quickest, fastest and dirtiest way I can get it? …[A]s long as I get it I don’t really care how I got it.” So, it’s driven a compliance-based mentality, not a client-based mentality (Interviewee O 2016, interview, 15 February).

7.5 Impact on jurisdictional claims

A problem for the regulators was that whilst Treasury acknowledged that abolishing payments such as commissions and asset-based fees would eliminate a source of conflicts of interest, the banning of commissions, volume-based bonuses and fees based on funds under management paid to financial planners would lead to a consolidation of the industry (Patten & Hughes 2009).
7.5.1 Impact on public acceptance

By the end of 2014, the FPA had taken the view that they were taking the right steps to inspire trust and confidence in financial planning as a profession, by enforcing the highest standards of professional conduct among their members (Rantall 2014e).

The FPA was recognised as the association representing financial planners:

[Everybody’s played in this space and no one’s owned this space other than the financial planning association as a specialist (Interviewee B 2012, interview, 28 November).]

The FPA went further, and indicated that they were approaching the status as a profession, with Australian consumers on a converging path of seeking a trusted relationship with a professional financial planner (Rantall 2014b). The FPA view was very different to a survey the previous year that had revealed that four in 10 people would not trust financial professionals or accept what they recommended (Kell 2013). This finding seems to suggest that the FPA’s intended improvement in the quality of financial advice, or at least the public’s greater confidence, trust and access to financial advice, was not achieved.

The FPA’s view that financial planning professionalism was near was not shared by accountants. They indicated that the FPA and other associations should have been more active in disciplining their members. Interviewee H comments:

They could have used their voice against a lot of the dreadful rorting that has been going on, whether [the rorters] were their members or not. They didn’t. They should have been the leading charge of it there rather than relying on whistle-blowers from the banks (Interviewee H 2015, interview, 11 March).
Several interviewees were critical of the banking associations, which, whilst controlling most of the financial planning advice networks, acted on behalf on the banking institutions that made up their membership, rather than the financial planners within their networks. Interviewees M and E question the motives of the banking associations:

[T]he FSC [Financial Services Council] should be playing in that space, but they say, well, they are representing. Yes, they represent the banks and the managers and the life companies who have financial planning, and therefore they have a reason to be there. But there must be some communality around. If you are an association representing financial planners, then there must be some communality (Interviewee M 2015, interview, 30 April).

Australians now get advice from – 80-90% is coming out of the big four banks, AMP, so banks are our conveyors of financial advice in the Australian market place. And yet the banking bodies don’t see it as part of their services (Interviewee E 2013, interview, 3 May).

The lure of multiple earnings from commissions did alter individual views on the appropriate remuneration model. One interviewee observes that a proponent of a fee-for-service model and a critic of the commission model had sold their own business based on a multiple of recurring income from trails,

at the time when…[the practitioner who] was involved in financial planning had a reasonably successful financial planning business and that was all commission….not saying that to discredit, I’m just saying there’s a balance somewhere here (Interviewee Q 2016, interview, 22 January).

The issue of conflicted remuneration and the advertising campaign by the FPA in raising the public’s awareness will not change the poor public perception of the industry until structural changes are made to all the industry, not just a portion belonging to a professional association the industry (Brown 2011c). The conflicted remuneration was an issue for public acceptance. Interviewee K comments:
There were so many examples where people were being put into the wrong sort of products and where it has been clear that the product has been sold because they give the highest commission (Interviewee K 2015, interview, 5 May).

(Note: Additional interview excerpts are in Appendix J Chapter 7 under the ‘Conflicted remuneration’ theme.)

Accountants in private practice generally belonged to a professional association. Interviewee D observes:

Those that claim to be an accountant, how many of them belong to ICAA or CPA or IPA, my understanding is that it’s the vast majority that belong to one, if not more than one, something like 80 to 90%. There are very few people out there who call themselves accountants who don’t belong to an accounting body, which is not the case in financial planning (Interviewee D 2013, interview, 2 May).

Financial planners were hampered by the professional associations’ inability to ensure that non-members upheld professional codes of practice. Financial planners did not need to belong to a professional association to practice as a financial planner, as all that was required was qualification under RG 146. As the institutions became more dominant this situation was exacerbated. By 2014, the number of authorised representatives was approaching 18,000, with the number of CFP members of the FPA approximately 8000. Interviewee B points out:

Every profession needs some sort of recognition to help try and evolve, and I think this is our chance to do that. I guess the key is if you’ve got less than 50% of the practising financial planners out there recognising and signing up to a professional framework, then that’s not going to work (Interviewee B 2012, interview, 28 November).

(Note: Additional interview excerpts are in Appendix J Chapter 7 under the ‘Professional associations’ theme.)

Public acceptance for financial planning was not achieved in the period of the study. There was trust of individual financial planners, but not of the profession in general. For example, Interviewee D comments on public acceptance:
I think that the research certainly shows us, and even amongst my own sample research, and other larger-sample researchers show that, as you say, that generally there is still a sense of distrust in the wider community. Even though they know that’s where the expertise lies, and even though they know they may trust their own financial planner, the trust of the wider community of financial planners is not there (Interviewee D 2013, interview, 2 May).

Accounting-related interviewees were adamant that public acceptance was not possible while the structure of the industry was conflicted. Interviewee F notes:

I strongly believe that the public doesn’t accept that they are a legitimate profession, which is regrettable because there are plenty of people in the industry, and I’ll call it an industry not a profession, who are quite good people, who are honest and ethical people and they try to do the right thing. But regrettably the structure of the industry means that people won’t accept it (Interviewee F 2013, interview, 25 July).

Even the financial planning-related interviewees concurred with this assessment. Interviewee B concedes:

[W]e’ve done a bit of damage in terms of the public perception of financial planners and what they do (Interviewee B 2012, interview, 28 November).

(Note: Additional interview excerpts are in Appendix J Chapter 7 under the ‘Public acceptance’ theme.)

7.5.2 Impact on workplace and legal claims

Accountants did not make progress in the workplace claim for jurisdiction. They did endeavour to change their emphasis to the SMSF clientele, an avenue of work that they had controlled from the early 1970s. They viewed themselves as providing strategic advice, not product advice. The limited licence reflected this emphasis on SMSFs without the investment advice. Interviewee N confirms these issues:
They [accountants] don’t see themselves as coming into the product advice space. They will want to give…non-product strategic advice. The limited license is probably a good reflection of that. The reason that the accounting bodies push[ed] for this particular form of license with SMSF advice, but then class product advice, was the feedback from our members, [which] was “I want to be able to give advice to my clients. I need to be able to talk and provide structured advice, but I don’t want to recommend product”…. [These were] the common themes that came back from 95% of accountants that I spoke to (Interviewee N 2015, interview, 1 May).

(Note: Additional interview excerpts are in Appendix J Chapter 7 under the ‘Workplace’ theme.)

The FOFA regulations not only impinged on accountants conducting financial planning, but on all accountants. The removal of the accountants’ exemption resulted in accountants not being able to provide advice on the establishment and closing of SMSFs without holding an AFSL (Biti 2010; Stylianou 2010).

The FPA advanced their claim for jurisdiction by instituting initiatives in their quest to professionalise their association. In 2011 they implemented their Professional Practice Brand. The brand assisted practitioner members to clearly identify their business as a high-quality, professional financial planning practice, adhering to the highest codes of professional conduct (Forrest 2011a) The FPA did attempt to address some of the structural issues by asking their members to consider a three-year phasing out of the commission system, to be replaced by fee-based models, ranging from hourly rates to asset-based charges (Hughes 2009a).

However, the scandals that confronted the public, and the subsequent continuation of inappropriate advice built on the institutions’ flawed business model, resulted in regulation, and the legal jurisdiction was enforced on the industry. Interviewee F comments:
Because of scandals and disasters that have occurred over the years, there’s a legal jurisdiction that has been enforced on the industry by [the] Government (Interviewee F 2013, interview, 25 July).

Accountants thought that they could retreat to the self-regulation they had experienced in the past with SMSFs and differentiate themselves from financial planners with the regulator. However, ASIC advised that they intended to take an aggressive stance towards accountants, as they felt the demarcation between accountants and financial planners had become blurred. Power (2013) noted that in reviewing the role of accountants and planners, ASIC was of the view that 'they're kind of the same industry really' (2013, p. 31).

The professional associations were critical of the Government not accepting their codes of conduct. They advised that codes of professional conduct were not designed to be law, as law regulates the way industries, organisations and their participants operate. In the financial planning industry, the law is preserved in the FOFA legislation, the most prescriptive advice legislation in the world (Fox 2013).

7.6 **GFC and FOFA jurisdictional transformation and settlement**

The Assistant Treasurer challenged the financial advice industry. He indicated that the financial planning sector should embrace the changes in the legislation and “start the long process of transforming themselves from used car salesmen into professionals” (Patten 2011b, p. 48). The financial planners took up the challenge and provided positive input to the process. However, the industry, through the lobbying of the large dealer groups and the financial institutions, resisted the changes. Accountants struggled with the registration requirements, and whilst actively supporting the FOFA
legislation as a method of lifting the financial planning profile, they argued that the industry was still conflicted through the commission-based remuneration structure.

Legal jurisdiction did not progress according to Abbott’s theory. The Government controlled the education process and the registration process, and no organisation could claim jurisdiction. The FOFA regulation involved a lengthy process from 2011 until 2015 before being fully implemented. Interviewee O summarises the position:

it was a case of the Government giving very clear signals to the profession at the time: “Get your act together.” It didn’t, so they acted (Interviewee O 2016, interview, 15 February).

Accountants were faced with registration under the new limited licensing regime that was to be implemented from 2016. The legal jurisdiction was forced onto them as they lost the argument that SMSFs were a structure, not a product. Interviewee O comments:

[H]ow we [accountants] meet client demand within the regulatory framework in the area of self-managed super is quite an interesting one because…that’s the space that accountants have been operating within for quite some time. There’s been a long discussion on whether self-managed super funds are a product, or is it a structure? And we ran that race and we lost (Interviewee O 2016, interview, 15 February).

Accountants were forced to transition to the new limited-advice regime to provide advice that they as a group had been already giving to clients. In discussing how accountants were going to adapt, Interviewee D observes:
I think that this transition from unlicensed advice to licensed advice in the accounting community will be the biggest shock it’s [accounting profession] had in 30 years... because there are many, many accountants who have been providing this type of advice in a completely illegal way for many years. And they’re now wrestling with the idea of how they fit into a legal framework and finding that they have to change what they do, which means not only were they providing advice illegally before, they were doing it incorrectly – illegally and incorrectly.... I think that accountants have assumed that they can legitimately take on financial planning easily without changing, and that’s why I’m saying I think they’re going to find themselves with a far bigger headache than they could possibly have imagined (Interviewee D 2013, interview, 2 May).

(Note: Additional interview excerpts are in Appendix J Chapter 7 under the ‘Legal’ theme.)

The commodification of the industry continued unabated, and resulted in the public acceptance being negated. Interviewee J notes:

[The banks’] business model is what is causing a lot of these issues.... [T]hey shouldn’t call these people financial planners (Interviewee J 2015, interview, 5 May).

(Note: Additional interview excerpts are in Appendix J Chapter 7 under the ‘Settlement’ theme.)

Wealth managers continued their dominance of the gateways to financial products. According to Hughes (2010b, p. 41), in 2010 the four major banks, along with Macquarie Bank and AMP, had $AUD322 billion of funds under management (FUM), and all institutions had recorded above 25% annual growth from the previous year (Hughes 2010b, p. 41). He reported that more than 90% of the funds being invested were through master funds, and “almost every financial planner uses master funds” (2010b, p. 41). The annual growth and the concentration of fund managers and their distribution network illustrated the power of the banking institutions and the regulator’s concerns about lack of competition.
The two ‘disturbances’ discussed in this chapter had a profound impact on financial planning in Australia. The events of the GFC and the intense scrutiny that followed presented the financial planning industry with an opportunity to change the structure of the industry (Nunn 2010). FOFA represented arguably the ‘greatest shake-up of regulation in the financial planning space’ (Hoyle 2013a); however, the industry continued to reject any changes, and the inappropriate conduct of financial planners, particularly the institutions, continued despite the FOFA regulations.

The AFA lobbied by indicating that the FOFA changes would almost halve the number of advisers operating in the industry by 2024; cut adviser revenue by $AUD2.5 billion; and change the fundamental characteristics of people providing advice to Australians (Klipin 2011-2012). Such alarmist predictions were viewed as a scramble by the industry to protect the revenue stream that formed the basis of their practice valuations. When the Government made amendments to exclude existing clients from the ban on trailing commissions, it was observed that “trailing commission income will be treated like gold bullion and hoarded with vigour” (Brown 2010c, p. 46).

The shameful behaviour of the financial planning industry was highlighted in an ABC's *Four Corners* program on March 4, 2013. The program presented a litany of scams and financial disasters in the Australian managed investment scheme sector. It seems that many of these schemes and related products were sold by highly qualified financial advisers, including practising accountants, in return for handsome commissions and other incentives (Brown 2013d).
7.7 Summary and conclusions

Accountants genuinely believed that self-regulation above the level of FOFA would make that compromised and complex law substantially irrelevant and unnecessary (Brown 2013a, 2013f), and that licensing was not the answer to the issues surrounding the financial planning profession (Bullock 2008). However, most of the interviewees took the view that regulation was inevitable, and self-regulation was not feasible. Interviewee J summarises the point: “now there is a raft of laws around that now, within the last decade… [financial planning] needs to be regulated. Self-regulation doesn’t work” (Interviewee J 2015, interview, 5 May).

Accountants continued to equate ethics with education and professionalism (Brown 2013e). They also appeared to think that the existence of a code of ethics is what distinguishes a profession from a trade or industry association (Meyer 2010b). Interviewee F, when discussing the role of accountants in the financial planning profession, notes quite forcefully:

[W]e should have been involved, but on our terms, on proper ethical terms, and I think that’s where we’ve missed out. I strongly believe we should be involved, in fact we should be the centrepiece of the financial planning industry…. [I]t’s fundamentally not to do with products, but in the industry that’s exactly what it is…. [O]ur profession [accounting] has missed out on a massive opportunity to gain control, not that we want control for the sake of it, but control of the ethics of financial planning in a way that would actually have forced the rest of the industry to follow (Interviewee F 2013, interview, 25 July).

The FPA was also of the opinion that financial planners needed to bridge the trust issues between professional financial planners and the public, and resolved to continue their drive to unify the profession in achieving this goal (Rantall 2012f).
There was consensus that accountants had a role in financial planning; however, many were taking the view, like the professional accountants in the UK on the advance of the new tasks associated with E-Business (Kotb et al. 2012), that professional accountants earned substantial incomes, so why did they need new tasks to master? However, it was also acknowledged that accountants needed to have a broad range of expertise. Interviewee G reflects on the dilemma of providing a broad range of advice and the necessity to embrace the skills required to maintain their expertise:

[T]he accountants, we’ve got a role and our role will continue to be what it has always been: to provide trusted advice. And [we] probably didn’t look at the financial planning areas as being a growing area, an important area, and that’s probably a reflection more broadly of what are the challenges for professional accountants...there are so many areas of expertise required (Interviewee G 2013, interview, 29 July).

It was considered that the best-interests section in the FOFA legislation marked a turning point in the regulation of financial advice (Agland 2013; Patten 2009b). The industry needed to make considerable changes to be in compliance with FOFA before the due date of implementation on 1 July 2013. IT systems and compliance frameworks needed to be updated; licensees needed to develop new oversight mechanisms; and advisers needed to be trained on the new and modified obligations under FOFA (Peter Kell 2013).

There was a call after the GFC to define the role of financial advisers and planners in legislation that would restrict the capacity for misinterpretation and limit the likelihood of misconceptions by the general public. The gaps that were missed in FOFA needed to be addressed by the profession in areas such as raising the minimum standards of education and the one-size-fits-all compliance system (Munro 2009b). The professional associations needed to lobby for the recognition of professional
associations and to ensure that all financial planners join an association. This did not happen, and, as at the end of 2014, the professionalisation of financial planning had not progressed. The legislation introduced to Parliament in 2013 to enshrine the term ‘financial planner’ had also not progressed (‘Enshrining the term "financial planner" ’ 2013).

The FPA appeared to believe that it was entitled to make the claim for jurisdiction for financial planning, as it was achieving major initiatives for members in relation to ‘opt-in’, enshrining the term 'financial planner’ and becoming an approved Tax Agent Association (Rantall 2012c).

All participants recognised that with the introduction of FOFA, future change in financial services was inevitable, and financial planners would need to work at demonstrating their values proposition, and more importantly, delivering on the outcomes for clients (‘Professionalism and advocacy’ 2013). The FPA’s vision in 2012 was to earn the trust of the general public and to seize the opportunity to turn the financial planning industry into a profession (Rantall 2012a).

The GFC, and the regulatory responses in the form of FOFA consumed the Federal Government and the industry participants in the period up to the end of 2014. Two areas that were not addressed in this period were the vertical integration of the institutions as part of their business model, and secondly the low education standards in the financial planning industry. The education issues were identified by the regulators after the GFC, but any implementation of identified weaknesses was delayed until the implementation of the FOFA regulations. The education aspects were
considered in Chapters 5, 6 and 7 of the thesis. Just as the Government and industry left this issue until other matters were addressed, this thesis summarises the education debate in detail in Chapter 8.
CHAPTER 8.
CONTRIBUTION OF EDUCATION TO THE
PROFESSIONALISATION PROCESS OF FINANCIAL
PLANNING IN AUSTRALIA

For also knowledge itself is power
Frances Bacon in The Works of Frances Bacon (1897-1901), Vol 7, 253

8.1 Introduction

The disturbance of the GFC resulting in the jurisdictional battle for financial planning was discussed in the previous chapter. The GFC highlighted the flawed business model that the financial planning industry had built up since the implementation of the FSRA. The commodification of the process, especially by the financial institutions, exposed the worst practices of the financial planning community. Even after the findings of early reports (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2009, 2014; Australia, The Senate Economics Legislative Committee, 2014; Murray 2014a) further instances of inappropriate advice were uncovered, especially in
the banking sector⁶⁴, which has a major share of the industry. This resulted in further government inquiries. The accountants contributed submissions to the government inquiries but as evidenced in chapters 6 and 7, they did not add any substantial input to the debate. Their input was directed to protecting their traditional work and providing evidence of their professionalism.

A key component in the quest for any jurisdiction is the control of the knowledge system and abstraction associated with the profession. Abbott (1988) describes these two components as “the ultimate currency of competition between professions” (1988, p. 9). Only a knowledge system governed by abstraction can transform the tasks, defend the tasks and expand into new jurisdictions. Abstraction enables a profession to survive claims from other jurisdictions (Abbott 1988).

The quest for jurisdiction by accountants is not just in the work, public, and legal arenas in practice but also in the education sector. The previous three chapters have investigated the technical and social background to the development of financial planning in Australia. The impact of regulation had the effect of setting the benchmark for education requirements at a lower level below the degree standard and Chapter 6 outlined the regulatory framework in which financial planning was required to provide financial advice. Chapter 7 outlined the effects the GFC and subsequent inquiries had on exposing the flawed business models and commodification of the advice process. The previous chapters did not make an evaluation of the ongoing contribution of education in the development of financial planning and the response of education

⁶⁴ A Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry was established on the 14th December 2017. Public hearings commenced in March 2018. For full details see https://financialservices.royalcommission.gov.au/Pages/default.aspx
institutions in the provision of financial planning courses as a part of the professionalisation of financial planning.

This chapter explores the degree to which Australian universities and other educational providers, the professional associations, and regulatory institutions have contributed to the development of financial planning. The chapter evaluates the regulatory framework up to December 2014, and reflects on the role of accountants, through their respective organisations, in the process. The Inquiry into Lifting Education, Ethical and Education Standards in the Financial Services Industry delivered its report in December 2014 (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014). The report made fourteen recommendations which are discussed later in the chapter.

Since 2014, the Government has established a Government Statutory Body concerning the education of financial planners in Australia (Corporations Amendment (Professional Standards of Financial Advisers) Bill 2016). Whilst most of the legislation confirms the acceptance of the recommendations of the inquiry, there were some changes and significant issues that confirm some of the themes established in the thesis. These changes and issues, as they impact accountants and the themes of the thesis, will be discussed in chapter 9.

Knowledge is the currency of competition (Abbott 1988, p. 102). To expand or defend a jurisdiction, a profession claims knowledge about the particular jurisdiction. In the previous three chapters, the fight for jurisdiction has covered the areas of work, legal and public arenas. Abbott (1988, p. 59) notes “[i]n claiming jurisdiction, a profession
asks society to recognize its cognitive structure through exclusive rights”. The educational system “plays an important role of professions because it instils the knowledge that is needed to claim a jurisdiction” (Arena & Jeppesen 2010, p. 120).

The chapter draws together the key conclusion on the requirement to fulfil Abbott’s (1988) theory of professions, an abstract body of knowledge. In addition to the primary and secondary data previously utilised in chapters 5 to 7, a brief evaluation of the inhibiting factors in integrating both accounting and financial planning courses in University curricula is covered in the chapter.

The implementation of the FSRA legislation was designed to raise the educational standards of the industry and upgrade the standards of the sales force of the industry prior to FSRA. Unfortunately, the standards were not lifted high enough and the RG146 education requirements were set at a low level. Together with the compliance requirements and the length of the SOAs, the process was commodified to ensure compliance. Interviewee N indicated that, although standards had increased, the educational aspect of the development of financial planning needed to be addressed as the FOFA regulations did not address the vertical integration of the institutions or the educational standards,

The industry has already started to lift education requirements through most of the larger licensees and they are very keen to build on that momentum and lift standards… it [education reform] will be probably be the most significant change since FSR if it comes in (Interviewee N 2015, interview, 1 May).

The chapter provides evidence for the last main research question and the three subsidiary questions,
RQ4 Has education of financial planners contributed to the professionalisation process of financial planning?

1.1. What abstract body of knowledge is applicable to the financial planning profession?

1.2. Have the participants in the financial planning profession embraced the knowledge base of financial planning?

1.3 What is the role of educational providers in the development of financial planning in Australia?

The chapter is organised into eight sections including the introduction. Section 8.2 provides a background to the development of financial planning education up to December 2014. Section 8.3 examines the financial planning body of knowledge which is crucial for any claim to become a profession. The role of education in the development of a body of knowledge and disseminating the knowledge through the education system, especially the universities, is evaluated. Section 8.4 discusses the regulatory impact on the education system, and the need for government action. The review of Inquiry recommendations and the evidence of the role of accountants is summarised in this section. Section 8.5 examines the combatants’ response to the educational claim for jurisdiction. The responses from the two key professional associations, together with the institutions inform the final part of the section, the contest for jurisdiction. Section 8.6 examines the role of academia in the education of financial planners and their future role. Section 8.7 discusses the settlement of the educational jurisdictional claim. Finally, section 8.8 summarises and concludes the chapter.
While new material is introduced, the chapter summarises the education input from previous chapters as well as critically reviewing the educational debates up to December 2014. The educational claim is another jurisdictional battle fought out not only in the professional associations but also in the educational arena, especially the role of the universities. The accountants and the financial planners’ response is contrasted to gauge the claim the accountants have over the financial planning process.
Figure 8-1: Themes of Chapter 8
8.2 Financial planning education in Australia

Abbott (1988, pp. 52-4) views the knowledge system as defining the professions and, although the application of knowledge is its main purpose, professions develop abstract, formal knowledge systems. Abbott (1988, p. 196) views the battles of the workplace, legal, and public continue into academia itself. He links a profession’s ability to sustain its jurisdictions in its academic knowledge,

[1]he ability of a profession to sustain its jurisdictions lies partly in the power and prestige of its academic knowledge. This prestige reflects the public’s mistaken belief that abstract professional knowledge is continuous with practical professional knowledge, and hence that abstract prestigious abstract knowledge implies professional work. In fact, the true use of academic professional knowledge is less practical than symbolic. Academic knowledge legitimizes professional work by clarifying its foundations and tracing them to major cultural values (Abbott 1988, p. 53).

A general criticism has been levelled at the level of education for financial planners, from all sections of the finance industry, built from the introduction of FSRA. The RG 146 qualification under ASIC is equivalent to diploma level although evidence later in the chapter will demonstrate that the level of entry and the assessment procedures were grossly inadequate. Interviewee B confirmed the views of low standard of education,

[w]ilst we have minimum standards today, there’s general acknowledgment that those standards are too low, and the regulator is needed to raise those standards (Interviewee B 2012, interview, 28 November).

Another issue was that the training was based on modules not a total education of an advisor. Interviewee N observes,

within this framework [RG146] you have everything from risk specialist and general advisors, general insurance advisors through to people doing actuarial reports which are under the same license, to say that everyone needs this amount of training when you have this advice under the license, it doesn’t work…you don’t actually have to have a diploma, you just have to have diploma level education (Interviewee N 2015, interview, 1 May).
The accountants, in recognising that the current education qualifications are flawed, persisted with the notion that most of financial planning education is taxation-based. Interviewee G mirrors this view:

I think the current qualification program for financial planning is flawed, I have no doubt that the core to all financial planning is tax...the actual educational framework now is so focussed on product, because what that also means that with the licensing now, you can be licensed on one area and I think that’s wrong (Interviewee G 2013, interview, 29 July).

The emergence of specialist degrees in financial planning in the early 2000s indicated that the academic institutions recognised financial planning as a distinct discipline usually contained within the finance or accounting schools. Up to that time, the industry had accepted the FPA’s benchmark, the Diploma of Financial Planning (DFP) as the appropriate program for training advisors (Blair et al. 2004; Cowen et al. 2006).

8.3 Financial planning body of knowledge

8.3.1 Relevance of efficient market hypothesis

The body of knowledge of a profession relates to the subjective qualities of jurisdictions. The jurisdictional claims that create these subjective qualities have three parts: claims to classify a problem, to reason about it, and to take action on it: in more formal terms, to diagnose, to infer, and to treat. Theoretically, these are the three acts of professional practice and it is within this sequence tasks receive the subjective qualities that are the cognitive structure of a jurisdictional claim (Abbott 1988, p. 40).

The implications of Abbott’s theory are important for the market and financial planning theory. If no sequence of subjective qualities is evident, especially inference, then financial planning cannot claim any jurisdiction. Accordingly, if it can be demonstrated that the work...
that financial planners claim cannot be achieved, then this results in the professional tasks being commodified into an administrative function.

It is crucial to review the investment theory that underlines the financial planning profession. The whole industry is based on adding value to the client. Some advisers, through their licence holder, or their own licence, assume they can add value to the client’s investments by using an active portfolio management method without any evaluation as to whether it is possible to achieve such an outcome. This assumes a body of knowledge and the sequence of diagnosis, inference and treatment. Inference is undertaken when the connection between diagnosis and treatment is obscure (Abbott 1988, p. 49).

Several interviewees, mainly from the accountants, queried the claims that financial planners outperform the market. Interviewee J’s comment is an example,

the financial planners will tell you they can outperform the market…You can’t outperform the market because everybody is the market (Interviewee J 2015, interview, 5 May).

(Note: Additional interview excerpts are in Appendix J Chapter 8 under ‘Investments’ theme.)

The efficient market hypothesis, which is an integral part of investment theory, indicates that certain investment analysis, undertaken by financial planners on behalf of their clients may not be beneficial. It relates to education as if key assumptions of the hypothesis are correct, the subject matter taught to financial planners is ill-directed and unnecessary.
For instance, technical analysis is often utilised by investors and the most common method is by charting past performance as a prediction of future prices. If weak form efficiency holds then technical analysis would not be a valid analysis as past prices are factored into current prices. If investors utilise fundamental analysis to calculate the intrinsic value of a security, the method would not be valuable if the semi-strong form holds, as all public information is incorporated into prices, and investors would experience average results using the same data and making the same interpretations as others in the market.

Financial planners need superior analysis to add value to their clients’ portfolios. If the efficient market hypothesis is accepted as valid, the ramifications for professional fund managers, including financial planners, are that unless superior insight can be demonstrated, then passive investment would be an appropriate client portfolio method. In such circumstances the tasks of the financial planners should be restricted to maintaining correct diversification, maintaining desired portfolio risk, manage taxation burden and control transaction costs (Jones et al. 2007). Haugen (1993, pp. 696-7) concur with this analysis and indicates that in an efficient market all trading rules should fail under simulation, and all professional investors should not exhibit distinctive performance. If the above analysis is valid, then the financial planning landscape would be affected, and the millions of dollars of fees charged by financial planners and fund managers would not be warranted.

Research has been undertaken to test the efficient market hypothesis by evaluating the consistency of returns in excess of risk, and the length of time over which such returns are earned (Haugen 1993; Jones et al. 2007). The support for market efficiency is persuasive.

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65 There are three forms of market efficiency. Weak form which assumes market data in reflected in current prices. In addition to market data semi-strong form assumes public information is included in current prices. Lastly strong form assumes all information in included in current prices (Jones et al. 2007)
despite the anomalies existing that cannot be explained satisfactorily. The best evidence points to the following conclusion,

The market isn’t strictly efficient with respect to any of the so-called levels of efficiency. The price-earnings ratio phenomenon is inconsistent with semi-strong form efficiency, and the January effect (in the USA) is inconsistent with even weak form efficiency. Overall, the evidence indicates that a great deal of information available at all levels is at any given time, reflected in stock prices. The market may not be easily beaten, but it appears to be beatable, at least if you are willing to work at it….Good luck! (Haugen 1993, p. 697).

Controversy about the degree of market efficiency remains. Such a basic question is not addressed in the debate on the content of curriculum in financial planning.

8.3.2 Abstract body of knowledge

The lack of an abstract body of knowledge in financial planning poses a risk to the recognition of financial planning as a profession (Wagner 2002), and after four decades, the financial planning profession still lacks an overarching framework for organising and testing the strategy-making activities of its practitioners (Whitley 1986, p. 188; Yeske 2010). While the discipline of financial planning is based on a combination of several theories, including home economics; agency theory; Modigliani’s life cycle theory; Markowitz’s modern portfolio theory through to the Capital Asset Pricing Model (CAPM) and Efficient Market Hypothesis (EMH), there is no formal body of theory available for the discipline of financial planning (Black et al. 2002; Warschauer 2002).

A stand-alone theory for financial planning would enhance the stature of the profession and assist in establishing financial planning as a profession (Altfest 2004, p. 57; Cull 2009, p. 28). For academia, this represents a significant opportunity as the paucity of research in the financial planning domain, together with the professionalisation agenda, opens opportunities
for partnerships, grants, the emergence of new journals, and a raft of research papers that can inform the development of a body of knowledge for financial planning (Brimble & Murphy 2012).

While there are curriculum models and frameworks that exist for financial planning, there is no agreed theory or body of knowledge that is embedded into the curriculum. Academics have much to offer in this area as they strive to synthesise the theoretical aspects through further research in the context of the social, cultural, economic and political environment. Abbott’s (1988) theory claims the university plays a major part in the development of the professions,

...they can serve as legitimators, providing authoritative grounds for the exclusive exercise of expertise. They can house the function of knowledge advancement, enabling academic professionals to develop new techniques outside of practice. They can train young professionals, often in conjunction with the function of research. Finally, universities, like states, may become another arena for interprofessional competition (Abbott 1988, p. 196).

The skill set applicable to financial planning was first documented in the Birkett Report (1996). The report was commissioned by the FPA and identified the essential areas of competency that a financial planner must attain if they are to be professionally competent. The Report was based on practical competencies, however, the industry deemed the wide range of technical and other competencies were not essential to undertake comprehensive financial planning and were not implemented (Cull 2009, p. 30).

The accountants articulated that they had similar skills to financial planners and could easily assimilate financial planning into their practices. Accountants were proficient in many aspects of financial planning practices such as traditional accounting work included taxation, business structures, cash flow, and balance sheets. However, it was recognised specific skills
such as investments, retirement planning, insurances and estate planning were also to be mastered (Benson 2004). In the investment area, it was not only the accountants who provided an alternative to investment qualifications. The CFA qualification is a different expertise and has a different skill set compared to a CFP (Smith et al. 2008).

The interviewees did recognise that the skill set for financial planners is different to the skill set of accountants. Interviewee J, a Big Four firm senior partner noted when discussing financial planning skills.

The sort of skill is beyond just what accountants normally have (Interviewee J 2015, interview, 5 May).

(Note: Additional interview excerpts are in Appendix J Chapter 8 under ‘skill level’ theme.)

In the same discussion on the background of accountants’ knowledge of financial planning issues, Interviewee I responded,

it would still have been very difficult to actually sit in front of your client and demonstrate to them that you had the experience and the runs on the board in advising on wealth management and investment management (Interviewee I 2015, interview, 11 March).

For the emerging profession of personal finance to achieve significant visibility and gain maturity, professionals should reach consensus on defining collective scholarship (Schuchardt et al. 2007). A body of knowledge is a concept that has been developed and implemented by other professions. The medical profession is a clear example and the example utilised by Interviewee O in explaining the link to work,

Oh, absolutely. Yes. Yes. There must be a level of skill but it’s the judgemental area that concerns me. The high level of skill. I mean you can teach people to tick boxes and program the computer to give you a theoretical solution but at the end of the day the surgeon has got to be the one who makes the fine cut. It’s the same with financial planning, that’s the skill difference and then there is the integrity level as well and I think it’s a challenge to the industry (Interviewee L 2015, interview, 4 May).
A problem for the financial planners in accepting the absence of an abstract body of knowledge, was the presence of the six-step process inherited from the USA Financial Planning Association promulgated by the Financial Planning Standards Board. The six-step process leads the planner into a product based and compliance approach designed to produce a SOA. In order for a ‘professional act’ to occur in accordance with Abbott’s theory, a sequence of three parts must occur: claims to classify a problem (diagnose); to reason about it (infer); and to take action on it (treat) (Abbott 1988, p. 40) Inference is undertaken when the connection between diagnosis and treatment is obscure (Abbott 1988, p. 49).

The six-step approach does not facilitate this approach which would allow the tasks to receive the subjective qualities that are the cognitive structure of a jurisdictional claim. For an updated version of the Education Framework and Competency Profile documents see Financial Planning Standards Board (2015a); Financial Planning Standards Board (2015b). The six-step process was followed in Australia in the late 1990s and continues to be the mainstay of the financial planning process adopted by government in the implementing the FSRA. Interviewee S acknowledged this point,

Then the regulation followed. The regulation followed the six-step process. And I reckon the excessive regulation on those sorts of transactions, the smaller ones, the FPA got their own way. Because they were saying, No, unless you do this, you're a cowboy. And this is what the regulations stipulate (Interviewee S 2017, interview, 29 March).

Interviewee C, an institutional representative, was enthusiastic about the process and likened it to the medical profession,
There’s a clear six step process to financial planning, there clearly is and that’s what CFPs, the thing about that is it’s for comprehensive planning. So if you think about it, a doctor’s a good example, if you’re going to a doctor and say I’ve got a broken finger, the doctor won’t give you a full medical, generally they’ll just fix your broken finger, but if you go for an annual check-up then it’s the full thing, and that’s where planners are giving annual check-ups too much all the time when they should be focusing sometimes just on the broken finger, and that’s part of the regulation issue (Interviewee C 2013, interview, 29 April).

In the early years of the profession, the associations evaluated the university system to provide the education of financial planners. Fletcher, one of the stalwarts of the FPA indicated that in the early years, Macquarie University was approached to conduct a program within their MBA, however, it did not eventuate (Bennett & Fletcher 2011, p. 291).

The interviewees diverged in their opinion as to whether a separate body of knowledge exists. The financial planners believe it does exist. Interviewee E notes,

There is a discrete body of knowledge within financial advice and financial planning. Growing all the time so then there an expertise around that and at a general practice level and a specialist level like law, accounting and medicos (Interviewee E 2013, interview, 3 May).

The accountants are similarly strong in their views that there is no separate body of knowledge. Interviewee O is an example,

I don’t believe that there is yet a separate abstract body of knowledge. I think there is processes and legal regulations which overload the top, but I think we’ve [accountants] got quite extensive reach, which we know, in this space. What I think we are lagging is in …the financial planning industry, is that body of professionalism. …So, I’m not necessarily sold that financial planning is…a profession. I think largely because of its roots from industry and from the insurance space. I think it’s still in transition (Interviewee O 2016, interview, 15 February).

(Note: Additional interview excerpts are in Appendix J Chapter 8 under ‘Body of knowledge’ theme.)

A problem is that the financial planning knowledge base is quite broad and can be compared with the banking industry. Seal and Croft (1997, p. 68) note one factor which may account
for the lack of development of an academic discipline of banking is the difficulty of finding a subject area common to the needs of all those working within the banking sector. The range of disciplines appropriate to financial planning also cover a large range of disciplines ranging from law, accounting and investments. Interviewee A concludes,

It’s a range of disciplines built into it [financial planning], and I don’t think you can do it justice by trying to do it in six weeks. There is a body of knowledge and I think there’s history that needs to be read, there’s a lot of history which should be read. History of markets and a deeper understanding of the risks involved (Interviewee A 2012, interview, 23 November).

In discussion of the skill set and whether the accountants skill set can be transferred to financial planning, the accountants were positive. Interviewee K when asked “do you see it as a carryover from this [accountants] skill set?” answered “I do. Absolutely. I think this is the sort of communality in the skill set (Interviewee K 2015, interview, 5 May). Interviewee R viewed by producing a good financial plan “you are actually bringing various knowledge bases together” (Interviewee R 2017, interview, 23 March). The accountants agreed that the skill set could be transferred but there was little incentive for them to actively pursue the change in knowledge. The regulatory requirement to register under AFSL was an impediment and the accounting professional associations did not provide the avenues to upgrade their skills.

8.3.3 Education requirements

A general obligation for licensees under section 912A of the Corporations Act (2001) is to ensure that authorised representatives are adequately trained and competent to provide the relevant financial services. The level of training required of financial advisers is commensurate with the complexity of the products they advise on and whether the advice is of a general or personal nature. Products are divided into Tier 1 and Tier 2 categories, with
the latter being comprised of more straightforward products such as general insurance products and basic deposit products. ASIC’s Regulatory Guide 146 (ASIC 2012a) sets out in detail the various minimum training standards for advisers and how these can be met. The most arduous minimum training requirements applying to financial advisers providing personal advice on more complex financial products are equivalent to diploma level qualifications (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2009, p. 13).

A major component of education was ongoing continued development, and this aspect is completed by the licence holders who have the responsibility to educate their advisers. The monitoring of this aspect was deficient as RG 146 does not prescribe any period during which new entrants to the industry must be supervised and there is no prescribed quantum of continuing professional development. Instead, AFS licensees are required to nominate an appropriate quantum for CPD, based on a financial adviser’s activities and experience (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014, p. 36).

Financial planning became an integral part of the university system and a degree in financial planning in the early 2000s (‘FPA expands CFP entry requirements’ 2006) and by June 2014, was offered at fourteen universities and institutions in Australia at the undergraduate level and seven at the postgraduate level (The Good Universities Guide 2014). Completion of the courses allowed entry to the CFP certification Program or FPA membership. The Financial Planning Standards Board (FPSB) is the owner of the global CFP certification mark and program and the FPA is a member of the FPSB (‘A global mark’ 2013). The FPA informed a recent committee that seventeen universities currently offer financial planning degrees,
However, the uptake of this degree is limited because some employers only require completion of RG 146 which is a diploma level qualification (Australia, Joint Committee on Corporations and Financial Services 2014a, p. 45).

The following university courses were accredited by FPA and current at the end of 2006; Curtin University of Technology, Deakin University, Griffith University, University of Western Sydney, University of Wollongong, University of Southern Queensland, University of the Sunshine Coast. The following additional university courses were approved in the period from 2006 until the end of 2014; RMIT University, TAFE NSW Higher Education, University of Canberra, University of New England, University of NSW, Charles Sturt University, Kaplan Higher Education, Central Queensland University, Latrobe University. The following courses lapsed during the period from 2006 to 2014; University of Wollongong, University of Southern Queensland.

The courses were approved by FPA through the Financial Planning Education Council (FPEC)\textsuperscript{66} in 2014. FPEC was established as an independent body through the FPA, with its activities including the power to approve individual programs that satisfy requirements for admission to the CFP certification program. The necessity to provide an alternative to the RG 146 requirements arose due to the large volume of participants leading to a wide diversity in the offering of training programs under the legislation (Financial Planning Association of Australia 2009). The curriculum and accreditation framework released in 2012 established degree level studies in financial planning and accreditation processes for providers (Financial Planning Education Council 2012). The FPA CEO commented (‘National financial planning curriculum launched’ 2013, p. 6).

\textsuperscript{66} FPA Approved Courses, viewed 11 January 2016

establishing a uniform curriculum not only provides the universities with a clear view about the high standard of learning and graduate outcomes expected of planners, it also ensures a clear and dedicated relationship between academia and the profession.

One of the major issues affecting the development of financial planning in Australia is the substandard educational requirements under the Act to provide financial advice. The lack of rigour has resulted in the profession not being able to develop its own body of knowledge and a concentration on form rather than substance.

Bruce and Gupta (2011) suggest the minimum training standards set by the Australian regulator have allowed private education providers to capture the training and education agenda from the profession, which has impacted the professionalisation of financial planning. It is acknowledged that legislation has passed recently which will increase the education requirements of the providers of financial planning, however, the status of the training regime for financial planners has not improved since 2011. The influx of providers since the introduction of the FSRA was highlighted by Dr Deen Sanders, Chief Executive Officer of the Professional Standards Councils when he informed a government committee (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014, p. 38) that:

…before the Corporations Act was introduced there were at the time six providers of qualifications in financial services. Six months after the Corporations Act and RG 146…was introduced there were 432 providers, including ex-hairdressing colleges, who saw the opportunity. This is the challenge that emerges in education: introducing wholesale, industrywide change just tends to lead to a massive flight to the bottom and increased competition in providers.

Despite the number of providers, some commentators suggested that there was space for everyone in the market, as historically, education in Australia is a very fragmented market that is likely to remain so (Mace 2008a).

The current situation is evidenced in the following review of a RG146 provider approved by ASIC to provide education training for tier 1 courses. Superficially, the following statement from a training institution Mentor Education, RG146 Training\(^{68}\) seems innocuous;

> [t]here are no prerequisites for enrolling in the Diploma of Financial Planning, however it is recommended that entrants have a strong grasp of literacy and numeracy, and undertake the first course of the Diploma (DFP 1) prior to commencing any of the subsequent courses (Diploma of financial planning 2017).

The low entrance requirement is evident in the above statement. The necessary skills should be sufficiently controlled to ensure successful completion of the course. Whilst the above provider’s website did not contain an online literacy and numeracy test, another provider who advertises for students online utilising a blitz of advertising\(^{69}\) did offer an online test to ascertain capability to undertake diploma level studies. The test does provide evidence of the low standards in current RG146 standards (Diploma of financial planning (RG 146 compliant) 2017).

The full quiz is included in Appendix F. The quiz consists of twelve (12) multiple choice questions which can be completed on an iPhone asynchronously. The same provider was contacted in 2014 by a journalist who completed the full course in the equivalent of four

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\(^{68}\) Mentor education RG146 is recognised by ASIC to deliver training for financial planning.

\(^{69}\) In the period surrounding 14 March 2017 Monarch Institute advertised to such an extent that when logging onto iPhone, iPad or even through YouTube you were presented with an invitation to enrol in a Diploma in Financial Planning.
day’s work. The journalist had a similar experience with the level of the education provider and reported;’

No exams, the course completed entirely online and “open-book” - and with no requirement for a high school certificate (or even a passing grade in primary school for that matter), and I’m a fully certified financial planner. I have met all the education requirements set by corporate watchdog, the Australian Securities & Investments Commission to steer the fortunes of Australians seeking professional help. And all in the equivalent of four days’ work (Klan 2014d)

The journalist was advised that for an extra $175 and “an extra 30-40 minutes of reading time” he could become a provider of self-managed superannuation fund advice. He did so and also became a certified provider of SMSF advice (Klan 2014d). The report prompted a wave of negative feedback from the public in the press (‘Readers respond to advice story’ 2014), and in professional publications (Hoyle 2013c).

Another issue circumventing an appropriate approach to a body of knowledge for financial planning is the module approach to accreditation. On the ASIC Training Register there were numerous instances where one single university module was registered as meeting the following specialist knowledge requirements, (including generic knowledge and skills) for the subject areas of financial planning, securities, managed investments, superannuation. There were other instances when the addition of two additional weeks of lectures, incorporating two one-hour lectures resulted in an additional specialist area being included in the registration for a university. This occurred when additional specialist areas such as SMSF knowledge areas were added to the original specialist areas.

The low level of admission and testing in these courses has reduced the value of financial planning. Interviewee A, a senior financial planning academic argues,
the entry to financial planning advice is probably inhibiting the acceptance of it being a profession because people can come in, give advice, and you may not need such a high level really, because the advice might be much the same anyway, but even still, the fact that you can become a financial advisor with the study of a couple of modules, and quite often that’s done by multiple choice testing which is really not in depth (Interviewee A 2012, interview, 23 November).

(Note: Additional interview excerpts are in Appendix J Chapter 8 under ‘low entry level’ theme.)

8.4 Regulatory impact

8.4.1 Need for government action

The need to implement rules and regulations follow the pattern of previous requirements for legislation as the financial planners have not been able to implement the required standards through their own professional organisations (see Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2009, 2014; Australia, The Senate Economics Legislative Committee, 2014; Australia 2017). The lack of trust and unethical behaviour of financial planners was acknowledged by Government in the explanatory memorandum to a current Act (Corporations Amendment (Professional Standards of Financial Advisers) Bill 2016). The minister responsible felt it necessary to elaborate on the main reasons for the reforms. The explanatory memorandum stated,

[recent examples of unethical behaviour and inappropriate financial advice have contributed to decreased trust and confidence in the financial services sector… In recent years, numerous cases of inappropriate financial advice have had a negative impact on consumers’ confidence in the financial services industry. This lack of trust has become a barrier to consumers seeking financial advice.”(O’Dwyer 2017a, pp. 4-5).

Whilst the above Act referred to is very recent, the inappropriate behaviour was building over many years and the scandals referred to in the explanatory memorandum occurred within the timeframe of this thesis, as detailed in Chapter 7. There have been many regulatory interventions by the Australian Government in recent years to help improve trust
and confidence in the financial services industry and the quality of information that consumers of financial services (see Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2009, 2014; Australia, The Senate Economics Legislative Committee, 2014; Australia 2017; Murray 2014a; O'Dwyer 2017a). Government intervention is justified because of the significant costs to individuals, the community and taxpayers that can result from poor information on the benefits and risks of financial services, including complex financial advice provided to retail clients.

A later government Inquiry indicated three reasons why the government is required to intervene in the regulation of financial planners. The seeds of market failure occur when licensees underinvest in education and training as the benefits only accrue in the long-term. It is difficult for industry to agree on minimum standards and coordinate action. Consumers lack information about the skills and competency of their financial adviser (O'Dwyer 2017a, p. 83).

There may have been a clear need for action by government after the GFC, however ASIC was not sufficiently staffed to combat the scandals that surfaced from the GFC to concentrate on the education sector. Interviewee D commented on both these aspects,

ASIC has learnt that as a regulator cannot do everything...the horrifying story is there might only be 10 – 20 people in the entire engine of ASIC dedicated to that function, in a highly contested, highly conflicted regulated space (Interviewee D 2013, interview, 2 May).

(Note: Additional interview excerpts are in Appendix J Chapter 8 under ASIC theme.)

The educational aspects of government regulation have not had an effect on lifting the educational standards of financial planners. As detailed in the last section, the low level of RG 146 resulted in the reputation of the education of financial planners being ridiculed, with
qualifications able to be attained in a matter of days through a multiple-choice exam. The institutions commodified the process and had no incentive to raise the standard of the industry. As detailed in chapter 7, ASIC was viewed as being favourable to the institutions and did not follow up on inappropriate advice. Successive inquiries raised the issue of the inadequate training requirements of RG 146. The government instituted the training requirements and it needed Government to act on the recommendation to lift the educational standards.

The educational process was not developed and did not include the professional associations in establishing appropriate educational levels for financial sector. The FPA endeavoured to raise the standards, however, with its limited membership the new standards of degree level training only applied to a limited number of individuals.

8.4.2 Regulatory responses to the educational standards in the financial services industry

During the Ripoll Inquiry, ASIC raised concerns about the training and competency of financial advisers. The Inquiry noted a considerable amount of evidence to suggest that improved training standards for financial advisers were required (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2009, p. 129) and recommended that,

…ASIC immediately begin consultation with the financial services industry on the establishment of an independent, industry-based professional standards board to oversee nomenclature, and competence and conduct standards for financial advisers (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2009, p. 141).
The government response to the Ripoll Inquiry included a proposal to establish an expert advisory panel to review training standards and professional standards in the financial advice industry. In November 2010 an Advisory Panel on Standards and Ethics for Financial Advisers was established. In 2011 the advisory panel made recommendations for the introduction of a new governance framework for improving training, professional and ethical standards in the financial advice industry. In 2011, ASIC published the findings of a consultation process in Consultation Paper 153 Licensing: Assessment and professional development framework for financial advisers (CP 153). CP 153 proposed introducing a mandatory examination for financial advisers, as well as a requirement for advisers to complete regular knowledge updates. The proposals received a varied reception from industry, with many concerned about the costs of lifting education requirements and the wide-reaching effect on the industry.

The FPA conducted a consultative workshop with educators, planners and licensees to obtain feedback on the ASIC proposals. The proposed mandatory national exam was considered a major discussion point. The education representatives, all private educators with no university representatives, were concerned that an examination was different to education (‘Towards a new training framework for financial planners’ 2011, pp. 20-2). Baker (2013) argued that the proposals outlined in ASIC’s Consultation Paper 153 (ASIC 2011) confirmed the focus on minimum competencies for practitioners and concluded,

that the standard of these proposals is too low to remove any barriers for quality advice outcomes, and that they of themselves will not see financial planning transitioning to a profession.

ASIC reported that the work on the CP 153 proposals be halted to enable industry to implement the FOFA reforms. In 2013, ASIC published findings of a separate consultation
process in Consultation Paper 212 Licensing: Training of financial product advisers, Update to RG 146 (CP 212). CP 212 proposed raising the level of the training standards for financial advisers, to the knowledge and skill requirements in RG 146 and increasing the educational levels for those providing financial advice on both Tier 1 and Tier 2 financial products. The proposals in CP 153 and CP 212 were supported by broad-based advice AFS licensees, consumer bodies and training organisations, while industry bodies, insurance groups and stockbrokers raised concerns, including that an examination was not a sufficiently sophisticated mechanism for assessing competence, the level of educational requirements, and the costs to implement the proposed changes.

The above resulted in the status quo of RG 146 remaining as the minimum level requirement under the legislation, even though all participants realised the inadequacies. Any attempt by ASIC to engage industry was postponed until FOFA was implemented. A further delay was caused by a change of government in 2013 which further delayed the process. During this time, the institutions continued their domination of the industry. Whilst they supported membership of a professional body for their advisers, it was not mandatory as the advisers had various educational backgrounds. Any attention to lifting standards was on hold for nearly five years. Any change was only forthcoming after further revelations surfaced in regard the conduct of financial planners and in particular, the financial planning business of the CBA.

8.4.2.1 Inquiry into proposals to lift the professional, ethical and education standards in the financial services industry.

The Senate Economics References Committee inquiry into the performance of ASIC, made 61 recommendations, including Recommendation 54:
The committee recommends that the Parliamentary Joint Committee on Corporations and Financial Services inquire into the various proposals which call for a lifting of professional, ethical and educational standards in the financial services industry.

On 14 July 2014, the Government accepted Recommendation 54 and established an Inquiry into *Proposals to Lift the Professional, Ethical and Education Standards in the Financial Services Industry* (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014). The Inquiry’s recommendations are detailed in Appendix C4.

The Committee examined proposals to lift the professional, ethical and education standards in the financial services industry in three areas. Firstly, the adequacy of current qualifications required by financial advisers; secondly the implications, for competition and the cost of regulation for industry participants of the financial advice sector being required to adopt a. professional standards or rules of professional conduct which would govern the professional and ethical behaviour of financial advisers; and professional regulation of such standards or rules; and thirdly the recognition of professional bodies by ASIC (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014, p. 2).

The recommendations in the report cover the areas discussed in this thesis. The Inquiry occurred at the end of this thesis timeframe. Many of the issues have been raised in other sections of this chapter and other Chapters. In Chapter 3 of the report, the committee considered improvements to the qualifications and competence of financial advisers. The committee supported the findings of previous reviews that there should be an independent body established to set and monitor the educational framework that applies to financial advisers.
The committee recommended, in recommendation 10, that the professional associations establish an independent Finance Professionals’ Education Council controlled and funded by professional associations which have been approved by the Professional Standards Councils (PSC); sets curriculum requirements at the Australian Qualifications Framework level seven standard for core subjects and sector specific subjects; develops a standardised framework and standards for the graduate professional year to be administered by professional associations; develops and administers through an external, independent invigilator a registration exam at the end of the professional year; and establishes and maintains the professional pathway for financial advisers including recognised prior learning provisions and continuing professional development (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014, p. VIII).

Of interest to this thesis is the role anticipated for professional associations. Recognition through a statutory body would enable a professional association to claim legal jurisdiction, which would lead to public acceptance. The Inquiry recommended a co-regulation model. Recommendation 5 indicated that financial advisers could not provide financial advice if the adviser has their membership of the nominated professional body suspended or revoked. Recommendation 13 provides that for any individual wishing to provide financial advice be required to be a member of a professional body operating under a Professional Standards Scheme approved by the PSC and to meet their educational, professional year and registration exam requirements.

RG146 was developed in 1997 prior to the introduction of both the Financial Services Reform (FSR) Act and the Future of Financial Advice (FOFA) reforms. The changes introduced under these two regimes were so substantial they have significantly changed the
shape of the financial planning profession and financial services industry (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014, p. 70).

The committee was made aware that the training requirements for financial advisers can be met in three days (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014, p. 55), and it was agreed that educational level requirements for all financial advisers who provide personal advice on Tier 1 products to retail clients should be increased (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014, p. 58).

The FPA, like the other professional associations, made a formal submission to the Inquiry, and advised that the large institutions had recently announced that were lifting their education standards for the benefit of consumers and the profession, which was in line with the FPA’s 10-Point Plan to restore trust in the financial planning profession (‘PJC submission calls for a lift in standard ’ 2014).

The FPA submitted to the committee that in its view the lack of an overarching framework to financial adviser and financial planner education has led to a 'piece-meal’ approach being developed and added to over more than two decades, which contains unworkable, incompatible and inappropriate requirements, as well as gaps in the holistic system needed to ensure an increase in advice provider competency is achieved (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014, p. 70). The FPA proposed that the current RG 146 be replaced with a broader, more holistic industry wide framework for financial adviser and financial planner education (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014, p. 71).
CPA Australia and ICAA agreed that there are important benefits to increasing the requirements to degree level, including that advisers would: have broad, theoretical, technical and coherent knowledge as well as the skills for professional work, rather than paraprofessional; learn the skills to analyse, generate and transmit solutions to unpredictable and sometimes complex problems (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014, p. 59).

CPA Australia and Chartered Accountants Australia and New Zealand suggested that in their view financial advice has a broader scope than financial product advice and recommended that a comprehensive review is undertaken to identify the knowledge and skills required to become a holistic financial adviser. They also called for findings from such a review to be a basis for a new curriculum (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014, p. 59).

ASIC informed the committee that in its view, a recognised professional body could perform the role of a professional standards body to increase professionalism in the financial advice industry (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014, p. 84). The PSC informed the committee that at present the ICAA, IPA, and CPA are the only bodies that operate across financial services that are regulated through the PSC (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014, p. 87). The FPA submitted that professional bodies should be recognised by the PSC (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014, p. 87), and proposed that a co-regulatory framework for recognition of professional bodies should include legislative structure, professional body criteria, a practising certificate, and
restricting the use of the titles ‘financial planner’ and ‘financial adviser’ (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014, p. 84).

The committee noted the existence of the Financial Planning Education Council established by the FPA and considered that it provided a useful model as it is controlled by a professional body and is industry funded. The FPA submission to the inquiry indicated that the FPA would be willing to cede control of this council to a governance model that included equal representation of members from other professional associations (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014, p. 73).

The Federal Government took some time to review and implement the recommendations. Legislation was finally introduced in 2016 (Corporations Amendment (Professional Standards of Financial Advisers) Bill 2016) The recommendations concerning professional bodies were not accepted, and the institutions controlled and funded the new statutory body governing financial planning (O’Dwyer 2017a). Any possibility of any one professional body claiming legal jurisdiction dissipated with the rejection of co-regulation. A review of current events in education are contained in Chapter 9.

8.5 Combatants’ response (accountants, financial planners, professional associations and financial institutions)

8.5.1 Professional associations’ response

The professional associations reacted to the education sector in different ways. The FPA was very proactive in the education of their members, however, there was no requirement to be
a member of a professional association to be an authorised representative of a license holder.

Interviewee N noted this issue.

If you look at the industry, you would say that at least 50% of financial planners are not members of any industry or professional association (Interviewee N 2015, interview, 1 May).

The ICAA indicated that they were very active in lobbying the various Senate committees to test government policy but were not successful in such lobbying and continued with the policy of observer of the financial planning developments (Brown 2003b).

The FPA was very strong in developing education from the late 1990s with the introduction of the CFP status imported from the USA. The FPA up to the introduction of the FSRA conducted their diploma of financial planning. The FPA did endeavour to set a high standard and commenced accrediting universities to provide financial planning courses.

The accountants did not actively promote the education of financial planning. CPA did have an elective in one of its courses in the early 2000s, however this was discontinued. Interviewee G confirmed this point,

the CPA went through a phase where they had electives but I think they shut that down now, so in some ways that’s sort of I guess, I won’t say justification, but we’ve stuck with five subjects only, CPA went from five or whatever it was, a whole lot of electives and they’ve got back to just to having core modules and I think that’s probably a very good basis because then you decide which direction you want to head in (Interviewee G 2013, interview, 29 July).

The ICAA was passive in the education related to financial planning and the structure of its CA program for university graduates meant that there was very little opportunity for financial planning to be taken as a major in an undergraduate degree and provide a
qualification suitable to the ICAA. The accountants observed proceedings rather than take a pro-active role in incorporating financial planning within their education program.

The AFA held their own training through their association. The training was not at degree level and was contracted out to Mentor Education. AFA commented that the professional bodies have a significant role in driving the education agenda. During a discussion on the AFA’s education policy, Interviewee E responded to questions,

> Does the AFA have a degree requirement for their members…No…So, you are doing your own training…Correct …who does your training…the AFA has had a joint venture with Mentor Education which has been retendered after a five-year agreement and its gone to tender I am not sure who the successful tender is (Interviewee E 2013, interview, 3 May).

(Note: Additional interview excerpts are in Appendix J Chapter 8 under ‘training’ theme.)

8.5.2 Accountants’ response

The accountants, through their other activities, mainly audit, became members of the Professional Standards Council. CPA and the ICAA utilised this membership in discussions with government as being the appropriate method of recognition of professional organisations in the financial services industry. The FPA was not a member of the council. In later inquiries this was an important issue as the accountants argued that, if there is a requirement to formally recognise a professional body within the financial services sector, then this role should be fulfilled by the Professional Standards Council, rather than ASIC.

CPA and ICAA agreed that a lifting of the minimum education requirements to a degree level for financial planners, would be appropriate to learn broad, theoretical, technical and coherent knowledge as well as the skills for professional work. Also, it is necessary to learn the skills not only analyse, but to evaluate information, have the skills to analyse, generate
and transmit solutions to unpredictable and sometimes complex problems, and lastly, to be able to communicate their knowledge, skills and ideas to others.

CPA Australia and Chartered Accountants Australia and New Zealand suggested that in their view, financial advice has a broader scope than financial product advice and recommended that a comprehensive review to be undertaken to identify the knowledge and skills required to become a holistic financial adviser. They also called for findings from such a review to be a basis for a new curriculum.

Mr Robert Brown, a vocal member of the ICAA, supported the introduction of a degree level qualification for financial advisers and noted that this had been implemented successfully in other professions such as the Chartered Accountants program, which requires an appropriate undergraduate degree (not necessarily in accounting), followed by an intensive diploma-style course in accounting related disciplines (Australia, Joint Committee on Corporations and Financial Services 2014b). Brown (2010b) did comment also that having tertiary educated financial planners does not guarantee trust. In addition, he suggests that accountants have the clients, the skills, the education and the ethics to deliver comprehensive financial planning and advisory services (Brown 2011b). An ICAA member shared the view that the accounting profession was capable of successfully providing financial planning services and implored the professional association to actively promote their financial planning specialist members (Perkins 2015).

The ICAA claimed that it listened to its members and to business by addressing the concerns raised by members regarding an accounting skills shortage. In 2005 the ICAA reached an agreement with Deakin University to provide a new course specifically designed for
graduates with non-accounting degrees to acquire fundamental accounting knowledge to enrol in the CA program (DiMonte 2007a). The results reported in 2009 indicated strong results as the individuals taking this pathway were extremely focused (Wilkinson 2009).

The ICAA continued its CA program throughout the period. The pathway to the graduate program is the completion of the Graduate Diploma of Chartered Accounting. The four key modules are audit and assurance, financial accounting and reporting, management accounting and applied finance, and taxation. Each succeeding president has affirmed the rigours of the program. For example, “the CA designation is a hard-worked-for reward, it is only right that the educational rigours to attain it can stand the test of time” (DiMonte 2007b); “the content and teaching methods might have changed over the years, but the Chartered Accountants Program still delivers to win” (Arkell 2008c); “we stand proudly behind a program that delivers technically competent, work-ready graduates to an ever-demanding market” (Deutsch 2009) and “the redesigned Chartered Accountants Program launched in 2013 goes beyond just numbers” (Grimes 2011a).

Whilst the chartered accountants program offered specialised technical training in specific areas financial planning was not included amongst these areas. The continuing professional education program (CPE) in the year 2013-14 did not include any courses related to financial planning (Institute of Chartered Accountants 2013-14). This is despite the ICAA indicating that it conducts a wide range of training and development courses designed especially for Chartered Accountants in business (Butcher 2010a). A similar review of CPE calendars in 2005 suggests the trend of few financial planning courses was evident from the commencement of FSRA (‘Professional development- June -July 05’ 2005; ‘Professional development calendar Feb 05 - March 05’ 2005).
The ICAA achieved high standards in their training and the CA program is its flagship. The accountants did not cover the content of financial planning in their programs. Interviewee G noted,

coming in at the CA level you’ve actually achieved a very high level of expertise and educational level and I guess the financial planning level, any component of it is simply a top up and most of the areas where CAs really need to pick up in that area is social security and the regulatory side of things, social sciences type of things is type of hard, the tax side of things is relatively straightforward (Interviewee G 2013, interview, 29 July).

(Note: Additional interview excerpts are in Appendix J Chapter 8 under ‘ICA and training’ theme.)

The accountants had the basic training suitable for the development of financial planning but showed complacency in the education field. Interviewee C provided a financial planning perspective,

I don’t think the accountants had the inclination to move outside of their area of study, their area of expertise, I don’t they’re comfortable with it, and I don’t think they’re particularly comfortable about the future planning and the extra things that planners do (Interviewee C 2013, interview, 29 April).

The third accounting association, the IPA, did provide a pathway for their members by outsourcing the education of financial planning to a university, an institutional license holder and thirdly, to a boutique type licence holder (see ‘IPA program’ 2014; Russell 2013). Interviewee O, representing the association concluded,

we are into it up to our eyeballs in offering educational pathways…we have offered a licensing solution for our members…we went out to the market and sourced it (Interviewee O 2016, interview, 15 February).

(Note: Additional interview excerpts are in Appendix J Chapter 8 under ‘IPA and training’ theme.)
Whilst many interviewees from both accounting and financial planning backgrounds did suggest that accountants did have an appropriate educational background, the debate on investments and body of knowledge was lacking in interviewees’ response and in the professional journals. The accountants still maintained that the knowledge base was taxation driven. For example, Interviewee N maintained,

I think accountants make, or professional accountants make the best financial planners because they have a more rounded education…around tax, structure, you know, all those considerations that complement financial planning. Let’s face it, the bulk of financial planning strategies are driven around tax strategies (Interviewee N 2015, interview, 1 May).

(Note: Additional interview excerpts are in Appendix J Chapter 8 under ‘background’ theme.)

A major issue for the accountants, and the profession in general, was the role of investments in the provision of advice. Interviewee R recognised the shortcoming of accountants in this area,

I was involved with a consumer choice reviews and helped set the CFP standard, and what was interesting was the CPAs did no better than the CFP planners…the CFPs didn’t have a degree base, they had a diploma base……that would indicate there is a specialised, proper knowledge…So, what I saw is that Chartered Accountants didn’t always understand the investment side of things and that wasn’t within their gambit, or what their normal practice was (Interviewee R 2017, interview, 23 March).

(Note: Additional interview excerpts are in Appendix J Chapter 8 under ‘Investments’ theme.)

Some interviewees were critical of the accounting tuition by referring to the focus of teaching outdated curriculum. Interviewee D commented,

If you walk into an accounting class in a university, they’re still talking about accounting practices that are out dated by 80 years. That’s not unusual and quite typical (Interviewee D 2013, interview, 2 May).

(Note: Additional interview excerpts are in Appendix J Chapter 8 under ‘Universities’ theme.)
8.5.3 Financial planners’ response

The FPA executive was supportive of the development of education as a requirement for the profession of financial planning to obtain public acceptance. The FPA’s role is setting education standards and providing members with quality education in line with these standards remains core to their strategy (Rantall 2012e). The CEO in May 2008 prior to the GFC commented “[a] profession is only brought alive and sustained by the education that nurtures it (Bloch 2008, p. 4). The FPA viewed that they needed recognition for meeting higher education standards (Purnell 2010a; Rantall 2014d).

The FPA long supported a requirement for a degree qualification (AQF level seven) for financial advisers providing Tier 1 financial advice. In 2010 the FPA announced a requirement that from 2013, all new members hold an approved degree from an approved university (Mather 2011). The requirement was extended pending the outcome of various inquiries. Interviewee C confirmed the FPA position,

I believe that degree entry into the profession is a must, so degree entry in the CFP program … degree entry to become a member in the financial planning association from the 1st July… (Interviewee C 2013, interview, 29 April).

(Note: Additional interview excerpts are in Appendix J Chapter 8 under ‘Degree entry’ theme.)

The FPA endeavoured to implement the raised education standards for their members, however their numbers do not represent most advisers as the lower RG146 standard is still current. The FPA maintained members holding the CFP certification possessed qualifications in excess of the minimum standards required by law (Rantall 2012b).

The FPA suggested that the training obligations in RG 146 are based on the definition of financial product advice in the Corporations Act 2001 and, therefore, are focused on training
on financial products, rather than building competencies in providing financial advice. In addition, the FPA informed the committee that there are problems with how the training is delivered, and that the requirements of RG 146 may not be keeping up with changing markets. FINSIA submitted that in its view, RG 146 lists topics that any training program should cover, yet it does not specify the volume or complexity of the coverage required (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014, p. 38).

8.5.4 Financial institutions’ response

Large AFS licencees did make changes to training standards and indicated that they would include degree requirements and CFP designation for their financial advisers, however, it was noted in a later Inquiry (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014) that any changes made by the institutions were voluntary and did not cover the whole financial planning industry.

The same Inquiry (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014) noted that evidence from submissions and witnesses did not support the introduction of a degree level qualification. Axiom Wealth, a financial planning company, argued that a degree level qualification is theoretical and limited in relevance. A number of financial planners argued that existing educational requirements were adequate as, in their view, the percentage of advisers involved with complaints or malpractice was low (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014).
FINSIA argued against a specific financial planning degree or vocational diploma as they consider these specific qualifications would exclude those wishing to move into the sector from other disciplines.

There are not many entry-level adviser positions existing…it is largely a career change and postgraduate degree. Financial services providers, particularly the larger ones, will draw upon people who have pre-existing financial services knowledge. They may have worked in a contact centre at a bank or in a different sort of role. They may be progressed through a para-planner type strategy before they move into a client-facing role.

In an Inquiry into raising the education standards of financial planners (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014), it was recommended that industry establish an independent, professional standards body that would be controlled and funded by professional associations. However, the government advised (O’Dwyer 2017a, p. 85),

concerns were raised during consultation about the PJC’s recommendation that all financial advisers would be required to be a member of a professional association as it guarantees professional associations an inflow of members and has the potential to restrict competition by creating a barrier to entry for new financial advisers.

The institutions complied with the legislation, with RG146 deemed sufficient for their advisers.

They [institutions] have got to tick the box to go through…computer programs… which basically tick the box and that would basically produce the compliant matter. It could be that it would take away any of the professional judgement from the advisor (Interviewee A 2012, interview, 23 November).

(Note: Additional interview excerpts are in Appendix J Chapter 8 under ‘Institutions’ theme.)

The institutions were also suspicious of education. Interviewee S commented,

In theory you can say this is a step in the right direction. But there’s a lot of highly educated crooks out there (Interviewee S 2017, interview, 29 March).
Some universities linked with the institutions. For example, Griffith University and AMP linked to develop a Master’s program in financial planning, through AMP's financial planning academy, enabling candidates to gain a Master of Financial Planning through a flexible program that incorporated both academic bodies and practical experience (‘AMP and Griffith Uni launch online Masters program’ 2014).

8.5.5 Contest for jurisdiction

Interviewees recognised the requirement for tertiary education of financial planning for different reasons. For example, the credibility perspective,

I think the tertiary degree is important for financial planning, from a credibility point of view, from a public point of view more so but I think if the accountants want to get into this then they have to do more with that (Interviewee M 2015, interview, 30 April).

The accountants contested the jurisdiction on the issue of trust rather than knowledge. Interviewee O commented on this issue and lamented that the accountants did not take advantage of their position of trust,

The reason a person engages a professional accountant is because they don’t have the skill themselves to do that task, so there’s a lot of trust…the fact is that people trust accountants to provide them with financial services and advice because they don’t have the expertise themselves. So, I think there was a tremendous opportunity for accountants to leverage that trust and that random trust to provide a financial planning … more explicit financial planning pathway…what’s happened is that the government was forced to take regulatory action, when it was preference, very early on, having been involved with this, the preference was a self-regulatory model. And it just didn’t happen and so of course when that occurs, when governments expecting self-regulation and it doesn’t happen it only has one choice and that is to regulate themselves (Interviewee O 2016, interview, 15 February).

(Note: Additional interview excerpts are in Appendix J Chapter 8 under ‘Trust’ theme.)
The accountants were viewed as not being able to look forward and plan and several interviewees agreed that they did not have the skills to undertake a financial planning role.

Interviewee D summarised the position,

They [accountants] are good at collecting the information, they’re good at making a recommendation because they’re the wise person in the conversation, but you know, financial planning is a diagnostic exercise (Interviewee D 2013, interview, 2 May).

(Note: Additional interview excerpts are in Appendix J Chapter 8 under ‘Skill deficiency’ theme.)

As indicated earlier the accountants did not embrace the education of financial planners within their membership.

Show me where the accounting curriculum approved by any of the accounting bodies, specifically references financial planning, does it?…. Therefore, they haven’t captured the jurisdiction and/or claimed that space (Interviewee D 2013, interview, 2 May).

8.6 Academic input

8.6.1 Financial planning education curricula

Education has a key role to play in the future development of financial planning as a profession, as it has clear national and social importance due to the importance of the advice. Education standards need to be lifted to ensure that financial planning is not commodified in a financial world which is complex and volatile, and comprising financial planners with insufficient knowledge and skills to make effective decisions. Unfortunately, the financial planning sector has not been able to capitalise on the development of the education of financial planners due to the structure of the industry which is product and compliance driven resulting in a lack of quality advice across the sector. The government’s intervention to raise the standards in the industry has not resulted in any change to the current low standards. This intervention has meant that the professional bodies have lost their influence and the four
banks and larger financial institutions, such as AMP and Macquarie Bank, have taken control of the regulatory process, a strong case of regulatory capture.

It is crucial that the academic community continue the research into the financial planning profession. It is critical that tertiary education engages in this transition. Without this, the economic and social concerns that arise though lack of quality advice and high levels of financial illiteracy will be more difficult to conquer. Therefore, there are significant potential positive social and economic outcomes to be achieved by further tertiary education engagement in personal financial advice (Brimble & Murphy 2012).

The lack of an agreed upon theory of, and body of, knowledge for financial planning undermines the construction of educational programs and the progression to a profession. Interestingly, the voice of academe has not been loud in the debates that have surrounded financial planning and herein lies a significant opportunity for academics and their institutions to engage with and develop that body of knowledge and an associated agreed national curriculum in financial planning and a research agenda to support it.

The academic views on financial planning vary with the university and those universities with financial planning as part of the accounting program are rare. Cowen et al. (2006, p. 75) in their research raised the question as to why the ‘younger’ more newly established universities are providing much of financial planning education in Australia. Alternatively, the question is why the older established universities have not embraced the provision of financial planning education.
Some academics view that financial planning is not of sufficient professional standing to require a university degree course; a similar attitude from academia on the introduction of accounting to a degree status in the late 1960s. It was then the economists who were hesitant to accept the teaching of accounting at university. One academic, from a university that recently abandoned the accreditation with the major financial planning professional association, commented by email that “to describe the financial planning area as a profession is a total misnomer, as most current practitioners are very poorly educated, mostly with a one semester diploma or certificate and are employed by the big five [institutions] to sell their products” (Andrews, 2016, pers. comm., 3 March).

In terms of curriculum development, there was no co-ordinating body and very little collaboration between teaching institutions in the period to December 2014. It is only in recent years that an agreed upon accreditation regime has existed between the FPA and the tertiary education programs (Financial Planning Association of Australia 2009). Indeed, within the last decade the FPA was a provider of both entry level qualifications at the diploma level, and the CFP designation at postgraduate level. This process served to stifle academic engagement as the industry benchmark for educational entry requirements were set at the diploma level giving little market space or demand for university financial planning programs. This also created a competitive environment where the universities were directly competing with the professional body, rather than being partners striving to further the industry. This situation delayed academic engagement in the field at all levels, which is still being felt today given the length of time to produce academic staff, qualifications and expertise that underwrites curriculum development and the development of research programs (Brimble & Murphy 2012).
The development of a body of knowledge is the most important issue facing the financial planning profession. Some interviewees view the knowledge base as “a mixed knowledge” (Interviewee A 2012, interview, 23 November). Interviewee D, who was instrumental in facilitating the establishment of FPEC indicated that the FPA, through FPEC claimed ownership of such knowledge,

the FPA has established the FPEC with ownership of the curriculum for professional financial planning, so that is evidence of a body of knowledge, overseen by an independent entity with academic and professional representation. That’s what makes the FPEC the owner of that body of knowledge and it what makes the FPA the professional body, because it is the one that authorises and participates in that conversation. Others could and should participate (and), others could participate but they don’t (Interviewee D 2013, interview, 2 May).

(Note: Additional interview excerpts are in Appendix J Chapter 8 under ‘Body of knowledge’ theme.)

The universities have a role in the financial planning education curricula. The universities were acknowledged as appropriate providers of financial planning knowledge. Interviewee N’s response was indicative of this view,

there are some changes by universities who are looking at what really needs to be in the financial planning qualification. I would say universities are going [to do] a far better job than a lot of registered training organisations (Interviewee N 2015, interview, 1 May).

The broad subject matter raises a dilemma for universities in developing financial planning curriculum. Curriculum development must address the tasks that contribute to an abstract body of knowledge. The current emphasis on communication skills of financial planners seem to be directed to the sales culture of the industry rather than managing investments. Within the investments curriculum, a broad understanding of current portfolio theory should inform the likelihood of achieving superior investment returns techniques and this impacts on the curriculum. For example, if the efficient market theory is accepted graduates need
only be competent in administering a passive portfolio, as superior investment returns are not achievable. The broad subject content was commented on by Interviewee R,

> I don’t think financial planners have to be expert at everything in terms of knowing everything. What they do need to have is enough [expertise] for the purpose of giving that advice. So, they’re not academic in terms of that. They’re not managers in a sense of doing the portfolios and doing that. But they have to understand the structure of it, what the risks are, what the strategy is. But all that has to be done from the individual’s point of view. So, that’s the starting point, and to be able to explain it (Interviewee R 2017, interview, 23 March).

Interviewee M noted that most commerce degrees contain a financial planning unit and therefore there is a base knowledge that is being imbedded into accounting programs,

> most graduates do a commerce degree and in most of the universities or providers of the commerce degree, there is an embedded component which is the financial planning unit. So, most graduates come out of their commerce degree with the base requirement to give financial planning advice under RG146 (Interviewee M 2015, interview, 30 April).

(Note: Additional interview excerpts are in Appendix J Chapter 8 under ‘Universities’ theme.)

The financial planning education sector received an additional provider in 2012 when TAFE NSW broadening its image from an education provider for traineeships and apprenticeships only, and moved into the higher education space by offering degree courses in financial planning (Forrest 2012c).

Research has concentrated on the generic skills by students in the search for professional status and integrating other skills such as communication skills (Cameron et al. 2014; Rossetto & Murphy 2010). Cameron provides insight into generic skills by identifying skill importance and deficiency, as well as possible solutions to assist with the financial planning industry moving to a profession. Problem solving was identified by 54% of interviewees in the survey, however, the problem solving was defined as ‘initiative’ rather than an abstract
body of knowledge (Cameron et al. 2014). The results support studies that have highlighted the gap that exists between client expectation and skills of financial planners (Jackling & Sullivan 2007).

The use of modern quantitative techniques in personal financial planning decisions has not been addressed in the literature. It is suggested that software manufacturers should incorporate Monte Carlo techniques into common tools. Hopewell (1997) asserts that opportunities to apply the science of decision-making under conditions of uncertainty to financial planning are almost unlimited.

8.6.2 Impact on accountants

The professional association prescribes the content of degree programs for graduates to enter the professional programs of the professional associations. It is asserted that the structure of the accreditations process from the professional association is inhibiting the acceptance of financial planning by undergraduate accounting students. For example, it is difficult for a student to complete a program in three years with a double major of financial planning and accounting, whilst ensuring that the graduate has fulfilled all the accreditation requirements of the accounting professional bodies (ICAA, CPA and IPA) and the financial planning professional body (FPA). Interviewee A recognised this when discussing the knowledge components of financial planning,

It’s a mixed body of knowledge. It’s knowledge of law, it’s knowledge of finance, economics, history, psychology it’s a lot of things. But accountants both major bodies don’t teach it they just … take one of the courses and then you’re gone (Interviewee A 2012, interview, 23 November).
To verify this assertion, emails were sent, in early 2016, to course coordinators of financial planning programs currently approved by FPA through the Financial Planning Education Council (FPEC). Thirteen universities were contacted, and a response was obtained from twelve universities as detailed in Table 8-1. The thirteenth university responder had changed universities and responded on behalf of his new employer. His response is listed in Table 8-1 below as a second response for the relevant university.

Table 8-1 FPA accredited degree programs (2016) – availability of accounting professional accreditation within the programs.

<table>
<thead>
<tr>
<th>University</th>
<th>Response</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charles Sturt University</td>
<td>No</td>
<td>No direct entry to CFP. Master program would allow</td>
</tr>
<tr>
<td>Western Sydney University</td>
<td>Yes</td>
<td>Definite</td>
</tr>
<tr>
<td>Curtin University</td>
<td>No</td>
<td>Program discontinued</td>
</tr>
<tr>
<td>University of New England</td>
<td>No</td>
<td>Unsure of both accreditations. No confirmation of CFP accreditation but they have three semesters year.</td>
</tr>
<tr>
<td>Canberra University</td>
<td>Yes</td>
<td>Definite</td>
</tr>
<tr>
<td>University of Wollongong</td>
<td>No</td>
<td>Not accredited with FPA</td>
</tr>
<tr>
<td>Latrobe University</td>
<td>N/A</td>
<td>No response. Contact transferred to another university.</td>
</tr>
<tr>
<td>University of Southern Queensland</td>
<td>No</td>
<td>Discontinued program</td>
</tr>
<tr>
<td>University of Sunshine Coast</td>
<td>No</td>
<td>No details in email – referred to program to program adviser</td>
</tr>
<tr>
<td>Griffith University</td>
<td>Yes</td>
<td>But no electives left after completing both programs.</td>
</tr>
<tr>
<td>Deakin University (1st response)</td>
<td>Yes</td>
<td>Yes- but not enough room left for electives</td>
</tr>
<tr>
<td>Deakin University (2nd response)</td>
<td>Yes</td>
<td>Confirmed major only not entry to CA and CFP programs</td>
</tr>
<tr>
<td>Central Queensland University</td>
<td>No</td>
<td>Do not have financial planning program</td>
</tr>
<tr>
<td>Victoria University</td>
<td>No</td>
<td>Confirmed completion of majors only</td>
</tr>
</tbody>
</table>

The email to the Universities requested advice on the availability of completing a degree in the minimum time majoring in accounting and financial planning. For the accounting stream all required subjects to gain entry to the CA program or the equivalent for the CPA professional program were required to be incorporated in the program. For the financial
planning major, all required subjects to be able to undertake the CFP program of the Financial Planning Association needed to be included in the program. Both programs were required to be able to be completed within the three-year period with no extension.

The results of the survey were collated to ascertain the availability of not just a double major in accounting and financial planning, but an ability to claim professional accreditation in accounting and financial planning. The collated results are in Table 8-2

**Table 8-2 Results of Survey**

<table>
<thead>
<tr>
<th>Dual accreditation available in minimum time</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definite</td>
<td>2</td>
</tr>
<tr>
<td>Require additional time</td>
<td>2</td>
</tr>
<tr>
<td>No electives remaining after completion</td>
<td>1</td>
</tr>
<tr>
<td>Not available</td>
<td>3</td>
</tr>
<tr>
<td>Discontinued financial planning program</td>
<td>3</td>
</tr>
<tr>
<td>FPA accreditation lapsed</td>
<td>1</td>
</tr>
<tr>
<td>No response</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 8-2 concludes that of the twelve replies, only two universities responded that it was possible to complete both accreditations within three years. Three universities indicated that it was possible if further time was taken to complete electives or electives were exhausted with financial planning choices, with two responses being received from the one university with different conclusions. Three universities confirmed that joint accreditation was not possible, only joint majors, and unaccredited with the FPA for direct entry into the CFP programme through the accounting program. Four universities had discontinued their financial planning program or are no longer accredited with the FPA. The results confirm that joint accreditation for accounting and financial planning is not readily available in accounting undergraduate programs of Australian universities.
The analysis confirms that the accountants did not pursue financial planning in the university setting. Most university faculties control financial planning in the finance departments of their universities. In some instances, the accounting department has little connection with the finance department and the finance department control the curriculum development. The survey also confirmed that those accounting students who show an interest in financial planning are discouraged to continue as they not able to complete a double accreditation to the professional bodies. Most students complete their accounting major and complete the post-graduate professional requirement where financial planning is not part of the program.

Abbott (1988) indicates that the simultaneous presence of many professions on campus inevitably made the university an arena of inter-professional competition (Abbott 1988). He also reported that on campus there “was competition about areas of work, in the many questions of who would teach what to whom” (Abbott 1988, p. 208). He illustrates how the jurisdictional fight between lawyers and accountants work tasks was fought not only in the open market of practice, but also on college campuses. The competition in what kinds of courses are offered in which departments, highlighted by Abbott, is relevant to the current analysis because “these courses can shape the disposition of forces in the open markets beyond” (Abbott 1988, p. 208).

8.6.2.1 Transforming an abstract body of knowledge

The challenge for all participants in the industry is to identify an abstract body of knowledge for financial planning beyond the six-step process mentioned earlier in the chapter. The thesis is concerned with the impact on the accountants and the discussion will be limited to the extent of the accountants’ attempt to develop an abstract knowledge base for financial planning.
Knowledge systems can be changed. Interviewee C relates,

I remember when I first began going to a chiropractor many years ago, when I was very young and fit and all that, and I rang up my health fund to see if they’d cover it, and they said, “you wouldn’t go to them they’re all quacks,” in the seventies, you wouldn’t go to those. So, what did the chiropractor’s do? They lifted their education standards, they made it harder to get in, code of conduct you know they’re now mainstream health. They’re viewed differently; I think they’re viewed as a profession. So that’s an analogy (Interviewee C 2013, interview, 29 April).

The ICAA is proud of its CA program for graduate accountants wishing entry to the profession of chartered accountants, and recognised that accountants’ scope now extends to new areas such as e-commerce, forensic accounting, financial planning and even environment accounting (Kukec 2006b, p. 62). The program equips graduates with the foundation knowledge and skills that will allow them to springboard into some of the newer, specialised accounting areas as well as fulfil broader strategic management roles. The program introduced an ethics module into the program in 2007 (Kukec 2006a). Another review occurred in 2010 for implementation of the program in 2012. The review still continued with the same technical issues and still with the basic four modules and the ethics unit (Meyer 2010a).

For the accountants to change, and claim jurisdiction, they need to identify what skill they are providing to transform their knowledge. The financial planners were adamant that the accountants did not possess the same skill set as financial planners. Interviewee C, from a financial institution background commented,

I think it was just a different skill set, and it is a different skill set and a very different mindset, about dealing with tax, not just auditing their books and putting in tax returns and thinking about cash flow. But accountants by the same token, accountants have a really premiere positioning with many Australians, especially small business’, because of how they’ve helped them in their small business (Interviewee C 2013, interview, 29 April).
The discussion and debate about the investment side of financial planning is very scant. Several interviewees did appreciate the need to be able to understand the investment market as integral to the education of financial planning. Interviewee L was typical,

investment decisions come down to judgement, not a regulator, and not what their skill areas are, I am not sure. ‘Cause, at the end of the day, investment decisions come down a lot to judgement, which is not a tick the box type thing (Interviewee L 2015, interview, 4 May).

(Note: Additional interview excerpts are in Appendix J Chapter 8 under ‘Investment decision’ theme.)

The accountants need to structure their education programs to consider financial planning. Interviewee O, from an accounting association background indicated it was important to produce quality programs,

our role is to work with government and other bodies to make sure we are all collectively raising the bar and that it is a level playing field and really it is up to the clients to determine where they’re going to get the best advice from in a fair market. But that means we’ve got to adjust our education programs, we’ve got to make sure our quality insurance regimes are up to date and that we are, if you like, sharing information to make sure we are focussing on public interest (Interviewee O 2016, interview, 15 February).

Interviewee M, from a financial planning and consulting perspective observed that the accountants do not regard financial planning as an integral component of a graduate accountants’ training, and ignore practical ways of integrating financial planning into their practices,

there are a lot of firms that do accounting and financial planning and you would think that they would embrace the graduates…I asked them [accounting firm]…why don’t you rotate them through the financial planning experience…Well, its different knowledge, isn’t it?…I said yes but why wouldn’t you do that to see whether or not you have got people who have a bent in financial planning (Interviewee M 2015, interview, 30 April).

(Note: Additional interview excerpts are in Appendix J Chapter 8 under ‘Education’ theme.)
The ICAA seemed to change its focus onto the SMSF area, an area historically covered by accountants since the 1970s. They launched a speciality designation for those chartered accountants specialising in self-managed super funds (SMSF). The ICAA described the launch of the new SMSF Advising qualification as an exciting opportunity for members to build on their existing learning and be publicly recognised for their experience (‘Recognising SMSF specialists’ 2011). The ICAA had conducted National SMSF conferences which had been deemed a great success (‘National SMSF conference ’ 2010). By 2013 the self-managed superannuation fund (SMSF) sector was recognised as a booming sector (Butcher 2010b). The ICAA provided two different paths to complete a specialist program, both through the University of NSW. The first required post-graduate studies, and the second a workshop and assessment education component (Gelbart 2013).

To transform the body of knowledge, there needs to be a review of what competencies are required to ensure ‘inference’, as defined earlier in the Chapter, becomes a professional act and not just a following of a six-step compliance related SOA. Interviewee J compares the process to the accounting process of standard setting,

I think for financial planning you have to work out, well, what are the generally accepted proper standards that must be followed by a financial planner before making any advice. And then perhaps you enshrine that, those standards, into law and you have a body that regularly uses it, because you know, standards change with time. So, there must be somebody I would have thought does that. I mean, in the case of the auditing profession, there is an auditing standards law, which is representation from industry and government (Interviewee J 2015, interview, 5 May).

It was felt that the universities have a role in transferring this knowledge. Interviewee D comments,
what financial planning did was force an evolution, a very fast evolution, that [I] think has taken some time for the accounting community to catch up…that industries should never own knowledge, it can be the development of knowledge, it can be the encouragement, the supporter of, the laboratory, but the knowledge needs to be captured and protected and that’s what universities are best at doing (Interviewee D 2013, interview, 2 May).

The financial planning industry need to reach consensus on the skills, knowledge and attributes that entry level financial planners should possess on a national level. This does not exist currently, and will be critical in the process of integration of higher learning with the professional environment to provide consistency, best practice and the production of a core body of knowledge for the emerging financial planning profession (Brimble & Murphy 2012, p. 26). The accountants should be a part of this process, and by doing so, could have an impact on achieving an impact on the education jurisdiction by ensuring that accountants are provided with the opportunity of including these competencies within the current accreditation program.

The accountants and financial planners could augment each other’s skill set by incorporating their joint skill set into the education curriculum of both professions. This may not be able to be completed within the existing three-year program. RMIT70 have recently taken up this option with a four-year degree, within their accounting department, which provides a double degree in accounting and financial planning.

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8.6.2.2 Need for acquisition of financial planning skills and knowledge

The accountants who wish to obtain an AFSL need to acquire skills regards the products and investments. At present the accountants are not able to keep up technically with financial planning matters. Interviewee I notes,

We were great in terms of tax and understanding tax legislation, we were great in terms of understanding accounting standards and how to report information, we were good at understanding how to audit information...What we didn’t have the skills on, were in the areas of how to invest your money, how to understand risk and return, and how to understand the array of investment products and investment options that were available in the market place (Interviewee I 2015, interview, 11 March).

(Note: Additional interview excerpts are in Appendix J Chapter 8 under ‘Accountants’ skills’ theme.)

The skill set applicable to financial planning is transferrable between the different professional association. Accountants and financial planners could leverage off this aspect as detailed in the previous section. Interviewee Q agreed with this proposition,

The set of skills that accountants have that could be easily transferred, in my opinion, across to financial planning… I agree (Interviewee Q 2016, interview, 22 January)

At present the attitude of accountants is that they could transfer their skills if they wished to do so; a position which indicates a misunderstanding of the complexities of the financial planning skills. They firmly believe that they already know the content required to conduct a financial planning business. Interviewee summarises the position,

I think most qualified accountants with a good understanding of investments and business could learn what is required in one to two weeks...[b]ut they didn’t, and they chose not to. They could do it, there is knowledge that you need to learn (Interviewee H 2015, interview, 11 March).

(Note: Additional interview excerpts are in Appendix J Chapter 8 under ‘Accountants’ skills’ theme.)
Accountants have recognised the importance to bridge the gap between academics and practitioners. The ICAA for example has recognised the importance of research, funding since 2010 an academic research program as part of its commitment to thought leadership in the accounting profession (Crawford 2014). Accountants also need to establish links with universities in the financial planning area, which is historically in the finance departments of universities, or indeed, in the department that originally sought accreditation of the program. For example, Charles Sturt University originally conducted the financial planning program through its Department of Management.

At this stage, the accountants have not linked financial planning with the SMSF area, treating them as separate units. Ross (2011, p. 73) notes that while accountants and administrators are not required by law to have any SMSF expertise, the professional accounting bodies are currently best-placed to increase competency standards, without further regulation, through the provision of further guidance to their membership, or imposing minimum competency requirements.

As detailed in chapters 6 and 7, regulation was imposed on the accountants in SMSF advice and is another example of the accountants leaving the jurisdiction open for others to claim. The SMSF area was historically the domain of the accountants. It is a specialist area which could have been claimed by the accountants. A major factor in not claiming jurisdiction was the ease of accreditation through the existing RG 146 education requirements, as detailed earlier in the chapter, and the inability of accountants to provide any advice on investments within an SMSF without an AFSL. This did not permit the accountants to claim the jurisdiction for SMSF in the education sector.
8.6.3 A call for focused research in financial planning

A limiting factor in the research for financial planning is the lack of A* journals overseas and in Australia (Beach & Kaushik 2012; Cummings 2015). Grable (2006) reports the results from a survey involving thirty colleges and universities in the USA that offer some type of personal finance, financial planning or financial counselling curriculum. Survey participants were asked to assess fifty-five journals and publications as a step in establishing a personal finance publication ranking system. Faculty from thirty colleges and universities that offer some type of personal finance, financial planning, or financial counselling curriculum were included in this survey. The survey (see Table 8-3 below) resolved that only five of the journals were specifically devoted to publishing personal finance, financial planning, and financial counselling articles. The article argues that more specific ranking of the five journals is required for those academics pursuing tenure and promotion within financial planning and counselling units (Grable 2006). The five-recognised peer-reviewed journals were Financial Counseling and Planning; Financial Services Review; Journal of Personal Finance; Journal of Financial Planning; and Journal of Financial Services Professionals. Grable (2006, p. 75) notes “as of the time of writing, however, none of these journals are listed in the Social Science Citation Index, which is an important criterion used at a growing number of colleges and universities to evaluate the quality of publications”.

**Table 8-3 Financial planning journal ranking USA**

<table>
<thead>
<tr>
<th>Journal</th>
<th>Rank compared to other journals in field</th>
<th>Round Average score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Counseling and Planning</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Financial Services Review</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Journal of Personal Finance</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Journal of Financial Planning</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Journal of Financial Services Professionals</td>
<td>5</td>
<td>3</td>
</tr>
</tbody>
</table>

1 = Highly prestigious; 2 = Highly respected; 3 = Good reputation; 4 = Average reputation; 5 = Low reputation

Adaption of Table 4 in Grable (2005 p.76)
Financial Services Review (FSR)\textsuperscript{71} publishes research that meets the needs of individual investors. The focus of this research intersects research in finance and research in financial planning. Beach and Kaushik (2012) documents the publication records and provides evidence that FSR strategically assists finance researchers who publish in financial planning to advance their research agendas. They conclude that academics seeking tenure in USA at research and masters level universities find FSR to be a prime outlet for their financial planning research.

The ICAA, in order to reengage with academia and in recognition of the importance of tertiary education in the accounting profession appointed, in 2009, Professor James Guthrie to a newly created position as head of accounting education (Meyer 2009). However, Professor James Guthrie from Sydney University did not have an academic background in financial planning and his ‘sandstone university’ did not offer financial planning courses (Allen 2010). The ICAA did not have a link to the financial planning programs in universities through their academic representative and accordingly research initiatives in universities sponsored by the ICAA were all accounting focused, not financial planning focused, despite 17\% of all ICAA members being employed in the finance sector.

Several universities have engaged in research and provided leadership in the financial planning area. For example, Griffith University has teamed with business to offer innovative work orientated degrees (Lebihan 2009) and decided to build a degree that delivers genuine work-integrated learning (WIL) opportunities via internships to students studying financial planning degrees. Students can choose either an accounting or financial planning major

\textsuperscript{71} As noted in Chapter 2 effective from 2016 the Financial Services Review Journal is no longer in publication.
(Murphy 2011b). Whilst accountants were involved, the university worked in conjunction with the FPA Brisbane Chapter members in the program (Forrest 2011f). In addition to providing an internship experience for all students in the program, it was also used by the employers to recruit the high-achieving graduates, with employers having direct input into curriculum to enable graduates to be immediately employable (2014, pers. comm., 30 November). After a period, this program was unable to provide internships for all students as initially planned with only high achieving students eligible to participate in the program (Griffith University 2018).

Academics involved in financial planning commenced a formal research symposium commencing in 2012. Over 60 academics attended the inaugural Financial Planning Research Symposium held at Griffith University in Brisbane. The Financial Planning Academics Forum (FPAF) formed in 2011 as a response to the FPA’s call for a greater level of professionalism within the industry. The symposium attracted academics from Australia’s 19 tertiary institutions actively involved in teaching and researching in the personal finance and investment disciplines (Forrest 2012a).

The importance of financial advice for individuals is difficult to refute, however the degree to which the financial planning industry has been able to provide this to date is in debate. Tertiary education has a critical role to play, however it is yet to achieve this (Brimble & Murphy 2012). Overton notes the “analysis of financial planning theory is an area in which there are many opportunities for further research” (Overton 2008, p. 35).
8.7 Settlement of education jurisdictional claim

The educational jurisdictional claim up to December 2014 was undecided and education was set at the low level of RG 146, with the inherent assumption of the six-step process as part of the advice process. Even though the professional associations mandate degree status, most of the industry only aspires to the minimum RG146 accreditation, leaving the claim for the education jurisdiction elusive. Interviewee S highlighted this dilemma,

education doesn't mean to say that you're a professional. Because you can still be a cowboy. So yes, you've got to have rules and you've got to have standards. So, I'm not opposed to that. But if you think that you've got a six-step process and once you get university qualified somehow or other, you're going to know what you're talking about (Interviewee S 2017, interview, 29 March).

The announcement by government (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014, p. xiii) that they intended to enshrine the term ‘financial planner’ in law was recognition that they had achieved respect and legal jurisdiction, and a public jurisdiction through the acceptance of the term that represented the training and education provide by the FPA. Interviewee B, who was involved in the process noted,

financial planning has evolved into a discipline and it is now evolving into a profession and today it’s going to be recognised through protecting the term… so I think the turf war is quite clear, I think it’s over. I mean in twenty years’ time, that’s happened in twenty years, so in another twenty years it’ll be well and truly locked in with the financial planners (Interviewee B 2012, interview, 28 November).

The term ‘financial planner’ was not enshrined in legislation until many years later and will be discussed in chapter 9, and when it did occur, it was not linked to any professional association membership as expected by the FPA. The FPA commented that the financial planning industry needed to present a united front to raise education standards and build the consumer trust that is still sadly lacking (Rantall 2014g).
The accountants did not have any solution to the provision of financial planning education for their members, except to refer their members to accredited organisations. These organisations were private providers such as the RG 146 providers highlighted earlier in the chapter. With the RG 146 providers being accredited under ASIC regulations there was no control over curriculum or the accrediting organisation’s delivery of the program. The ICAA felt that they had contributed to consultations on key issues in the financial advisory industry but, as one of the organisations trying to affect change, had a sense of frustration. The ICAA commented that recent media attention has raised some inherently problematic issues within the financial services industry; and the more the tree is shaken, the more “bad apples’ seem to fall out” (Elvy 2014, p. 25). It was indicated there was broad agreement that educational and professional standards are a priority that needs to be addressed for the industry (Elvy 2011).

The institutions were content with the RG146 as an accreditation process for their financial planners. As demonstrated the accreditation was easy to obtain and the institutions provided in-house education for further technical or sales orientated training. In terms of Abbott’s settlements, regulation of RG 146 was the minimum required standard and, therefore, the large financial institutions controlled the workspace and legal jurisdiction of any settlement of the education sphere up to December 2014.

However, the financial planning scandals that continued to be reported, as detailed in Chapter 7, ensured that no public jurisdiction in the education area was possible. The institutions, especially the banks, commodified the process and it was not until the middle
of 2014 when the business models of the banks came under scrutiny and were subject to further government inquiries.

A number of interviewees recommended that an appropriate framework be adopted to raise education standards, and this included membership of a professional association. Interviewee N is indicative of the interviewee’s responses,

the framework should be adopted and used as a measure to approve associations and you need to be a member of one of those so you are under some sort of professional framework (Interviewee N 2015, interview, 1 May).

(Note: Additional interview excerpts are in Appendix J Chapter 8 under ‘Professional framework’ theme.)

The settlement of the taxation advice issue had just commenced. Finally, the financial planners were included in the tax agent services regime from 1 July 2014 (Smith & Bagnall 2013). The education component of this change would cause the financial planners some issues after the start of the program, but this is beyond the scope of this thesis.

8.8 Summary and conclusions

Warschauer (2002) observed in the USA that financial planning may have become a legitimate profession but “its content and decision processes are in the early stages of theoretical development” (2002, p. 214). However, the situation in Australia is that, not only is financial planning not yet a profession, but its education theoretical foundation needs to be evaluated.

The accountants continue to equate ethics with professionalism, rather than address the issue of what does a financial planner do and change their abstraction of knowledge. It is not only
an issue with accounting, but also with financial planning. The education jurisdiction for financial planning does not belong to any organisation or institution. Whilst the minimum education requirement is currently at such a low level, the financial planning industry fails to embrace the duties and obligations of professionals, and only grudgingly complies with the basic legal and regulatory requirements. Ethics is part of this, but better education is the key to ameliorating the negative public attitude to financial planning (Cull & Bowyer 2017).

In the FPA journal, the following interview was noted when discussing financial planning ethics,


The commodification of the education sector was evident up to the end of 2014. Several government inquiries recognised that education standards needed to be lifted, as the low-level education of some financial advisers hampered financial planning from gaining public and legal acceptance. This culminated in December 2014 when the Parliamentary Joint Committee on Corporations and Financial Services (the PJC Committee) made an express recommendation that education standards needed to be lifted. The recommendation recommends a degree requirement, a registration exam, a professional year for new advisers, the establishment of a standards setting body and a formal professional association approval process (Anderson 2015).

Universities need to deliver education in a different form than previously. This can only be achieved through a lifting of the entry education standard to a degree level, which incorporates an abstract body of knowledge. If this process is not completed the cultural link of jurisdiction to work under Abbott’s theory will not be established. The accountants may
not wish to be involved in this process, but to date they have indicated that for a number of their members, particularly the regional and smaller practice, they regard financial planning as an integral part of their professional practice. To avoid the major issue of abstract knowledge in the university education process expedites the commodification of the university system. The universities have been likened to Uber in that the education universities are like taxi companies; regulated, protected from competition and charging fees and that means they are ripe for disruption (Dodd 2017).
CHAPTER 9.
CONCLUSIONS AND RECOMMENDATIONS

Some Bookes are to be read onely in parts; Others to be read but not Curiously; And some Few to be read wholly, and with Diligence and Attention

Sir Francis Bacon in Of Studies

9.1 Introduction

The previous chapter highlighted the role of education in the financial planning industry by reviewing the regulatory framework and the impact of education on the development of the financial planning profession. The key finding was that an abstract body of knowledge is currently lacking for financial planning to meet Abbott’s criteria for a “profession”. This emphasises an important aspect of Abbott’s (1988) research in navigating the future pathway for the education of financial planners. The “six-steps” of the financial planning process, as it currently stands, is insufficient to qualify as a professional level, abstract body of knowledge. The Chapter summarised the comments on education in Chapters 5, 6 and 7 and concluded that all participants, including accountants, did not embrace the necessity for an abstract body of knowledge in the education of financial planners. The low entry point of RG 146 and the commodification of the advice process resulted in a continuation of the scandals associated with the industry, resulting in another Government inquiry which, amongst other matters, recommended a degree level be required for all financial planners.
The accountants did not facilitate their members’ qualifications as financial planners through the accreditation of university courses, nor provide any financial planning-related education in its CA program.

The thesis has explored and critically examined many contributing factors in the development of financial planning in Australia and the role of accountants in the claim for the jurisdiction of the financial planning work, legal and public jurisdiction. The claim for the jurisdiction is viewed through the theoretical framework of Abbott (1988) and concentrated on the work, public and legal acceptance claims for the jurisdiction.

The previous chapters evaluated the accountants’ claim for jurisdiction by addressing the research questions as detailed in Chapter 1. The research questions were explored in each of Chapters 5, 6, 7 and 8 and are detailed in Table 1-2 and Table 1-3. Whilst there was a cross-over of research questions in each Chapter, Chapter 5’s emphasis was on the work jurisdiction, Chapter 6 the legal jurisdiction, Chapter 7 the public jurisdiction and Chapter 8 the education jurisdiction.

The remaining subsidiary question, not explored in the previous chapters, provides an assessment of the settlement that accountants have achieved for financial planning under Abbott’s (1988) theory. This chapter provides evidence for the remaining subsection of research question 3 as follows;
RQ3 Did the Australian accounting profession claim the jurisdiction of financial planning?

3.2. What settlement has occurred in the accountants claim for financial planning jurisdiction in Australia?

In addition to providing the research findings of the study, Chapter 9 also reflects on their significance for the central themes of this study and provides an insight into the possible future direction of the financial planning profession in Australia. The rest of the chapter is structured as follows. The chapter is organised into seven sections including the introduction. Section 9.2 summarises the impact on accountants and summarises their claim for full jurisdiction, a claim that resulted in ‘privilege lost’ for the accountants. Section 9.3 provides a review of the financial planning profession, its claims for professionalism, and the progress towards becoming a profession. A summary of the research findings of this thesis forms the main part of this section. Section 9.4 reviews the theory, methods and contributions the thesis makes to the academic body of knowledge for the accounting and financial planning literature, and the limitations of the current study. Section 9.5 discusses the future direction of the financial planning profession and avenues for future research. Section 9.6 concludes the thesis with a summary of the contest for jurisdiction and a brief review of current outcomes on jurisdictions occurring after the period of this thesis. Finally, section 9.7 provides final remarks.
Figure 9-1: Themes of Chapter 9

Section 9.2 Impact on accountancy
  Jurisdictional settlement
  Privilege lost

Section 9.3 Jurisdictional claims for the financial planning profession
  Financial planning as a profession
  Review of research findings

Section 9.4 Contributions
  Literature
  Theory and methods
  Limitations of study

Section 9.5 Future direction of financial planning
  Future structural developments
  Avenues for future research

Section 9.6 Conclusion
  Work jurisdiction claims
  Regulatory responses
  Public jurisdiction claims
  Education debate

Section 9.7 Final remarks
9.2 **Impact on accountants**

The impact on the accountants for the contest for jurisdiction in this thesis from 1980 to 2014 was that they lost control of any claim to the financial planning profession. Accountants were growing their practices and the nation's biggest accounting firms grew by more than 5 per cent in the year to June 30, 2015 (King & Tadros 2015). The Big Four had re-entered the consulting business. For example, PwC Australia and KPMG expanded their legal practices, increasing the threat to major sources of work for top law firms (Papadakis 2016; Walsh 2016). KPMG Australia continued to expand into the technology industry with the acquisition of long-standing Australian Microsoft partner Hands-On Systems, as it broadened its scope into the booming digital realm (Smith 2015). However, the Big Four never re-engaged with financial planning and the accountants providing financial advice were confronted with new regulatory requirement with the removal of the exemption to advise on SMSF set-up and broad asset allocation.

As part of the FOFA reforms, the 'accountants' exemption' was finally repealed on 1 July 2016. This exemption had allowed recognised accountants to provide financial product advice about acquiring or disposing of an interest in a SMSF without being covered by an AFSL.\(^{72}\) All accountants, after this date, need to be covered by an AFSL to give advice about acquiring or disposing of an interest in an SMSF, that is, they must either hold an AFSL or be a representative of an AFSL licensee.\(^{73}\) The exemption

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\(^{72}\) Regulation 7.1.29A of the Corporations Regulations 2001 previously permitted a Recognised Accountant to recommend a client to establish or wind up an interest in a SMSF without being licensed under the Australian Financial Services (AFS) licensing regime.

\(^{73}\) See ASIC Website, viewed 4 February 2017.
had existed in one form or another since the 1990s and represented the final capitulation by the accountants in the claim for financial planning in Australia.

The repeal of the accountants' exemption caused widespread confusion among professional accountants, which was not assisted by different licensees proffering conflicting advice (Waller 2015b). The accountants had five options. Firstly, exit the SMSF sector altogether; secondly, remain in the SMSF sector, but refer clients requiring advice to a financial services licensee; thirdly, become an authorised representative (AR) of an AFSL holder; fourthly, apply to ASIC for a full or limited AFSL; or fifthly, combine a limited license with a referral network (Kaye 2015; O'Riley 2015). The overall impact was that most accountants referred SMSF work to financial advisers due to the perceived risk, cost and education requirements of becoming a limited licensee (Cowling 2016). The effect of the withdrawal of the accountants' exemption created a potentially attractive business opportunity for financial planners willing to join forces with the accounting profession to provide services to their clients, especially in the SMSF market (Story 2014a).

The new ASL Limited was introduced, mainly for accountants wishing to provide strategic non-product financial advice to their clients (Westover 2013). The accountants had a transition period, up to July 2016, in which to decide whether they wished to become licensed. ASIC advised that it received less than 350 applications for limited AFS with only a few months to apply, and applications for full licenses were also low (Wasiliev 2016). A month after the deadline for applications only 495 applications were lodged with ASIC and 100 approved (Cowling 2016). Despite

extensive advice that accountants needed to obtain a license that would allow them to continue to provide financial advice to self-managed superannuation fund trustees (Patten 2016a), the number of accountants applying for such a license by the 30th June 2016 expiry was much lower than expected (‘Accountants shy away from SMSF licensing’ 2016).

The accountants were not provided with extensive assistance from the three accounting professional bodies. The extent of their advice was to remind members it was a time for accountants to make a decision whether they wished to continue offering advice on SMSFs and more broadly, strategic financial advice to their clients. They needed to decide whether they obtain their own license or operate as an authorised representative of another license, with each practice making the decision for themselves (Westover & Elvy 2014). CPA Australia (2016) advised their members that if they recommended a client establish or wind up an SMSF without being appropriately licensed, they would be in breach of the law and could be liable for significant penalties. Accountants, who provided financial advice without being licensed, risk their professional membership, and may not be covered by their Professional Indemnity Insurance (PI) policy.

9.2.1 Jurisdictional settlement

9.2.1.1 Background to possible settlement

By 2014, it was still possible for accountants to reassert their role in advising their clients if they had embraced the FSRA and FOFA regulations and transferred their skills to financial planning tasks. It was observed by an industry commentator that

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74. Applied also to other recognised accounting bodies ICAA and IPA.
accountants were well positioned to claim a significant part of a newly emerging ‘advice space’ being driven by legislative changes affecting both financial planners and accountants (Hoyle 2014a, p. 7). It was argued that the accountants were being forced one direction because of the termination of the accountants’ exemption and the financial planners were being forced from the other direction by the requirements of the Tax Agent Act (TASA), and individuals offering financial advice needed to be licensed in both areas. Crucially, Hoyle (2014a, p. 7) noted that this ‘advice space’ was available for the accountants to immediately claim, but the opportunity would not remain long. Unfortunately, the accountants did not see the end of the licensing exemption as an opportunity but as a threat (Hoyle 2014a).

Whilst the jurisdiction was not claimed by accountants, it was not claimed by the financial planners, as the institutions controlled the work jurisdiction. There was a view that accountants had underestimated the competition, especially from the institutions, and were limited in their attempts to reduce their dominance of the financial planning industry.

9.2.1.2 Settlement outcome

Abbott indicates there are six different settlements. Table 9-1 outlines the settlements, which were introduced in chapter 3, and are classified from weakest to strongest. The definition of the various categories detailed in chapter 3 is retained in Table 9-1 with additional information that applies to accounting and the financial planning relationship and the knowledge base. Throughout this thesis, settlements according to workplace, public, legal and education jurisdictional contests were evaluated based on the evidence presented. The analysis of outcomes of the claims for jurisdiction in
financial planning are a major original contribution to the knowledge in the area of financial planning. The thesis evaluates the claim for jurisdiction from the accountants’ perspective. Table 9-1 allows a classification of the claims and the eventual outcome of these claims.
Table 9-1 Accounting/financial planning: settlement according to Abbott’s (1988) framework

<table>
<thead>
<tr>
<th>Weakest to Strongest</th>
<th>Client differentiation</th>
<th>Advisory jurisdiction</th>
<th>Divided jurisdiction</th>
<th>Intellectual jurisdiction</th>
<th>Subordinate jurisdiction</th>
<th>Full jurisdiction</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition</strong></td>
<td>The jurisdiction is settled by client differentiation. It is only a workplace settlement.</td>
<td>One profession retains the right to interpret or modify the work of another profession.</td>
<td>The jurisdiction is divided between two professions.</td>
<td>The superior profession controls the knowledge base but allows other occupations to practise unrestricted.</td>
<td>The superior profession controls the work of the subordinate profession.</td>
<td>One profession controls the jurisdiction and excludes competitors.</td>
</tr>
<tr>
<td><strong>Applied to</strong></td>
<td>Accountants handle corporates and large wealthy individuals and financial planners retail clients.</td>
<td>Accounting and financial planning exists as two equal professions, but accounting retains the right to interpret the work of financial planning.</td>
<td>Accounting and financial planning exist as two different professions each with their own jurisdiction. The two jurisdictions may be interdependent.</td>
<td>Accounting controls the knowledge base of financial planning but allows financial planners to practise it as they wish.</td>
<td>Accounting is the superior profession delegating financial planning work to the subordinate financial planning profession while retaining direct control with the work they do.</td>
<td>Accountants fully controls financial planning work and excludes anyone but fully licensed accounting professionals from practising it.</td>
</tr>
<tr>
<td><strong>Knowledge base</strong></td>
<td>Accountants use their skills to advise clients. Financial planners advise their clients with their own skills.</td>
<td>Financial planning is future orientated for client wealth creation. Accountants interpret investment plans and wealth creation from an accountant’s perspective.</td>
<td>Accounting is transactional based. Financial planning is wealth creation-based using investment analysis.</td>
<td>Financial planning is accounting in theory, while in practice it may be something else.</td>
<td>Financial planning is the routine tasks of accounting.</td>
<td>Financial planning is accounting.</td>
</tr>
</tbody>
</table>

Based on Abbott (1988) and adaption of Table in Arena (2010 p.125)
To arrive at a conclusion of the settlement of the jurisdiction, each jurisdiction settlement is discussed to ascertain the level, if any, of jurisdictional claim. Full jurisdiction would conclude financial planning is part of accounting, and this is clearly not the case based on the presented evidence. In a subordinate jurisdiction, financial planning would be subordinate to accounting and financial planning would complete the routine tasks of accounting. Based on the evidence, this would not be classified as a settlement option. Intellectual jurisdiction would result in accounting controlling the knowledge base but allowing financial planning to practise unrestrictedly. It has been shown in chapter 8 that the knowledge base is not controlled by either profession and this would not be an appropriate settlement.

In a divided jurisdiction, the jurisdiction is divided between two professions. Financial planning in Australia is not just divided between the professions but also among institutions. The professions and the institutions provide financial advice to clients as discussed in previous chapters, but jurisdiction is not complete in either the public or legal jurisdictions for any profession or institution and therefore divided jurisdiction is not a suitable outcome. Accountants have attempted to claim advisory jurisdiction in, for example, the publication of accounting standards that relate to financial planning and to provide ongoing advice through government submissions and professional articles. However, the accountants have no right to interpret or modify the work of another profession as this process was removed by Government legislation. Again, advisory jurisdiction is not an appropriate outcome for accountants. The last settlement of client differentiation is only a workplace settlement in that public or legal jurisdiction can never be claimed. For the accountants, the provision of financial advice to their existing clients through the SMSF arena, especially small business clients, offers an area of client differentiation.
9.2.2 Privilege lost

With the amendments requiring accountants to obtain a licence to provide financial planning advice, accountants lost the limited exemption that had been in place since the implementation of the FSRA in 2001. It may have been reasonable to assume, given the scandals uncovered by the inquiry, that the Government would involve all interested parties in any reforms. Instead, the Government appointed an independent board to head the statutory body to oversee the standards. The inquiry recommended an industry led body to lift professional standards (Mather 2016a, p. 8), but the Government decided there needed to be an independent body, as the Government needed to accelerate the lifting of professional standards for financial planners so consumers can have confidence that the advice they receive is in their best interests (Mather 2016a, p. 8).

The accountants certainly missed the opportunity to claim jurisdiction over financial planning in Australia. They were faced with the lingering uncertainty of their involvement in financial planning and most did not consider that obtaining an AFSL licence was cost effective. An IPA survey reveals that $AUD300,000 financial planning income was needed to be generated by an accounting firm to justify the cost of running their own AFSL. In the same survey, 56% of respondents indicated that financial planners cannot attain the same professional status as doctors (‘Wrap’ 2014). As detailed in Section 1.2.3 in the case of the Big Four and the larger accounting firms the failure to embrace financial planning could be classified as an opportunity forgone, ignored due to arrogance, or abandoned due to independence issues. However, for most accountants the term ‘privilege lost’ is an appropriate description of the claim for jurisdiction for financial planning in Australia.
9.3 Jurisdictional claims for the financial planning profession

9.3.1 Financial planning as a profession

The financial planning profession is insistent that it has been developing a professionalism profile and that the FPA is the only professional association that represents the financial planning profession in Australia. The FPA journal, Financial Planner, consistently headlined articles suggesting various legislation or activities heralded the emergence of a profession. In the period 2005 to 2014 forty-six articles contained a direct reference to the professionalisation of the FPA being either developed or complete (for example see ‘Three pillars of professionalism’ 2008; ‘FPA boosts professionalism’ 2009; ‘FOFA: The birth of a profession’ 2012; ‘Bright future of professionalism’ 2013; Bloch 2009b; Kelly 2005b; Munro 2011; Purnell 2010b; Rantall 2014e). However, most interviewees believed financial planning has not developed into a profession.

Numerous authors in different financial planning publications in the USA explored the question of the professionalisation of financial planning and all agreed that financial planning is not yet a profession (Boone 2000; Brandon & Welsh 2009; Elmerick et al. 2002; Friedman 1997; Gross 1991; Keeble 2001; McClure 2014; Veres 2005). They recognised that to be acknowledged as a profession, the discipline must have: a common body of specialised knowledge; educational requirements and certifications; a focus on the public good; a code of ethics and enforceable regulations; and an acknowledged ‘brand’ recognition and public clarity (‘Editor's notes’ 2010).
9.3.2 Review of research findings

Abbott’s research has informed all sections of the thesis and forms an integral part of the understanding of the thesis research questions. The central themes of this thesis are the professionalisation of financial planning in Australia; the role of regulation in financial planning; and the role and the response of the accounting profession to the financial planning jurisdiction.

The initial two chapters established the importance of financial planning and established the themes of the study. Chapter 1 established the use of Abbott’s theory as a lens to examine the changes and consequences of jurisdictional competition in the period spanning 1980 to December 2014. The Chapter provided a background to the themes of the thesis that were embodied in the research questions. It also identified the disturbances that related to the establishment of financial planning such as the growth of funds under management, and the importance of appropriate planning for retirement that caused regulation to become necessary by the end of the 1990s. The importance of regulation in the development of financial planning was identified in the chapter.

The literature review in Chapter 2 established that a gap in the research existed in the claim for jurisdiction of accountants in financial planning. It examined the development of accounting in a social context in the UK and USA to provide a background to inter-professional and intra-professional claims for the jurisdiction of the financial planning profession in the UK and USA. It also positioned Abbott’s (1988) theory in the accounting related intra and inter professional literature and established the themes that relate to the development of financial planning as a profession using Abbott’s theory. The literature review addressed the literature informing both the accounting and financial planning
disciplines, in the context of intra-professional and inter-professional literature, to provide a framework to the Australian accounting profession’s response to the claim for jurisdiction. It covered the body of knowledge applicable to the accounting and financial planning professions. The key disturbances were identified from the literature.

Chapters 3 identifies the theoretical position of the thesis and the case for using the theoretical lens of Abbott’s (1988) theory to interpret the data. Abbott’s (1988) theory is employed throughout the study to explore the various themes by linking the data to the research questions. The thesis followed the three stages in Abbott’s system-based historical description: disturbances, jurisdictional contests and the transformation leading to balance. The three main jurisdictional claims of work, public acceptance and legal acceptance are tested by applying Abbott’s (1988) criteria to evaluate the accountants’ claim for jurisdiction over the financial planning profession.

The disturbances that resulted in the development of financial planning in Australia from 1980 to 2014 are grouped in three periods. For the first period, the 1980 to 2000 group of disturbances, are explored in Chapter 5. The introduction and implementation of the FSRA from 2001 to 2007 is explored in Chapter 6; the GFC and subsequent regulatory responses from 2008 to 2014 are explored in Chapter 7. In all these contests, the abstraction of knowledge is the key ingredient as Abbott’s views a professions knowledge system as the ultimate currency of competition. In this thesis, education is treated as a separate claim for jurisdiction and is explored in Chapter 8. In each period, the jurisdictional contests and the transformation are followed to establish the eventual settlement. The results of the research in each of the disturbances is based on interviews with ‘elites’ who were involved in the
Several themes emerged from the process of discovery that occurred in Chapters 5, 6, 7 and 8 which informed the thesis findings. In this section, the themes and findings are identified as they relate to each disturbance and to the relevant research questions. Table 1.2 and Table 1.3 detailed the cross-over of the research questions, and subsidiary questions, and hence the chapters that respond to the research. Four key research questions form the basis of this study into the accountants’ contest for jurisdiction of financial planning. The outcome of the four research questions are considered below;

RQ 1 What external and internal disturbances contributed to the emergence of financial planning in Australia?

Disturbances that result in disorder in the interacting system of professions, result in the creation of new tasks. The first disturbance, resulted from the emergence of the growth of the Australian economy, accelerated the transformation of the financial system. The result was a need for financial planning advice. Chapter 5 chronicles this development that caused new tasks to be assumed by financial planners. By the end of the 1990s, the financial planners had gained control of the new tasks. The financial planning profession was only one of the participants, with the institutions becoming major providers of financial advice and distributors of their own financial products through their networks. The accountants were participants but preferred to protect their traditional work rather than embrace the profession.
Several themes emerged that contributed to the work jurisdiction taken away from accountants. The withdrawal of the Big Four from financial planning was a major reason why the accounting associations did not pursue financial planning. The Big Four controlled the committee structures of the professional associations and they were orientated to corporate clients. Other themes that arose were the sales approach of financial planners and the view that taxation was the basis of all financial planning advice. The accountants were not aware of the products or investments requirements as the skills associated with these activities were viewed as adopting a sales approach rather than an advice approach.

The workplace jurisdiction was established before the Government commenced the consultations on the implementation of FSRA. In the workplace, jurisdiction is a simple claim to control certain kinds of work, with little debate about what the tasks are or how to construct them; and there is normally a well-understood and overwhelming flow of work (Abbott 1988, p. 64). The accountants did not have control over the work and could not claim workplace jurisdiction. The signs were ominous for the accountants as they viewed that they had legal and public jurisdiction but could not claim workplace jurisdiction. Abbott’s theory suggests this means they were facing an invasion; a claim for their jurisdiction (1988, p. 262).

The work jurisdiction for the new jurisdiction was assumed by the financial planners early in the development of the industry and the accountants did not take control or fill the vacant jurisdictional space. The fight for jurisdiction in the workplace to December 2014 resulted in the industry resisting the changes implemented by the Government as a response to the Ripoll Report, covered in detail in chapter 7. The institutions control over eighty percent of the financial planning industry and as evidenced in chapter 6 and 7, commodified the process
as part of their business model of high turnover, in-house product distribution while complying with minimum regulatory requirements outside any professional framework. The work or tasks performed by the balance of the industry were heavily influenced by regulation.

RQ 2. How does the regulatory framework affect the professionalisation process of financial planning?

Regulation is classified as a ‘disturbance’ for the thesis and follows the claim for legal jurisdiction following Abbott (1988) with some differences as discussed later in the chapter. The regulation of the financial planning industry commenced in the early 2000s with the implementation of the FSRA legislation, which is explored in Chapter 6. This second external disturbance had a major impact on the financial planning profession. The Government established a regime that enabled the advice process to be commodified, which removed the ability of any profession to claim the public or legal jurisdiction. The sales culture adopted by the financial institutions commodified the process. The accountants protected their traditional work and were not proactive in claiming any form of jurisdiction. The accountants hoped that self-regulation would prevail in the industry.

The commodification of the advice process permeated the industry, as the six-step process in the legislation did not incorporate an abstract body of knowledge, and the level of education gained through the implementation of RG 146 was at a low level. Government did not involve the professions in the legal structure as the large number of associations representing financial planning did not allow one professional association to represent the industry. The institutions could develop their own rules and conduct their activities through
a vertical integrated distribution network. The regulatory outcome for the accountants was that they were not permitted to provide advice without holding an AFSL.

The legal jurisdiction was thwarted by government regulation which resulted in no participants being able to claim legal jurisdiction. The institutions commodified to process which impacted on all claims for jurisdiction. Regulation had a profound influence on the development of financial planning by acting as an inhibiter in the professionalisation process.

RQ3 Did the Australian accounting profession claim the jurisdiction of financial planning?

The third external disturbance is examined in Chapter 7. The GFC exposed the flawed business models that developed under FSRA and resulted in public scorn of the financial planning profession. Public acceptance evaporated that occasioned a public inquiry into the flawed business models and unacceptable behaviour of the institutions. This public scorn continued and the industry’s inability to professionalise resulted in in the FOFA regulatory intervention. The inquiry into the reasons for the losses in the GFC by financial institutions confirmed the commodification of the advice process, the conflicted remuneration structure and the dominance of the institutions.

Self-regulation was not considered by Government. For the accountants the exemption for advising on SMSFs was abolished and they were left with the requirement to obtain a licence to conduct financial planning within their practices. The accountants had given away their competitive edge as providers of advice to SMSFs, an area of practice that they had controlled since the early 1970s.
A jurisdictional claim assumes the claimant has the legitimate control of a particular kind of work. This control allows claimants the right to perform the work as professionals see fit. Normally this involves the right to exclude other workers, to dominate public definitions of the tasks, and impose professional definitions of the tasks on competing professions (Abbott 1988, p. 60). The accountants could not claim that any of these aspects were within their control and could not claim, more importantly, public jurisdiction, for according to Abbott (1988, p. 60), “[p]ublic jurisdiction, in short, is a claim of both social and cultural.

In evaluating the accountants lack of control of financial planning also illustrated why no other professional association was able to control the three jurisdictional claims of work, legal and public jurisdictions. The financial planners had major competition from the institutions who commodified the advice process. The third disturbance confirmed that public acceptance of the industry was not achieved by any organisation. The accountants could have transferred the work and legal jurisdictions across from their traditional work and public jurisdiction may have eventuated. The Big Four accounting firms chose not to be involved in the industry, however the smaller and regional firms were content to observe the regulation process unfolding without acknowledging that they could have influenced the outcome.

RQ4 Has the education of financial planners contributed to the professionalisation process of financial planning?

The fight for jurisdiction in education was discussed in Chapter 8. The body of knowledge of financial planning was not developed by the profession. The FPA made attempts to
classify such knowledge, however, the practising membership, holders of CFP status, only represents a small proportion of financial planners. The Government, through the RG 146 Training standard, set a low educational standard which allowed providers to offer qualifications within a limited timeframe with few entrance requirements. The institutions commodified the financial planning process, and they did not develop educational pathways for their staff. The profession did not contain an abstract body of knowledge where ‘inference’ was required to develop a strategy for clients. The accountants were content to observe the process unfolding without acknowledging that they could have influenced the educational outcome. The accountants did not accept that they required a different set of skills to complete the tasks associated with financial planning.

9.4 Contributions

9.4.1 Literature

This thesis makes an important contribution to the literature in a number of areas of research interest. The first area deals with the literature on financial planning and accounting. The thesis extends the previous studies by providing data on the impacts of the financial sector on the Australian economy and the social and political impact. It contributes to the accounting literature, financial planning and sociology of professions literature by using Abbott’s jurisdictional model and the three claims for jurisdictional contest for predicting the progress of jurisdictional claims between accountants and financial planners. The thesis adds to the literature on multidiscipline research, as the thesis bridges the disciplines of accounting, financial planning and finance.
Financial planning is an area where little research has been undertaken and in particular, to extend the knowledge and skills expected for financial planners that is the requirement for a systematic body of knowledge. It explains why the accountants were not able to claim jurisdiction for financial planning in Australia and why financial planning cannot be classified as a profession. It also explains why in accounting and financial planning education there has been an inability to implement financial planning programs.

The thesis contributes to the professionalisation literature in general and in particular to the development of financial planning as a profession, offering new historical data not previously found in the literature. The sociology of professions literature has not previously been used to analyse expert labour within the financial planning industry. The use of Abbott’s theory to examine the fight for jurisdiction between accountants and financial planners has not previously been reported in the literature.

This thesis addresses the regulation literature to explain how the state facilitates standards that require the hallmarks of a profession by enforcing a code of ethics on institutions as well as professional associations. The state’s position as an actor in a jurisdictional contest, in addition to a cause of a disturbance, is important.

9.4.2 Theory and methods

This thesis adds to two areas in developing the critical accounting history body of knowledge that are recognised by leading academics (Fleischman et al. 2013, p. 93). Firstly, the call for the use of contemporary issues and historical backgrounds is addressed in the call for researchers of contemporary issues to be made aware of the additive value of historical backgrounds to their areas of study. Secondly, Fleischman et al. (2013) indicate that much
more can be done in oral history methodology. Whilst this study is not an oral history as it has not been completed according to oral history protocol, the study uses an interview method in an historical study. The use of interviews, despite the lack of oral history protocol, provides an insight into oral histories as a methodology, and augments the current literature (Collins & Bloom 1991; Hammond & Sikka 1996; Haynes 2010; Kim 2008; Tyson 1995).

The thesis follows Abbott’s theory and uses disturbances to examine the development of financial planning in Australia. It is used to predict a likely jurisdictional settlement for a current dispute, rather than an historical contest, and extends Abbott’s theory to explain how new groups arise. The study is placed in a unique position as the professionalisation process of financial planning is ongoing, and the role of the state and institutions in the development of financial planning in Australia has the potential to provide a working example of the competing forms of institutionalisation, such as commodification, overwhelming professionalism as an alternative form of structuring expertise.

The study confirms the work, legal, public and education jurisdictions as an appropriate classification of the elements of a fight for a jurisdiction and the spectrum of settlement options suitable for the evaluation of the accountants’ claim for the jurisdiction, a claim that they lost and were unable to reclaim. The crucial role of an abstract body of knowledge in the professionalisation process was confirmed in the thesis. While Abbott’s theory underpinned this thesis broadly, it differs in three keys areas.

Firstly, it extends claims and the extent of the role of the state. The thesis illustrated how the state controls the legal jurisdiction and impacts the work jurisdiction. The state is a cause of the disturbance and an actor in the jurisdictional claim by excluding the professions from the
legal jurisdiction and designing a regulatory framework that accelerated a commodification of the advice industry by the institutions and this commodification impacted on all claims for jurisdiction, resulting in no participants being able to claim legal jurisdiction. Regulation had a profound influence on the development of financial planning by acting as an inhibitor in the professionalisation process especially in the crucial aspect of the establishment of an abstract body of knowledge. The state implemented an education qualification program that undermined the establishment of university programs in financial planning and allowed the entry of a multitude of education providers offering programs to meet the low education standards set by the legislation. The profound influence of the state in the study confirms some of the criticism, as detailed in chapter 2, of Abbott (1988) neglecting the role of the state.

Secondly, the order of jurisdictional claim is different to Abbott’s theory. In this thesis, legal jurisdiction was forced onto the industry prior to any public acceptance. Even though regulation has been treated as a disturbance, the legislation had the effect of thwarting any development and no individual professional organisation had control of the legal jurisdiction. Again, the state had control over the legal jurisdiction. The professions did not have a chance to develop a public jurisdiction that would normally occur before any legal acceptance.

Thirdly, this thesis is used to predict a likely jurisdictional settlement for a current dispute, rather than an historical contest, and extends Abbotts theory to explain how new groups arise. Abbott used historical records to evaluate the professionalisation of different groups. He acknowledged that he did not address the introduction of new professions. The thesis has used Abbott’s (1988) theory to evaluate a new profession, a profession which is ongoing.
The current nature of the study provides an opportunity to use the theory to recommend a jurisdictional settlement using Abbott’s (1988) theory. The settlement of accountants in the claim for jurisdiction in financial planning was classified using Abbott’s theory. This has ramifications for the prediction of professionalisation processes not envisaged in Abbott as he described his theory consisting of not of answers but of questions (Abbott 1988, p.326).

A major contribution is the use of ‘elites’ in the input to data and analysis of the research questions in the thesis. The interviews are used as a primary data source in answering the research questions, and the interviewing of ‘elites’ in the financial planning and accounting professions is a significant contribution of the thesis to the current literature. The benefit of personal experience allowed access to ‘elites’ in the accounting and financial planning professions to provide input to the thesis. All the interviewees are authoritative, as their selection was based on their influential and prominent positions in the fields of accounting and financial planning.

Other material used as a secondary source included the use of data previously not available for research use. Access was given to the databank of the IPA professional journals from the mid-1980s until the conclusion of the thesis. This material is not currently available to the academic community.

9.4.3 Limitations of study

The thesis has several limitations. It is generally assumed that the competition model of Abbott (1988) holds ‘in the same way’ throughout the period discussed, from the Industrial Revolution to the present (Abbott 1988). Just as Abbott (1988) notes the words ‘medical profession’ has a different meaning in 1986 to 1886, it is recognised that the meaning of
financial planning in 1986 is very different to financial planning in 2014. Abbott (1988) comments that in part this difficulty is endemic in historical analysis, however, such essentialism is justified only over limited periods. He also notes the changes in the workplace may vitiate a competitive model for the future of professions (Abbott 1988, p. 318). This limitation also applies to the future with financial planning if the current institutionalisation of financial planning continues unabated.

The limits of historical knowledge are recognised in that historical knowledge “is inherently subjective, and the truths that it uncovers are more akin to truth in the artist’s sense than the scientist’s” (Tosh 2002, p. 167). Abbott (1988) acknowledges that his book embodies the idea that history is “first and foremost a tangled net of events. Each event lies in dozens of stories, determined and overdetermined by the causes flowing through them, yet ever open to new directions and twists (p.319). The limitations relating to historical studies, such as researcher bias and selection bias are acknowledged and circumvented by the implementation of methods to confine such limitations. Three requirements to ensure such control include; firstly, the requirement of the historian to scrutinise his own assumptions and values; secondly, the risk of assimilating research findings to expectations is reduced if an explicit hypothesis, subject to acceptance, rejection or modification, is established at the outset of the study; thirdly, and most importantly, historians must submit their work to the discipline of historical context (Tosh 2002). This study addressed these issues by formulating the research questions prior to the data collection, the sourcing of different opinions to the same issues, and the implementation of a triangulation of data to ensure historical context.

Limitations relate to the collection of data. The lack of access to the minute books of the various professional associations restricted the research to the content of the official journals.
and publications in addition to the accountancy and financial planning press. The list of interviewees could have been extended to include a greater number. There is a great diversity amongst the professional association memberships and this thesis makes no attempt to generalise the perceptions of the interviewees in terms of overall attitudes to financial planning.

This thesis has limitations normally associated with qualitative research, which are limited validity and verifiability, and the reliance on researcher interpretation. Notwithstanding its limitations, this thesis makes an important contribution to the financial planning literature in several areas. The thesis contains a rich array of interviews of key individuals who witnessed first-hand the development of financial planning from a range of different perspectives and work environments. This thesis also deals with a current issue even though it uses historical data. The continued development of financial planning is a debated topic that affects the lives of many individuals.

9.5 Future direction of financial planning

9.5.1 Future structural developments

The structural direction of financial planning post-2014 has confirmed that the process of establishment of a financial planning profession is still hindered by the issues raised in the thesis. For example, the further commodification of the advice process by the planned establishment of ‘robo-advice’ that can deliver a financial plan to individuals via the internet provides an imminent threat to the financial planning industry. It would enable an advice structure to be formulated, however, because of the commodification of the processes in producing financial advice and the emphasis on sales and commission. The development of
robo-advice is a societal trend that has commentators warning accountants, lawyers, financial planners and radiologists that they may have some of their current work tasks undertaken by machines (Bainbridge 2015; Kehoe 2016).

However, some analysts predict that despite the data entry function of accounting becoming largely automated, accountants will not be replaced by automation (‘Automation can't beat accountants’ 2016) and cannot be replaced by a relationship with a robo-adviser (Vien 2015). Anderson (2017) indicates the Australian Government supports robo-advice and Forrest (2015b) reports “there is no topic hotter than robo advice” (2015b, p. 24). Investors are keen to participate in robo-advice, for example, Vanguard Australia founder recently raised $AUD 6 million to invest in a Sydney-based robo adviser (Kirby 2017; Uribe 2017b).

Abbott (1988) observes that the general effects of technological change, such as ‘robo advice’, has been positive, although recognising the possible indirect effect of ‘commodification’ of the task areas as discussed in prior chapters. He claims that such changes have created vast areas of work for professions (1988, p. 146) and uses the example of the electromechanical tabulating machine of Hermann Hollerith in 1890 collating the USA census population figures in about six weeks, while the 1880 census took six years. The method of collating large amounts of data changed immediately, and revolutionised the quantitative information professions (Abbott 1988, p. 228).

Automation and technology development will further increase in future years and the accounting profession needs to adapt to the changes. Not all interviewees were negative about the future of accounting embracing technology.
A future trend in financial planning highlighted by some interviewees, which could have significant impact on accountants, is financial planners purchasing accounting practices. If accountants are not able to fully service their clients and not utilise the fee potential, financial planners will purchase their practices. The valuation multiples when selling a financial planning practice exceed the multiples when selling an accounting practice. This valuation model assumes the continuation of trails in the financial planning business and the current legislation may reduce the capacity for such income.

The damaging publicity for the banks, outlined in chapters 7 and 8 of the thesis, has not had a major impact on the profitability of the banks. For instance, in the middle of continued revelations of inappropriate financial advice in 2015 the ANZ Banking Group's global wealth division posted a $AUD259 million profit over the six months to March 31, up 11 per cent on the previous corresponding period (Rose 2015c). Westpac’s wealth division, BT Financial Group, despite increased consumer and regulatory focus on the industry, reported first-half 2015 cash earnings of $AUD451 million, an increase of 2 per cent from the previous corresponding period (Rose 2015b).

9.5.2 Avenues for future research

A key issue in this thesis is the development of a body of abstract knowledge applicable to the financial planning profession. An abstract body of knowledge provides a differentiation of a profession from a craft and “an analysis of financial planning theory is an area in which there are many opportunities for further research” (Overton 2007; Overton 2008). In the Australian context, Chapter 2 and Chapter 8 detailed the avenues available for research output, and recently the launch of the launch of the Financial Planning Research Journal will assist in bringing the profession and academics closer together (Forrest 2015a).
The study’s findings suggest several avenues for further research. Firstly, the study of the culture of the banks and major financial institutions. This is very topical given the current Royal Commission into the banking industry. Secondly, the development of a body of knowledge specifically for financial planning and the relationship with accounting would be another avenue worthy of scholarly attention. Thirdly, an evaluation of the acceptance of financial planning in the Big Four accounting firms, smaller practices, and regional practices would be a worthy research topic. Fourthly, a continuation of the current research to ascertain if the conclusions and predictions made in the thesis based on the history of financial planning to December 2014 persist given the ongoing implementation of the recommendations in the 2014 Parliamentary Inquiry detailed in Chapter 8.

9.6 Conclusion

9.6.1 Work jurisdiction claims

In the period since 2014, a classification of the tasks associated with financial planning has not been undertaken. The fight for jurisdiction emanates from work and there have been some changes in the financial planning landscape since 2014 that have impacted the tasks involved in financial planning. The position post-2014 confirms the main themes of the thesis and conforms with the ongoing fight for jurisdiction under Abbott’s (1988) theory.

The fight for work in the Superannuation fund industry will impact on the future work. Chapter 6 noted how the banks received an exemption from licensing under the FSRA regulations for over-the-counter sales of products. The banks utilised this exemption to sell their products, especially superannuation products. Mather (2016b) confirmed that banks are
gaining ground in the battle for superannuation customers, angering union-aligned industry funds who have called for a crackdown on over-the-counter sales and advice.

The institutions may have had a strategic review of their position in the financial planning industry as several organisations have sold or have their wealth businesses for sale. In 2016, the ANZ Banking Group hoped to receive more than $AUD4.5 billion from a sale of its Australian wealth business. As part of the sale conditions, ANZ offered a potential buyer to continue distributing products via the bank’s network (Patten 2016b). By the time that tenders were due in 2017, the ANZ bank was understood to have received an appraisal of $AUD 9.5 billion for the wealth business, which included its Australian life insurance division, which is part of its ANZ Global Wealth division comprising funds management, insurance, and private wealth units. The sale would include the financial planning business of the bank (‘ANZ wealth auction and the $9.5 billion smoking gun’ 2017). In 2017, the CBA tendered their life insurance business.

The impetus to sell these businesses was that the banks needed to take steps to comply with the prudential regulator’s (APRA) strong liquidity requirements ahead of its 2020 deadline (‘D-day for Commonwealth Bank of Australia life insurance sale’ 2017). Another possible outcome, as predicted by the ongoing Chair of ASIC, Greg Medcraft, is that the banks’ business model faces a structural change as global technology firms enter the local market and consumers become more empowered (Uribe 2017a).

The involvement in the SMSF sector was increasingly becoming competitive and it was reported that, despite being a field appropriate for accountants to enter, rising costs and falling performance appears to be contributing to a levelling of SMSF investors. It was
reported that there had been a 33 percent year-on-year increase in the number of investors leaving self-managed super for managed options (Hughes 2015), which may account for the increase in advertisements for SMSF seminars over recent years by SMSF administrators (Dixon Advisory 2017).

Just as the accountants had reacted to the introduction of FSRA (CPA Australia and the Institute of Chartered Accountants in Australia 2005), CPA and the ICAA produced a guide to provide members with guidance on what services they could provide if they do not hold or operate under a full AFSL, or under the recently legislated ASL Limited (CPA Australia and The Institute of Chartered Accountants in Australia 2014). The emphasis in the document was on maintaining their traditional work rather than actively recommending financial planning as an area of practice. Very little changed, in their reaction to regulation, since their initial reaction to FSRA in 2005.

9.6.2 Regulatory responses

The recommendations of the Inquiry into Proposals to Lift the Professional, Ethical and Education Standards in the Financial Services Industry (Australia, Parliamentary Joint Committee on Corporations and Financial Services, 2014) were implemented in the Corporations Amendment (Professional Standards of Financial Advisers) Bill 2016 (Corporations Amendment (Professional Standards of Financial Advisers) Bill 2016)⁷⁵. The Minister (O’Dwyer 2017b), outlined the key reforms which includes supervision requirements for new advisers, an exam that will represent a common benchmark across the industry, and an ongoing professional development component. A media release, outlined

the key reforms which includes supervision requirements for new advisers, an exam that will represent a common benchmark across the industry, and an ongoing professional development component. The new requirements will commence on 1 January 2019. From this date, new advisers will be required to hold a relevant degree before they are eligible to commence the supervision year and to sit an exam. Existing advisers will have two years, until 1 January 2021, to pass the exam and five years, until 1 January 2024, to reach a standard equivalent to a degree. The Code of Ethics will commence on 1 January 2020, with all advisers being required to adhere to the code from that day forward. The reforms were designed to,

demonstrate the Government’s commitment to building trust and confidence in the financial advice industry by ensuring that consumers have access to financial advisers who are professional and competent, and who will put their interests first. (O’Dwyer 2017b).

The media release advised that the Government would develop and implement an industry-funded model for the standards board once the reforms are implemented. The professional associations, including the accountants, do not feature in the legislation, although a definition is provided - “professional association” means a body or association that represents a section of the financial services industry” (Corporations Amendment (Professional Standards of Financial Advisers) Bill 2016). The explanatory memorandum provides that a professional association is one example of an entity that may develop a compliance scheme (Scheme). It was advised that several professional associations already administer ethical codes and professional associations have an important role to play in raising ethical standards across the industry, however, entities other than professional associations may also offer ‘Schemes’, which preserves the relevant providers’ freedom to choose whether to join a professional association. It was indicated that if all relevant providers were required to be
covered by a professional association’s scheme, the relevant provider would effectively be forced to join a professional association and that would reduce efficiency and competition.

One feature of regulation in the financial sector was the delays in passing legislation due to changes of government, rejection in the Senate or lobbying by interested participants in the industry. For example, the FOFA Bill (Corporations Amendment (Financial Advice Measures)) was introduced into the House of Representatives on 19 March 2014 and was passed, with amendments by the Senate on 24 November 2015. The House of Representatives passed the amended Bill on 1 March 2016. The Bill received Royal Assent on 18 March 2016 (The Treasury 2017).

The regulation of financial planning in Australia is ongoing and there will be changes in future years. As the Chair of the FSI Inquiry noted in an interview,

> The financial system inquiry aims to create a blueprint for decades to come. The question of how financial planning is regulated and structured within that plan is a complex one (Murray 2014b, p. 10).

The corporate watchdog has thrown its support behind a move from the accounting profession to take on the big banks and claw back market share in the wealth advice arena from lesser-qualified financial planners (Rose 2015a).

### 9.6.3 Public jurisdiction claims

The issues raised about professionalism and the stages through which financial planning have progressed has consumed both accountants and financial planners. Hoyle (2014e), the editor of *Professional Planner*, an industry magazine, comments it is essential the industry
address the public’s disquiet about structures and practices within the industry as the
response would affect the industry for decades. The following exemplifies the consistent
narrative since the early 2000s, that the financial planning industry needs to radically
improve its culture and behaviour.

Hoyle (2014e) emphasises that financial planning has never been so much in the public eye
[in 2014], not even at the height of the Storm [Financial] fiasco. However, the industry
refused his calls to make changes that would advance the profession, hence, further
government intervention has been necessary.

The banks continued to receive negative press on their financial planning business. In a
Senate hearing, the banks admitted standards in the financial advice industry need to be
repaired urgently and public confidence restored, pledging conditional support for an
industry-wide victims compensation scheme (Eyers & Yeates 2015). The only positive
outcome for consumers was that the banks have the financial capacity to compensate,
although it was reported “that when it comes to seeking compensation the process is like
walking in quicksand” (Chanticleer 2015). In the hearings, the bank executives were
“justifying their solemn vows that the banks had all learned their lessons” (Hewett 2015, p.
4). It was also reported that the sanctions against Macquarie Bank were among a number of
actions taken by ASIC against financial planners that sparked a parliamentary inquiry and
calls for a royal commission, which led to attempts by the big banks and AMP to roll back
consumer protection provisions in financial advice laws (White 2015).

In recent years, the banks have tried to convince the public that they do care for their
customers through a strategic advertising campaign (‘Australian Bankers Association Inc’
2017). However, the criticism of the banks continued with calls for the ‘naming and shaming’ of banks and their executives’ (Chanticleer 2017b; Frost et al. 2017). Other measures included the Government seeking to introduce background checks for key executives (Gluyas 2017a). Resentment by the public on the inappropriate behaviour highlighted in the numerous inquiries was also starting to build within Government and the Government introduced a levy on the banks in the 2017 budget (Chanticleer 2017a). The banks countered with the position that they would pass on the levy to customers (Benson 2017; Gluyas 2017b). The calls for a Royal Commission continued, and the culture of the banks was called into question (Gluyas 2017c). However, the banks denied a systemic failure in their culture. Despite a report clearing the CBA of systematic problems in its life insurance business, Comminsure, the culture of the banks remains an issue (Eyers & Uribe 2017).

All the big four banks, not just the CBA, and other large financial institutions such as Macquarie Bank, have had scandals in relation to their financial planning. National Bank of Australia (NAB) quietly paid millions of dollars in compensation to hundreds of clients given, what the Bank considered “appropriate” financial planning advice since 2009 (Ferguson & Williams 2015a). The press reported that documents evidenced forgery, poor compliance and 'rogue' advisers in NAB's financial planning arm. The press reported that the breaches at the bank were likely to lead to calls for a royal commission as the “[t]he entire industry is exposed to the risk of inappropriate advice” (Ferguson & Williams 2015b, p. 9). The Federal Government opposition party promised a Royal Commission into the banks if it won office in the 2016 election (Boyd 2016; Kohler 2016) and the Opposition Leader considered pushing the Parliament for an Inquiry (Coorey & Boyd 2016; Eyers & Mather 2016; Tingle 2016).
The institutions persisted with inappropriate behaviour even after their work practices had been exposed in the press and numerous inquiries, as outlined in Chapters 7 and 8. After arguing that the FOFA regulations were onerous and not needed to ensure professional treatment of investors, the big four banks and AMP were found guilty, under the FOFA regulations, of charging more than 200,000 customers for advice they never received. They were required to pay compensation to their customers (Han 2016b). Hewett (2016) highlighted that the amount in compensation would amount to approximately $AUD 180 million. The repayment by the banks was slow and was “instructive that the banks vigorously lobbied against laws that prohibited this type of misconduct” (2016, p. 4).

The ANZ bank was accused of mis-selling life insurance (Han 2016a) and the CBA forced to assess the files of 17 more advisers after a report showed the bank’s earlier review of poor financial planning advice fell short (Danckert 2015). More recently, the CBA bank indicated it was aware of the Austrac money laundering which was uncovered in 2017 (Roddan 2017) and on a separate issue indicated that it may owe substantial refunds to deceased estates (White 2017).

The institutions still resisted changes to the legislation despite clear community outrage concerning the conflict of interest that tarnished the industry’s reputation and the public trust in financial advisers. Two industry groups reported that advisers could lose hundreds of millions of dollars each year, and many would likely retire if the industry adopted a sweeping plan to scrap hefty life insurance commissions (Liew & Rose 2015).

The accountants continued to argue that financial planning’s product sales culture and the conflicted arrangements that drive its product sales culture needed to be changed (Brown
2014). The financial planners argued that clearing up confusion and creating transparency is critical to building consumer trust in the financial planning industry, and that progress is being made (Rantall 2015).

Currently there is no public acceptance of financial planning as a profession and more change is needed to replicate the relationship that typically exists between a professional and their clients (Waller 2015a).

9.6.4 Education debate

It was acknowledged by government that the previous education requirements, set out in ASIC guidance, allowed some financial advisers to become qualified to provide financial advice to retail consumers after only four days of training (O’Dwyer 2017a, p. 7). The reforms detailed in Section 9.6.2 established a Commonwealth standard setting body to govern the professional standing of the financial advice sector. The body will set the educational requirements, develop and set an exam and create a uniform code of ethics.

A key implication for professional practice is to develop a body of knowledge which is recognised by the public. This process is ongoing and while public opinion concludes that financial planning does not provide any added value, it will not develop into a separate profession. The financial planners have not been able to implement the required education standards through their own organisations. The Federal Government acknowledged the issues raised in previous chapters. It is damning to the financial planning professions that the explanatory memorandum to the recent Act (O’Dwyer 2017a) felt it necessary to elaborate one of the main reasons for the reforms was a variety of unethical behaviours.
The explanatory memorandum also commented that currently financial advisers are not required to adopt or comply with an overarching ethical Code and referred to the previous inquiries which outlines about the undesirable subcultures developing in many financial advice firms (O'Dwyer 2017a, p. 83). It seems clear that the Government does not currently view financial planning as a profession.

It was advised at the time that a nine-member standards board would be established to oversee the regime, and would be funded by “the big banks and AMP, which together own or control half the industry” (Mather 2016a, p. 8). In the same article, it was reported that Australian Bankers Association (ABA) indicated the banks were fully supportive of the measures and “banks are helping to fast track the professionalisation of the financial planning advice industry by agreeing to fund the establishment of the new independent body” (Mather 2016a, p. 8). The various associations were asked to nominate members for the new statutory body, including the accounting professional bodies. However, the big four banks and AMP funded the new statutory body to the extent of nearly $AUD16 million for the first four years of the statutory body (Roddan 2016). The Government maintains that despite this funding by the banks and AMP, integrity of the board is maintained by appointing nine independent directors who are not employed or on the board of the respective institutions (Ferguson 2017). The dominance of the institutions in the above process is evident as is the absence of accountants from the process.

It seems incredible that the same institutions that were the cause of numerous scandals, are now in charge of the administration of the statutory body governing financial planning. Because of their financial contribution, these same institutions are consulted on board appointments. The Government appointed a Chair of the body who would assist the
professionalisation of the scandal-ridden sector” (Ferguson 2017, p. 40). Cathy Walter, a former director of the National Bank of Australia was appointed. The list of board members represents the institutions and the FPA, and some consumer groups, an acknowledgement by government of the organisations that they felt were the main participants in the industry (Ferguson 2017, p. 40). Some of the board members have an indirect association with the institutions funding the statutory board, for example, the educationist with AMP through the financial planning program at Griffith University (‘AMP and Griffith Uni launch online Masters program’ 2014).

The accounting professional bodies do not have a representative on the board. It is reasonable to assume that the financiers of the standards board vetted the appointments and accountants were not considered appropriate for any board appointment (Mather 2016a, p. 8). It seems that while recognising the professionalism of accountants, the institutions have been able to select the members of the standards board, a classic instance of regulatory capture (Walker 1987). One of the board’s first tasks was to find a chief executive. Dr Deen Sanders was appointed CEO in October 2017. Dr Sanders background includes the position of Chief Professional Officer of the Financial Planning Association for a six-year period (FASEA 2017). It is perhaps not surprising that the FPA welcomes this appointment (Financial Planning Association 2017). The linkages to the institutions, confirmed the accountants were not viewed as a major participant in the debate. The board has sweeping powers to issue standards, approve ethical and professional codes, design curriculum and undertake accreditation of education providers, as well as provide regulatory input to industry. Accountants have been ignored in this process.
9.7 Final remarks

The empirical findings of this thesis raise several concerns about the future of financial planning in Australia. Despite a decade and a half of a strict regulatory regime, the industry is still beset by scandals affecting the conduct of financial planners especially those attached to the institutions. There seems to be a culture surrounding the banks and major financial institutions involved in financial planning that they feel they are correct in their actions as they are meeting the statutory requirements laid down in FSRA and other regulations. The institutions dominate the financial planning arena and have come under extreme criticism for their lack of professionalism. The conflicts of interest that FOFA tried to eradicate are entrenched in the sales orientation of the institutions.

The accountants seem to have relinquished financial planning and are on the periphery. Since the accountant’s exemption was removed in 2016, the accountants have not taken up the challenge of registering as financial planners, except those that have already been registered.

The Big Four accounting firms abandoned financial planning in the early 2000s after the Sarbanes-Oxley Act required independence from conflicted business interests, resulting in the Big Four disposing of their financial planning businesses. Even though the Big Four have resurrected their consulting practices, the Big Four firms do not feel from a risk perspective that it would be viable to re-enter financial planning as a business unit.

A major challenge recognised in the thesis was the lack of a systematic body of knowledge that was specific enough for a group to claim jurisdiction. Like management, which relates to a broad area of academic learning, financial planning has not yet identified a niche that links financial planning to a specific skill set. Regulation has had a major impact on financial
planning in Australia and there is an urgent need to raise the educational standard that is required under FSRA to that of a degree level.

Settlement has occurred in financial planning for the accountants. Abbott (1988) notes six settlements of a jurisdiction are possible. The conclusion is that the accountants have not been able to claim any public or legal jurisdiction. The only claim that has been forged is that of client differentiation. The accountants have made very little effort to change their systematic body of knowledge to cater for financial planning and have chosen to not be involved in the education of accountants in financial planning.

The thesis transcends accounting and finance related areas, even though the thesis evaluated financial planning from the accountant’s perspective. Abbotts (1988) argues that the three areas necessary to claim jurisdiction are work, public acceptance and legal acceptance, and all three are present in the jurisdictional battle for financial planning. The thesis does depart from Abbott’s (1988) theory in three main areas. Firstly, government intervention through regulation occurred early in the claim for financial planning. Normally legal intervention or acceptance occurs last in the sequence of jurisdictional claims. Secondly, this thesis is used to predict a likely jurisdictional settlement for a current dispute, rather than an historical contest, and extends Abbott’s theory to explain how new groups arise. Thirdly, the role of the state in imposing regulations on the profession, and the commodification of the industry by the institutions requires Abbott’s observation that competing forms of institutionalisation, such as commodification and organisation, have not overwhelmed the professionalism, to be reconsidered.
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# APPENDIX A

## FINANCIAL PLANNING KNOWLEDGE CATEGORIES

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(FPSB *Financial Planning Competency Profile* p. 4, 2015)
APPENDIX B

RESEARCH METHODS INTERVIEWS
## APPENDIX B 1

### TABLE OF INTERVIEW PARTICIPANTS

<table>
<thead>
<tr>
<th>Code</th>
<th>Interviewee Position</th>
<th>Details</th>
<th>Location</th>
<th>Date</th>
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<tr>
<td>A</td>
<td>Academic</td>
<td>Commenced teaching FP in 1987</td>
<td>Melbourne</td>
<td>23/11/12</td>
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<tr>
<td>B</td>
<td>CEO Financial Planning Professional Association</td>
<td>Executive in Financial Sector over 30 years</td>
<td>Melbourne</td>
<td>28/11/12</td>
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<tr>
<td>C</td>
<td>CEO Banking Wealth Unit</td>
<td>Head of Wealth Unit for major banking and insurance organisation</td>
<td>Sydney</td>
<td>29/04/13</td>
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<tr>
<td>D</td>
<td>Past CEO Financial Planning Professional Association</td>
<td>Recent head of Financial Planning Professional Association</td>
<td>Sydney</td>
<td>02/05/13</td>
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<tr>
<td>E</td>
<td>Past CEO Professional Association</td>
<td>CEO for many years</td>
<td>Sydney</td>
<td>03/05/13</td>
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<tr>
<td>F</td>
<td>ICA Financial Planning Practitioner</td>
<td>Former Head of Financial Planning ICA members</td>
<td>Sydney</td>
<td>25/07/13</td>
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<tr>
<td>G</td>
<td>ICA technical unit Financial Planning</td>
<td>Current head of Financial Planning</td>
<td>Sydney</td>
<td>29/07/13</td>
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<tr>
<td>H</td>
<td>Former partner ‘Big 4’</td>
<td>Former Audit partner for 20 years</td>
<td>Sydney</td>
<td>11/03/15</td>
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<tr>
<td>I</td>
<td>Former partner ‘Big 4’</td>
<td>Former Private Business partner responsible for superannuation</td>
<td>Sydney</td>
<td>11/03/15</td>
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<tr>
<td>J</td>
<td>Former partner ‘Big 4’</td>
<td>Former Audit partner and served on National executive</td>
<td>Sydney</td>
<td>05/05/15</td>
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<tr>
<td>K</td>
<td>Partner Big 4’</td>
<td>Current head of Finance and banking Australasia for firm</td>
<td>Sydney</td>
<td>05/05/15</td>
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<tr>
<td>L</td>
<td>Former partner ‘Big 4’</td>
<td>Regional partner responsible for establishing FP</td>
<td>Albury</td>
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<tr>
<td>M</td>
<td>Past Chair Financial Planning Professional Association</td>
<td>National Chairperson of Financial Planning Association for three years</td>
<td>Melbourne</td>
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<td>N</td>
<td>Technical team CPA Australia</td>
<td>Head of technical unit advising on FP issues</td>
<td>Melbourne</td>
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<td>O</td>
<td>CEO accounting professional Association</td>
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<td>P</td>
<td>Past strategic planning ICA</td>
<td>Group Strategic manager for three years</td>
<td>Telephone Jakarta Indonesia</td>
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<td>Q</td>
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<td>FP Practitioner and past chair of ICA financial planning group</td>
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<td>R</td>
<td>Past CEO Financial Planning Professional Association</td>
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<td>S</td>
<td>Founder of FP Association</td>
<td>Chairman of association; AFSL holder</td>
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APPENDIX B 2

APPROVAL TO CONDUCT INTERVIEW

Approval to conduct Interview

Dear,

We would like to invite an employee of your organisation to participate in a research project conducted by the University of Wollongong on behalf of the Department of Accounting and Finance. The project is entitled *Financial planning in Australia: A contest for Jurisdiction, 1983 to 2004*. We write to seek your approval and assistance to conduct research.

The purpose of the research is to investigate the development of the Financial Planning profession in Australia and the extent to which Financial Planning has attained the status of a profession and the ramifications of this for the financial wealth of the community.

Your employee will be asked to participate in a sixty (60) minute interview. The interview will be audiotaped to ascertain the factors that contributed to the development of Financial Planning since its inception in the mid to late 1980’s. Typical questions in the interview include: Do you feel that Financial Planning is a profession or an industry? What factors contributed to the growth of the profession? Why do you think the accountants did not take control of the Financial Planning jurisdiction? What was your role in the development? We also request that we digitally the interview. Ethics has been reviewed by the University of Wollongong’s Human Research Ethics Committee.

This study is funded by the normal allocation of PhD funding available to PhD students. This research will provide a basis for future decisions on the development of Financial Planning in Australia for all participants especially the professional associations involved in the profession. Findings from the study will form part of a PhD thesis from the University of Wollongong and possibly published in academic and professional journals. Confidentiality is assured, and no participant will be identified in any part of the research. If there are any ethical concerns you can contact the Ethics Officer, Human Research Ethics Committee, University of Wollongong on (02) 4221 3386 or email rso-ethics@uow.edu.au.

Please find attached to this letter the Participant Information Sheets for the project. Should you require any further information please do not hesitate to contact members of the research team.

Yours sincerely

Professor Warwick Funnell
Faculty of Commerce
02-42215220
wfunnell@uow.edu.au

Dr Ciorstan Smark
Faculty of Commerce
02-42215220
csmark@uow.edu.au

Mr Brian Murphy
Faculty of Commerce
02-42215220
bjm245@uow.edu.au
APPENDIX B 3

PARTICIPANTS INFORMATION SHEET

TITLE: Financial planning in Australia: A Contest for Jurisdiction, 1983 to 2004

PURPOSE OF THE RESEARCH
This is an invitation to participate in a study conducted by researchers at the University of Wollongong. The purpose of the research is to investigate the development of the Financial Planning sector in Australia and the extent to which Financial Planning has attained the status of a profession and the ramifications of this for the financial wealth of the community.

INVESTIGATORS
Professor Warwick Funnell
Dr Ciorstan Smark
Mr Brian Murphy
Faculty of Commerce
Faculty of Commerce
Faculty of Commerce
02-42215220
02-42215220
02-42215220
wfunnell@uow.edu.au
csmark@uow.edu.au
bjm245@uow.edu.au

METHOD AND DEMANDS ON PARTICIPANTS
If you choose to be included, you will be asked to participate in a sixty (60) minute interview. The interview will be audiotaped to ascertain the factors that contributed to the development of Financial Planning since its inception in the mid to late 1980’s. Typical questions in the interview include: Do you feel that Financial Planning is a profession or an industry? What factors contributed to the growth of the profession? Why do you think the accountants did not take control of the Financial Planning jurisdiction? What was your role in the development? We also request that we digitally record the interview.

POSSIBLE RISKS, INCONVENIENCES AND DISCOMFORTS
Apart from the 60 minutes of your time for the interview and reviewing the transcript for accuracy, we can foresee no risks for you. Your involvement in the study is voluntary and you may withdraw your participation from the study at any time and withdraw any data that you have provided to that point. Refusal to participate in the study will not affect your relationship with the University of Wollongong.

FUNDING AND BENEFITS OF THE RESEARCH
This study is funded by the normal allocation of PhD funding available to PhD students. This research will provide a basis for future decisions on the development of Financial Planning in Australia for all participants especially the professional associations involved in the profession. Findings from the study will form part of a PhD thesis from the University of Wollongong and be published in deidentified form in academic and professional journals. Confidentiality is assured, and no participant will be identified in any part of the research.

ETHICS REVIEW AND COMPLAINTS
This study has been reviewed by the Human Research Ethics Committee (Social Science, Humanities and Behavioural Science) of the University of Wollongong. If you have any concerns or complaints regarding the way this research has been conducted, you can contact the UOW Ethics Officer on (02) 4221 3386 or email rso-ethics@uow.edu.au.

Thank you for your interest in this study.
CONSENT FORM FOR (NAME)

Financial planning in Australia: A contest for Jurisdiction, 1983 to 2004

RESEARCHER: Mr Brian Murphy

I have been given information about the research topic ‘Financial Planning in Australia: A contest for Jurisdiction, 1983 to 2004’ and discussed the research project with Mr Brian Murphy who is conducting this research as part of a PhD degree supervised by Professor Warwick and Dr Ciorstan Smark in the department of Accounting and Finance at the University of Wollongong.

I understand that the risks to me are minimal in this study and have read the information sheet and asked any questions I may have about the risks. I have had an opportunity to ask Mr Brian Murphy any questions I may have about the research and my participation.

I understand that my participation in this research is voluntary, I am free to refuse to participate and I am free to withdraw from the research at any time. My refusal to participate or withdrawal of consent will not affect my relationship with the Department of Accounting and Finance or my relationship with the University of Wollongong.

If I have any enquiries about the research, I can contact Mr Brian Murphy and supervisors Dr Ciorstan Smark and Professor Warwick Funnell (Ph. 0242215220) or if I have any concerns or complaints regarding the way the research is or has been conducted, I can contact the Ethics Officer, Human Research Ethics Committee, Office of Research, University of Wollongong on 4221 3386 or email rso-ethics@uow.edu.au.

By signing below I am indicating my consent to (please tick):

I will be involved in an individual interview of approximately 60 minutes asking me about my role in the development of the Financial Planning profession.
The interview will be audio recorded
My name will not be used to identify my comments or work in the study

By signing below I am indicating my consent to participate in the research. I understand that the data collected from my participation will be used primarily for a PhD thesis, and will also be used in summary form for journal publication, and I consent for it to be used in that manner.

Signed

Date

..............................................................................................   .....................................

Name (please print)

..............................................................................................
APPENDIX B 5

LIST OF QUESTIONS

Interview - Introductory Statement

In my advance letter and communication with you I explained the purpose of this research and the reasons why you have been selected for this interview. We will be exploring your knowledge and beliefs about the development of Financial Planning in Australia and the extent to which Financial Planning has attained the status of a profession.

Questions

1. Can you give me some background of your involvement in the Development of Financial Planning in Australia?
2. What factors caused the growth of the need for Financial Planners?
3. Of the following broad areas do you feel that Financial Planners have jurisdiction over the Financial Planning sector in Australia?
   a. Work environment
   b. Public Acceptance
   c. Legal jurisdiction
   d. What professional organisation do you feel represents the Financial Planning sector in Australia? Do you see any fight for the jurisdiction of Financial Planning by the different professional associations?
4. Do you feel the accounting profession has a role in the Financial Planning sector?
   a. If not, why not?
   b. If yes, then why have the accountants not taken over the jurisdiction of Financial Planning as part of their profession?
5. The financial Planning sector in Australia is heavily regulated. Why has this occurred and how does this affect the development of Financial Planning in Australia?
6. Do you feel that financial Planning can claim Professional status?
7. Do you have any other comments or suggestions you would like to make about the interview?
APPENDIX B 6

TELEPHONE INTERVIEW SHEET

Additional text sent to Telephone Interviewees

The interviewee sheet contained the following additional text in addition to the form letter:

Questions list

Note to Interviewee:

You will be called for the telephone interview after consent to interview is received. At the commencement of the interview I will introduce myself in my capacity as a PhD researcher from the University of Wollongong, and that I am calling in reference to a letter sent to … concerning the research topic ‘Financial Planning in Australia: A context for Jurisdiction, 1983 to 2004.I will then ask to speak to Mr … in relation to this matter.

Note:

You will be asked during the interview (after each five minutes) if you wish to continue with the interview, including in the semi-structured aspect of the interview
EXAMPLE OF TRANSCRIBED INTERVIEW

(To maintain confidentiality of the interviewee ellipsis have been used to exclude references that may link the interviewee to a particular organisation)

File GE290713 Full Transcript – prior to coding

Interviewer: Thanks very much for agreeing to the interview, maybe first we’ll just go through the questions first and you can answer in any order you wish but firstly just to set the scene, if you can give a background to your development and your role in the financial planning area, bear in mind that the key issues that I’m trying to look at, I mean we could talk about this for hours and hours on our development as accountants and their development in the financial planning sector.

Interviewee: I guess in terms of whether it be financial planning and I would probably do it more, I guess my development and involvement in more broadly I guess, more financial services/banking/financial planning. I started actually in … and spent time with … and so forth for probably close to 20 years and therefore saw what was investment products being promoted through branch networks and branches, and to what was then branch managers, before you had all the introduction of regulations and so on to the introduction of life insurance companies into all the major banks within Australia and then more recently, for the last 7-8 years and so forth I’ve obviously been working …. So I’ve seen a lot in terms of where it comes from and I could almost argue that I’ve worked on both sides of the fence if that makes sense.

Interviewer: So that very much leads into the second question, where do you see the growth in … let’s not get bogged down in the definition of financial planners at this stage, but just financial planning per se, what’s caused the growth in your terms, and especially why we may not have got on the boat earlier?

Interviewee: I think there are really a combination of issues that have now all come together whereby now financial planning is now recognised how it is. I mean I think, initially probably the introduction, I think it was in the 90s of when regulation, if you’re going to be giving advice, came in all of a sudden there was a sort of recognition that there was a role there for that …

Interviewer: Before FSRA

Interviewee: Before FSRA, even though there was no educational requirements or anything along those lines, there was obviously stuff with private ASIC? I can’t remember what they’re called

Interviewer: National …

Interviewee: Yeah something along those lines, I think there was a combination of issues really came together, one I think the banks were looking at the opportunities for the banks for the growth of themselves and so therefore obviously from an investment perspective the only things the banks usually had was your term deposits, they might have mortgage trusts and some unlisted property trusts, those sorts of things you then
actually had through a lot of the banks the introduction of insurance companies started joining us, and all of a sudden you had people coming on board with us from the banks, a life insurance, life agent type of background.

Interviewer: As employees?

Interviewee: Yes as employees, in subsidiaries and so forth. So they actually came in and were really selling insurance products only and investment bonds. Also you’ll probably find, if I just reflect back if you look at the 80’s and so on you actually had the introduction of … I can’t really remember when it was, maybe early 80’s, of when the foreign banks also came in, you also then around that mid 80’s

Interviewer: Super funds in 1983 there was a big push.

Interviewee: That’s right and often you also had the stock market was going up and you had the issue of, if you look at the number of fund managers that have sort of grown in producing various products whereas previously there was a really limited number of, even in the mid- to late 1980’s. I guess right up to the stock market crash in the mid-1980s you had in 1987 probably you had an increase in fund managers with a range of products and they were obviously looking for who was going to distribute them because not everything was vertically integrated as it is now under the big banks … So all of a sudden you had an increase in products, you had demutualisation over the years of NRMA, AMP and that sort of thing and consumers all of a sudden had all these opportunities and therefore a more complexity about it and then throw in in the early 90s, you had the introduction of the superannuation guarantee, which I think was really significant; previously you’d never had to, from a consumer perspective you never had to make any decisions and then with the super guarantee it just went into your employer fund all of a sudden individuals had money in superannuation and if you look at the growth in assets it was huge then in 2006-07 for example you had the introduction of superannuation choice so now you had the option of not just going through your employers super that people could talk to you and you could talk to them and say I’m not happy and look at alternatives and so in terms of roles that actually exist that people were looking to for advice and then probably you look at it in the late 1980s I think it was, the late 1980s or early 1990s interest rates fell quite significantly as well and people were particularly retirees were living off in most cases, income of a term deposit

Interviewer: yes that’s right

Interviewee: so then people were then looking at it and saying I can’t live off the interest off a term deposit , rates have gone down and there were products being developed that provided a higher level of income for people so I think when you look at it particularly from the mid- 1980s onwards you’ve actually had a number of key moments that occurred that have really made life more complicated for the consumers out there who to get some sort of advice whereas if look back, maybe 40 years ago there weren’t many alternatives, you may not have had much super, you retired, you maybe went on the age pension any money you had you put in a term deposit and that was it

Interviewer: Yes then when you hit 65 you had to take it out

Interviewee: That’s right and then you add the complexities associated with investing in direct shares and the introduction for example of dividend imputation you add a complication to say that rather than putting all my money in term deposits maybe I can leave some in term deposits, and get some income that is tax effective by putting some in direct shares and so you actually had all these regulatory changes, tax
implications, super guarantee all coming in and all making it a lot more complex for consumers out there and you would say there was a role available, who did you get your advice from and then at the same time the banks and insurance companies were no doubt promoting the products that they actually had and consumers were saying okay let’s look at that advice

Interviewer: well this is probably out of sequence with the questions but where were we, the accountants, I mean I was in practice at that time and we did give advice what do you think happened at that time that we weren’t, I mean we put our toe in but we weren’t really involved

Interviewee: I think again there was a range of issues again and again and I keep talking today about it but there level of complexity there were in general about life and the products and everything else and the great focus people had large amounts of money with super and assets it was a significant issue. It’s interesting, I mean when I look back at my time in …, if you go back 30-50 years then quite often your … was quite often seen as a pillar of society who you would actually go to and get advice from and I remember before regulations came into place bank managers saying put more money in property and superannuation. There was mortgage trusts, there was unlisted property trusts and so on so as well so you actually had branch managers, bank managers who were not only organising loans, accounts etc. but were also offering investment advice and part of that was a reflection, recognition of the experience most bank managers and so on were older gentlemen who people trusted and that even changed how bank managers operated with the introduction of life agents, financial planners coming in, it was no longer the bank managers who offered that advice, concentrating on specific areas and that affected how the accountants operating they were providing that advice more broadly and that was also a reflection of they had so many clients with different life experiences in terms of how other people were investing, so they had some ideas. They were lending money to people who were investing into properties or whatever it happened to be and so they had a very wide breadth of knowledge and then when the financial planning industry was really growing and coming into recognition and the accountants probably didn’t look at it, they thought this would be advice around specific products rather than what we would refer to as more strategic advice, non-product based advice and when I reflect back I actually remember in the … world at the time was that the bank managers, commercial managers, didn’t think the financial planners were going to last they were brought in, they had targets to achieve, x number of interviews offer advice and I remember discussion with some of these banking people and they thought the financial planners were going to be fly-by-night which was never going to be the case and that was partly because the products had great margins if you’re looking at the bottom line for the banks you actually wanted to be involved in it and I would suggest that the professional accountants saw the financial planners but based on the education that was required to provide financial planning, I mean if you look back the stories, what it took to be a life agent x no of years ago was very minimal, like seriously absolutely minimal and in some cases it was virtually zero and I think there was I guess a view from the professional accounting bodies that what were these financial planners bringing to the table apart from offering the clients

Interviewer: selling products which was culturally against

Interviewee: it was and I think most professional accountants don’t see themselves as sales people, whether that’s the case or not and offer higher level, more strategic advice as opposed to products and no doubt professional accountants who have been around for a while
and seen the markets, I have seen it myself, see the markets, see the stock market crash in 1987 and then in the early 1990s when the interest rates went down there was the bond crash

**Interviewer:** Yes, everything went down

**Interviewee:** and then in the mid-1990s the SE Asia crash, with the banks there and then in 2000 the tech boom and so forth then in 2008 the whole GFC and so anyone who has been around for a while has seen

**Interviewer:** ups and downs

**Interviewee:** Ups and downs over these particular times and then when things are looking rosy I think particular products were being pushed and I think you can say, the accountants we’ve got a role and our role will continue to be what it has always been, to provide trusted advice and probably didn’t look at the financial planning areas as being a growing area, an important area and that’s probably a reflection more broadly of what are the challenges for professional accountants, is that there are so many areas of expertise required. I mean if you look at the number of associations around, most are what I would call single issue, but the professional accounting bodies have a range of areas that they actually have to address be this tax, auditing, insurance reporting, superannuation funds and so on rather than a single issue

**Interviewer:** Do you think, sorry for butting in but do you think at that time with the big firms and of course … of them they sold them all off and the people that were in charge of, I mean the national committees in those years in the professional bodies, were mainly from the big firms Do you think that had an impact.

**Interviewee:** I’m sure, look I’m not really sure historically how the board of the Institute for example what it was predominantly made up of, but I imagine it was mainly representatives from the big firms

**Interviewer:** Yes, yes it was

**Interviewee:** and then interestingly again I don’t know the details of it but KPMG got involved with it, Price Waterhouse got involved, with financial planning, I’m not sure if the other guys did

**Interviewer:** Deloittes did, I think

**Interviewee:** I know Price Waterhouse ended up selling theirs off to AMP Um so there was recognition, I’m not sure what the years were, but recognition that this was an important area for opportunity but for what reason, and I don’t know what the particular reason was but none of them held on to that

**Interviewer:** I think it was SEC requirements which for independence, a bit ironically really they were doing every other consulting role. I can check it with my compatriots but I just thought you might have known at that time why the big firms got out of it

**Interviewee:** No, no I just know that they did - I didn’t really look into why, I just know they did – you might like to talk to, there’s a guy called Ray Djani - do you know him

**Interviewer:** No
Interviewee: I think he came across from Price Waterhouse and he was 2IC from when he arrived and then went on to be Acting Head of … for a while and he would be

Interviewer: Do you know where he is now

Interviewee: He’s just doing some consulting work now, I saw him on LinkedIn

Interviewer: Alright, let’s not dwell on that, I think that’s sort of covered question No 2, the growth areas. What you’ve said is very similar to what others have said but I have to hear it from yourself.

Interviewee: Sure, sure

Interviewer: Let’s move on to question 3 about jurisdiction this is more from a theoretical point of view that the work place Jurisdiction, um and I’m comparing it with other, financial planners, do they have jurisdiction, does one organisation or whatever have jurisdiction over the type of work, or public acceptance let’s look at the work environment. The Financial Planning Association of course doesn’t represent all members but how do you see the different associations sharing the work. It’s taken for granted that there is enough work out there, otherwise if there wasn’t much, it could be a reason why the profession hasn’t developed but there is enough

Interviewee: yep, yep

Interviewer: there is a lot of work.

Interviewee: At the end of the day, if you look at and again I’ll use the term financial services industry, more broadly and this is a key issue is that there is a lot of money involved and that can be seen by the fact there are, within the financial services industry over 40 different industry bodies involved in the financial services industry, and that’s not just.

Interviewer: In the financial services industry you’ve got over 40 bodies?

Interviewee: Yes you’ve got, apart from us and FPC, AFA, FSC and all those others you’ve got a platform association and you’ve also got the insurance council of Australia and um I can’t remember I looked at this last year

Interviewer: In the financial services industry?

Interviewee: and therefore that says to me that there is a huge pie of which people want to have a slice of that pie and it is worthwhile focussing down from a broad association down to a specific organisation focussing on super funds. I think it’s a bit bizarre saying this is part of superannuation and try to keep it broader, rather than looking at specific simple issues. And I think there is as I was saying a role and a service provided by financial planners is there just because of the complexities thrown in, apart from investment insurance which is stand alone and I think pretty basic there are strategies around that for social security. It is quite a complex area

Interviewer: It’s a separate body of knowledge really isn’t it?

Interviewee: It is really and I guess there’s the argument of whether it’s a subset potentially of the expertise of being a professional accountant and I guess that’s always up for debate depending on which side of the fence you’re on and I would argue that those coming from a professional accounting/accounting background bring a certain level of
technical expertise and so forth that others who haven’t been through that process wouldn’t have, particularly around tax and I mean I think this is one of the more bizarre things that it is hard to get your head around. The reality is that the vast majority of all financial advice is tax advice, without doubt I would say probably 90% if you throw it up in the air. Superannuation, what is superannuation that’s a tax vehicle, at the end of the day it’s a tax vehicle. The issue of negative gearing to property or shares, why would people do that, why negative gearing is tax. If you buy blue chip shares and get a good dividend off them why is that the case, imputation credits, that’s a tax benefit associated with that and one could even argue that liberalised insurance, income protection

Interviewer: What about the actual investment though, I mean the issue is people want to know about where their money is invested, this is a bit further on but where does that belong, it’s an investment decision, you can’t just put it with your super fund, I mean you can, but people like to run it themselves. People want advice, we haven’t really got into that area, when I say we, is that fair?

Interviewee: I mean, I think ones again I think the lines really blurred these days, it would be really good to see some research, if you asked for example a trustee of a super fund where do they get their advice from, do they get it from their accountant or does the accountant refer them to a financial planner within their practice, it is still the client says it is my accountant, even though many, many accounting practices have a financial planning solution in there so from the client perspective the advice they are receiving is, even though it is from the financial planner within the practice, they see it from the accountant they say oh I got that from my accountant so there is still a lot of blurring. I think at the end of the day the vast majority of accountants have always provided that sort of structure and tax advice and it’s just the introduction of FSR look you can’t talk about anything but your super fund and anything else put up your price Which unfortunately and I think this is one of the challenges for the financial planning industry is that the Corporations Act is all about financial product advice, it’s not about financial advice or strategic advice it’s about financial product advice and that’s one, probably one of the biggest challenges that financial planning has is moving away from the perception that it’s all about financial products advice. This is not how professional accountants look at it. They offer advice around, financial advice but when you put the word product in there they’re not getting involved in that.

Interviewer: When that happened, did we have input into that decision making or did the government just do it themselves. I mean, I remember separate inquiries that we went through at that particular time. Um in other words did we lose an opportunity to have input into, the government at that stage try to get it broader than just product, do you remember?

Interviewee: No, I don’t remember and another person you could speak to is …. sort of headed up policy here, in the early 2000’s and I can give you his details, and he was instrumental in the development and the whole discussion with the government about the accountant’s exemption and he’d be very valuable because he’s all pre my time in terms of the advocacy and how that works, so he could potentially give some very good insights.

Interviewer: Ok, well let’s leave that for the moment, what about linking into public acceptance and jurisdiction how do you see the financial planners in terms of public acceptance? I mean I probably know what your view is.
**Interviewee:** My view is from 10 years ago, or 20 years ago there was a greater acceptance by Australians that financial planning exists and there are financial planners and from I think even 15-20 years ago, if you were talking to someone about financial planning I think they would have been, “well what’s that all about?”

**Interviewer:** Was that because of the associations push or because of necessity, because people had to search something up.

**Interviewee:** Personally I think it had a lot to do with the banks because the banks were promoting through their branch network consistently, go and see our financial planner and sort out your term deposit and then look at some of the alternatives that actually exist, when superannuation choice came in, hey you don’t have to go to your superannuation fund, sit down and talk to our financial planner. So I think, the associations did have some sort of influence but I think when it came down to, from a consumer perspective to getting direct mail from your banks, if you walked into a branch, if you went to take money out, when you deposit $50,000 into your bank someone’s going to say look you should talk to one of our financial planners, so I think there the sort of things that probably started to tweak in the mindset, oh there are these people that are called financial planners. When you say public acceptance, the question is what do you mean about public acceptance? That the public accepts that they are there

**Interviewer:** Well acceptance that they’re professionals, let’s put it like that, like you say your doctors are professional, hopefully your accountants are professional, lawyer, how do you think financial planners rank?

**Interviewee:** Look, well I think they wouldn’t be recognised as professionals yet, and I think the issue with financial planners is that it will be a generational thing, it takes years, and I know talking to other professional associations, the accounting profession, it’s been around for a long time.

**Interviewer:** What do you think - this is a question for later on, but we may as well cover it now, what do you think is the drive to be accepted as a profession, what do you think needs to happen?

**Interviewee:** There are probably at least two things; one has got to be a general recognition of a consistent level of educational qualifications, if I go and see a doctor then I will make a decision about how I get on with that doctor and so forth but I’m not really concerned that he’s been to University or not. I’m assuming that if he’s got his shingle out as a doctor then he’s ticked all the right boxes and similarly when I go to the dentists, I’m assuming that - I don’t look on his board to check, well are you apart of the professional dentist society or whatever it happens to be, if his shingle is out then I’m assuming that basically he’s met all the education requirements, so I think basically there needs to be consistent level of qualifications of education and again that will be a time thing, I mean the FPA looking from July this year, if you want to have a CFP then you’ve got to have a degree and I think that’s heading in the right direction. The other issue which is a challenge in itself and you can argue in many different ways about this, is the argument over the vertical integration where by the product manufacturer is also the distributor and I think it’s probably one of the significant differences between how the professional accounting bodies operate and who they represent as opposed to anybody who represents financial planners because as we know and again you can check the figures on that, but that say that around 85% of all financial planners operate under the financial institution’s AFSL in some shape or form. And so that is quite different to how the accounting profession operates and similar I’d imagine, and probably how doctors and dentists...
operate as well, they run their practices in the suburbs as themselves and they’ve got their regulatory structures in place and so on, whereas the vast majority of financial planners operate under a financial institution and I think that probably is one of the significant challenges that exists for the financial planning industry more broadly, and that’s not to say they operate inappropriately or anything but it comes down to this perception issue, and the perception is that 8 or 9 out of 10 financial planners that you will see will operate under one of the banks of major insurance companies, then is there a conflict or not and push that aside but the perception that you’re actually operating in a roundabout way as an employee for the banks and again that’s not saying that the advice that you can get, the vast majority of chartered accountants that operate and give advice and provide just financial planning services - the vast majority of them operate under institutional AFSL’s, it’s not as though, oh I’m a professional accountant and I can only operate under my own licence, a lot of them actually do but again it’s how do you recognise associations and how they operate when it’s on an individual basis, the question is who has responsibility for the advice at the end of the day, is it the individual financial planner or is it the licensee? The licensee is the one that authorises the financial planner, which is a very different framework of how you actually going to operate. Which is why it’s going to be interesting going forward for the accounting profession to see with the removal of the accountants exemption, how are they going to operate going forward, if they want to provide advice around self-managed super funds or more broadly under this limited license option, or will they go down the track of actually getting an individual license to retain that independence? Will they go and operate for potentially an individual boutique financial planning group? Or will they end up with an institutional licensee and that will be in itself quite interesting because all of sudden you’ll find that these thousands and thousands of professional accountants who are out there who are operating their own small practices in the suburbs and regional Australia are they going to then by default end up operating under an institutional framework or operate themselves, so currently we’re actually at a very interesting point in the industry.

Interviewer: Interesting that you say educational qualifications it’s not a criticism, probably it is, but us an … we don’t really provide that education in part of our overall, so in some ways do you think we’ve just side-lined it or divorced from it, or was it just too hard? Because I know a couple of years ago we looked at integrating it as part of the … do you know what I’m getting at?

Interviewee: Yeah, I think there are a couple of issues there, one I think one of the core strengths in terms of the expertise and the value of a chartered accountant is no doubt the chartered accountant program. It has a very, very high quality technical core to it and in a lot of cases a lot of that core can then be translated more easily into other areas and again I haven’t really spent much time involved with it whatsoever, but I’m sure at times there has been views, do you actually put in electives as part of the CA programs, and a decision was, based on obviously … that no, just stick to the five subjects, which we’d leave as the differentiator and expertise to ensure that everyone comes out for example as done the tax module, so you know that a chartered accountant has done tax, now the area of the financial planning and so on, ten years ago it was outsourced to the securities institute and that’s still got that particular view, i.e. if they’ve got providers out there who have more expertise in this particular area then as far as you operate you obviously work with those who’ve got an expertise in that particular area. There may well be an opportunity down the track as part of those going into public practice, to link something into a public practice program, that’s what … so post CA program, so as to not water it down. So I think the CPA when through a phase where they had electives but I think they shut that down now, so in some ways that’s sort of I guess, I won’t say justification, but …
five subjects only, CPA went from five or whatever it was, a whole lot of electives and they’ve got back to just to having core modules and I think that’s probably a very good basis because then you decide which direction you want to head in.

**Interviewer:** There’s nothing wrong with that I’m just saying that it does give me the signal that financial planning is not … jurisdiction I mean for example you couldn’t have a person go … you’re obviously saying tax is our jurisdiction that’s why you’re covering it, audit is definitely our jurisdiction that’s why we cover it.

**Interviewee:** You could actually argue that, and I have said it before, I think the current qualification program for financial planning is flawed, I have no doubt that the core to all financial planning is tax, so and as I gave the examples before, unfortunately it’s focussed on product, for example you get a credit in margin lending, you get a credit in superannuation, you should be accredited in advice which includes everything I think it’s wrong that the actual educational framework at the moment is so focussed on product, because what that also means that with the licensing at the moment, you can be licensed on one area and I think that’s wrong.

**Interviewer:** I agree with that outside the Universities, but I mean … people do company law, tax law and company planning in our degree program for example for financial planning.

**Interviewee:** That’s right, that’s a degree through the University, but what I’m saying is that the more broadly the industry and the education is on a product side of it, i.e. PS 146 compliant in super or insurance or whatever it happens to be, and I think that’s a flawed model and I think that that’s where I would argue that the structure that you actually have through the chartered accountants program and the professional accountant bodies programs probably provide you with a very good basis, in which you can then move onto a particular area and gives you a very good basis. Now if you’re saying that, obviously you can do your financial planning degree then that’s a bit of a combination of issues but outside of University, it’s ok we’re going to raise your expertise in this particular area, and I think that’s an inappropriate framework. Can you include financial planning in the framework, into the CA program? - this is my personal view, so it’s not a house view or anything along those lines, no I mean you can put more stuff in but how much can you put in at the end of the day?

**Interviewer:** No I understand that, but I’m saying that is in the realities of life though is that we see, you know … to be able to their financial planning degree and then their CA program, but they’ve got nowhere to go so they go to the FPA or whatever because if they want to be a member of a professional association that’s where they see it is.

**Interviewee:** And I think that’s probably true, but I would also say that even members of the institute probably say that they’re chartered accountants before their financial planners, I would suggest that if you had the opportunity to be a member of the institute versus the FPA the vast majority even often financial planners would prefer to be a member of the institute.

**Interviewer:** It’d be nice to have both.

**Interviewee:** That’s right indeed.

**Interviewer:** Not a member of both, … got a CA speciality, but anyway …

**Interviewee:** One of the challenges that you have and the accounting bodies always have, unlike the other organisations, like the FPA and AFA and all the other things is that we are a multi-discipline association, I mean we have a lot of obligations to I guess
economically and things, to the government through audit and the whole tax system as well in reporting.

**Interviewer:** You can’t do everything.

**Interviewee:** You can’t, basically to that depth and then but at the same time what it does bring, and particularly when working with government and regulator’s and so on, we can actually bring forward a very much independent and broad view, we’re not bringing anything to the table, tax regime services and financial planners, in reality despite there being a bit of a divide between ourselves and the financial planning services, on some of the components of it our position is just one of it’s just the right thing to do, it’s no difference to us, whether the financial planners are involved or not, there’s no difference for us, it’s not as though all of a sudden we’re going to get more business or less business or more members, it’s just the right thing to actually do, and I think it’s probably where

**Interviewer:** To have qualifications to actually be able to do it? Is that what you mean?

**Interviewee:** Yeah, have a high level of tax knowledge, involved in any professional financial planning, I don’t really know, probably the CFP level is a bit different but more broadly, and I know having spent a vast amount of time in this industry that tax has never been a high level issue in terms of the training of qualifications. Generally one of the strengths that the accounting professional bodies actually have is the ability to provide a uniquely independent view of things, we don’t have to be perceived as pushing anything it’s not as though anybody’s saying do it this way, do it that way, so we can say well, we got the TPB, the new tax regulations, if you give tax advice then you should come under that it’s sort of like just the right thing to do.

**Interviewer:** This question is a bit left field, but to become a CA with a financial planning speciality now what are the educational requirements?

**Interviewee:** There’s still in regard to having met the …

**Interviewer:** Well if I’m a CA how do I join to be a member?

**Interviewee:** Well you need to demonstrate that you’ve gone through training and you’ve got your diploma or your advanced diploma and so forth there’s no specific requirement in terms of what qualification you actually need to get. The view is that A; by coming in at the CA level you’ve actually achieved a very high level of expertise and educational level and I guess the financial planning level, any component of it is simply a top up and most of the areas where CA’s really need to pick up in that area is social security and the regulatory side of things, social sciences type of things is type of hard, the tax side of things is relatively straight forward.

**Interviewer:** What would you need to see, would you need to see that they’ve done the ASIC competencies?

**Interviewee:** Yep.

**Interviewer:** Well alright, that’s public acceptance, legal jurisdiction, do you think the financial planners, I mean the end result would be to say that financial planners can do that, and I know that there’s moves afoot of having the term enshrined I’m probably looking more at the past and how do you think the legal jurisdiction has built up, because normally what would happen is that the lobby would happen, the public acceptance would be there, the working environment would be there and then the
lobbying would say this is, give us for example the accountants, you have to be accounting to do company audits, so what I’m trying to get at is does the cart come before the horse in terms of the legal requirements, would you say hey you guys aren’t looking after this, there’s this problem, there’s the storm financial thing and all of that, we’re going to legislate. So has the legislature come out because of the lobby or because of the bad reputation of the advice that was given, that’s what I’m trying to get at, because normally it would be the other way around, you know accountants trying to say, which they have, we’re a professional body, we do it, so it’s enshrined in them, I’m not trying to look necessarily at what’s happening and I don’t think that’s resolved yet, and I think the term for financial planner of financial advisor, it’s probably more the history of what happened.

Interviewee: Well, I think it’s, again, the changing financial planning environment and so forth, historically, unfortunately changes generally occur when people lose money that’s what it comes down to at the end of the day. And when something along those lines happen and I guess we also need to reflect upon, it is highly emotive when people consumers lose their investment dollars, their retirement savings or whatever it happens to be, and as a result of that, quite often the default position is, be it through the government or the regulators, is that we need to address that through regulation.

Interviewer: And that’s what happened with FSRA?

Interviewee: Yeah, and I think with that perspective, up until that stage, there was no educational requirements, which you can imagine conceptually that you have people that are giving advice that actually haven’t had any education. I mean again this is just where again if you look at it, that only kicked in in 2002, so that’s ten years ago, which isn’t that long ago, I mean theoretically up until 2002 you did not have to have completed education requirements, look most of the licensee’s at that stage were ensuring that people had some education but there were no requirement and then in 2002/2003 all of a sudden you had to meet requirements in certain areas. Similarly you had to meet, again and this is addressing areas of potentially misleading information for consumers out there, they had to introduce an improved or enhanced disclosure and financial plans under FSRA. Again there had to be consistency for the consumers out there who generally speaking had not been involved in this so they lacked the knowledge to make an appropriate decision so you needed a financial services guide; you see, the accounting profession always had had terms of engagement, here’s what we’re going to be changing over the next twelve months are you happy with that, I’m happy with that oh good

Interviewer: A lot of it was also the product selling, a lot of that disclosure wouldn’t be required if you said, look here’s a bill

Interviewee: that’s right but I mean again, where did it actually build? where did that all come from, it came from two directions. …I’m sorry we’re going to have to get out of here…1. From the banking perspective um why didn’t it just stay with the branch managers that particular case, the accounting profession,, but all of a sudden we had the banks introducing the life insurance culture which was very much sales. …We’re going to get kicked out of here so we might be able to go somewhere else, you might want to put it on pause

Interviewer: Pause, yes

Interviewer: okay
Interviewee: yes, if you look at it particularly as the drivers from the insurance industry it was very much a sales culture, I’m not saying if that was right or wrong but it was a sales culture and as a result of people being remunerated in such a way based on the number of sales and then there needed to be, that was the first step, reviewed through FSRA, there needed to be improvement in disclosure. So in the financial services guide, this is the advice I’m going to provide, this is how I’m going to be remunerated, set down the commission structure, all the bits and pieces and then in your statement of advice you actually had to disclose all of that which is probably to address the complexities of the fees and how financial planning and life agencies in particular were being addressed, how we are servicing clients and then you probably you go to the next step. Ten years down the track, its 2013 and FOFA has come into play. The industry I think took the first proper steps by trying to remove commissions on investment products, they’ve been removed, there was debate about whether there would be commissions on insurance and the government review said yes there should be and then they went back and said no not at this particular stage, so I think we’re heading down that particular track just that it’s such an enormous change its going to be very difficult so a lot of the regulations I think coming into play will be to try and change the behaviours and the culture of financial industry more broadly, I don’t think it’s just financial planning I mean if you look at the GFC and the enormous bonuses and so forth that people were actually getting in the investment banks

Interviewer: and it will take a while to change

Interviewee: Yes to change, you’ve actually go that whole issue of um remuneration models, which is quite a significant one that’s actually it

Interviewer: OK, let’s move on to 4, we’ve covered certain of these areas, which professional association you think are, yes do you see the … looks after its members but do you feel that the FPA has got that area planted in terms of representing the financial planning sector

Interviewee: Again, it’s a really interesting question um by default they’re called financial planning associations so they would be linked to directly represent financial planners. I don’t know what the numbers are who actually, how many members there are compared to how many financial planners are actually out there

Interviewer: I think about 8 compared to 40, around 8000 compared to 40 000.

Interviewee: So would you say that their probably the predominate representation of the financial services, I would say the answer to that is probably yes, now I think it’s by default because of their name and their actually out their promoting that, financial planning, financial planning association, straight link, so I think in terms of recognition, probably recognition would be yes.

Interviewer: How many members have …?

Interviewee: No … got 72 000.

Interviewer: 72 000, so of the 72 000 how many people are directly or indirectly doing financial planning? Do …we know?

Interviewee: Unfortunately … because unlike if you’re in the financial planning association or the AFA or whatever it happens to be, if you’re a financial planner you join the FPA whereas … you’re a chartered accountant, you’re a member of the institute and who
knows really what you do except for what you tell … on an annual basis, I know that … have a minimum of about 2000 members, and this is where it’s quite interesting, how you actually position it, we have 2000 members that I would classify as authorised representatives of financial planners but only suggest that the majority of firms would provide a service of financial planning service of some kind, meaning that whilst the chartered accountants might not provide the actual financial planning advice but they actually employ a financial planner and so they do provide the services, and I think but you’d have to double check on this, WHK for example we have a lot of chartered accountants who operate under the WHK banner, I don’t think many of chartered accountants provide a financial planning service but I think every WHK practice provides financial planning. So there’s a difference if you’re a chartered accountant between you providing the service personally or whether someone within the firm is actually doing that, and that’s where we don’t actually know what the levels are.

**Interviewer:** Alright, that’s fine, and I think we’ve covered the accounting professional’s role in that, I mean … so there is a role.

**Interviewee:** I would say so, and I mean … actually, despite what people talk about turf wars and all of that, … actually are in touch with the other associations that are out there pretty regularly, the majority of it I will say that … do it jointly with the CPA and one of the reasons for that is recognition of the industry and understanding the industry, there are 40 associations participating the financial services industry and when you’ve got so many voices speaking to then have, if you could have the two leading accounting bodies working together on the same policy, then basically it assists A the members and also assists the government.

**Interviewer:** In what’s called the public accountants group or something like that …

**Interviewee:** IPA?

**Interviewer:** Yeah, IPA they’ve never shown any interest in financial planning?

**Interviewee:** Oh no they have but they’ve taken a different direction, when the whole issue of the FOFA reforms, and … worked very closely with CPA but also initially with the as well. The IPA and again I don’t know the details, … focus has always been to try and develop a solution that will allow a solo practitioner to retain their independence, coming up with a limited license or a registration or some sort of solution for … members and also the CPA. The IPA was sort of supportive of that but they have a relationship with MLC and AMP the details of which I’m really not at liberty to say, but they’ve got an arrangement with MLC and AMP, and from our perspective that’s fine, there’s nothing … anyone can operate the way they want to operate, but our way is to say look, here are the range of opportunities that you have in the options and we don’t mind which way you go, it makes no difference to us whatsoever, but we’ve always felt that … for example three and a half thousand members that are sole practitioners and … got to work out A how they can continue to operate properly and especially when you consider the advice they provide especially when it’s more business, not just in suburbia but also in regional Australia we have a very significant responsibility to ensure from an economic perspective, for example a small business, where do they get their advice from? Advice generally on all sorts of things, they get it from their accountant and we need to ensure that that continues going forward.

**Interviewer:** Alright, we’ve talked about Question 6, why the regulation happened, we talked about Question 7 has financial planning claimed professional status, we’re saying no at this
stage, I suppose, over to you, about how you see the development of financial planning in the future.

**Interviewee:** Look as I said I think the significant one for financial planning more broadly is the current licensing structure model, I think that is without doubt one of the biggest issues that needs to be addressed, that is appropriate for product manufacture and distribution as well, and balancing that out, now I’m not saying that everyone that’s operating under a product manufacturer is not providing proper advice but you know it comes down to that whole perception issue.

**Interviewer:** Do you see that changing, with the power that the banks and the financial institutions have?

**Interviewee:** You wouldn’t think so but many stranger things have happened from ASIC’s perspective how they dropped forward …

**Interviewer:** We’re going to with the new standard all those there’s been changes with the new standard, APS 230, comments on that, why that changed, so begin to tear it apart, look for the issues or anything? I haven’t really studied it very deeply but I’ve heard that there have been modifications to that

**Interviewee:** Yeah, well there have been a couple of concerns with it and I’ve got no doubt that there were concerns by … run by the majority of members, I think again, if you look at the original standard which was APS 12 which was released in 2005/2006 was a huge step forward which basically said we believe, but not mandating anything, how you should actually charge your fees, … then come seven years down the track I think the views then were the same views of the APSB as they are now, especially considering the remuneration model and all that and I think you could argue and say well A they’ve looked at the practicalities of it and they’ve definitely within the standard still said that there are concerns about asset based commissions and have therefore A made some modifications to provide a bit of flexibility and I would say provide a beneficial outcome and then the next in review in 5 or 6 years’ time you’ll find things meeting. I mean … I mean if you look at it there are more and more financial planning practices that are moving towards a fixed dollar type remuneration models and that will be the case.

**Interviewer:** So you’re saying that’s the biggest problem with the financial planning being regarded as a profession?

**Interviewee:** No, no I would say it’s one of many issues, I would say the institutional ownership is the big one. What the perception will be from a consumer, if all financial planners are under an institution that again forms a perception perspective, remuneration is also one of them, but I wouldn’t necessarily say that that would be the driving force, but the changes will be generational, a new generation to come will have to have a degree and a financial planning degree or whatever it happens to be from that side of things, so the qualifications will change so therefore when you go and see someone you don’t have to ask them 10 questions.

**Interviewer:** It’s funny you say that because the review, especially with … is that, and this is why I’m not linking in to whether it’s public practice or whatever, that the perception with medics who are clearly professionals are out there in the practices but 75% work in hospitals, so it’s not a requirement to be in public practice but it’s about perception, and the perception out there with the medical system is that they are in public practice, so it’s not about public practice, so it’s interesting.
Interviewee: Another thing that’s interesting about that is a doctor who is looking after my mother. I’m assuming that he is- I didn’t give him a quick quiz, you know how long have you been doing this for, I’m assuming that …

Interviewer: So education is a big thing for you?

Interviewee: Yeah, I think that education is a big thing, and if nothing else I think for the consumer is a big thing to know that everyone is the same and that remuneration is there and the other big thing that needs to change, and it’s entirely financial planning industry and its heading in that direction it’s just going to take a while, is the culture. To me the culture is, there is still a perception of, no doubt in some cases, a focus on sales in some areas, not in all areas by any means, that’s a hasty generalisation to say that the whole financial planning industry is focused on the sales culture, but I think with the we do need to recognise that’s where it’s come from, and I think we need to recognise that most financial planners out there had operated in a sales culture and that’s going to need to change.

Interviewer: Alright, well that’s fantastic I think we might leave it at that stage.
APPENDIX C

PARLIAMENTARY INQUIRIES
## APPENDIX C 1

### PARLIAMENTARY REVIEWS AND LEGISLATION

<table>
<thead>
<tr>
<th>Year</th>
<th>Name</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>Campbell Inquiry</td>
<td>Committee of Inquiry into the Australian Financial System, known as the Campbell Inquiry, which examined the structure and methods of operation of the Australian financial system. It advocated substantial financial reforms and the catalyst for financial deregulation in Australia. The inquiry was finalised in 1981</td>
</tr>
<tr>
<td>1991</td>
<td>Martin Committee</td>
<td>House of Representatives Standing Committee on Finance and Public Administration (the Martin Committee). It was formed to review the impact of financial deregulation</td>
</tr>
<tr>
<td>1997</td>
<td>Wallis Inquiry</td>
<td>Financial System Inquiry. Known as the Wallis Inquiry provided a stocktake of outcomes from the financial deregulation of the Australian financial system.</td>
</tr>
<tr>
<td>2001</td>
<td>FSRA</td>
<td>Financial Services Reform Act 2001 (FSRA Act) introduced a single licensing regime for financial products, a single regime for regulating financial services (investment advice) and imposed requirements for disclosure of fees and introduced a dispute resolution system</td>
</tr>
<tr>
<td>2009</td>
<td>Ripolli Inquiry</td>
<td>Parliamentary Joint Committee on Corporations and Financial Services, Inquiry into financial products and services in Australia. The inquiry was established to examine issues associated with collapse of financial products and services such as Storm Financial and Opes Prime.</td>
</tr>
<tr>
<td>2010</td>
<td>FOFA</td>
<td>Government response to Ripolli Committee with package of reforms called Future of Financial Advice (FOFA). The reforms were designed to tackle conflicts of interest and selling of products that culminated in collapses such as storm Financial, Opes Prime, and Westpoint.</td>
</tr>
<tr>
<td>2012</td>
<td>FOFA Reforms</td>
<td>Reforms were passed by parliament mandatory from 1st July 2013</td>
</tr>
<tr>
<td>2012</td>
<td>Trio Inquiry</td>
<td>Parliamentary Joint Committee on Corporations and Financial Services. Inquiry into the collapse of Trio Capital. The collapse involved the largest superannuation fraud in Australian history.</td>
</tr>
<tr>
<td>2012</td>
<td>FOFA Reforms</td>
<td>On change of government new regulations commenced which reduced compliance costs and regulatory burdens on the financial services sector arising from the earlier FOFA reforms</td>
</tr>
<tr>
<td>2014</td>
<td>FOFA</td>
<td>FOFA amendments implemented through the Corporations Amendment (Streamlining Future of Financial Advice) Regulations 2014. The regulations commenced on 1st July 2014</td>
</tr>
<tr>
<td>2014</td>
<td>FOFA</td>
<td>November 2014 Senate disallowed the Corporations Amendment (Streamlining Future of Financial Advice) Regulation 2014</td>
</tr>
<tr>
<td>Year</td>
<td>Name</td>
<td>Comment</td>
</tr>
<tr>
<td>------</td>
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</tr>
<tr>
<td>2014</td>
<td>FOFA</td>
<td>Following negotiations between government and opposition Senate passed a motion to reinstate five aspects of the regulations.</td>
</tr>
<tr>
<td>2014</td>
<td>FOFA Amendments</td>
<td>Government made additional changes to FOFA in the ‘Corporations Amendment (Statement of Advice) Regulation 2014 which will commence on 1st January 2015</td>
</tr>
<tr>
<td>2014</td>
<td>Economic Committee inquiry</td>
<td>In June 2014 the Senate Economics References Committee tabled a report on its inquiry into the performance of ASIC, including the regulation of financial advisers</td>
</tr>
<tr>
<td>2014</td>
<td>Joint Committee on Corporations and Financial services</td>
<td>Government accepted recommendation on Economic Committee Inquiry and established Parliamentary committee to inquire into various proposals for a lifting of professional, ethical and educational standards in the financial services industry</td>
</tr>
<tr>
<td>2014</td>
<td>Financial System Inquiry</td>
<td>The Financial System Inquiry was announced by the treasurer in December 2013 to examine how the financial system could be positioned to best meet Australia’s evolving needs and support Australia’s economic growth. The final report was submitted to the treasurer in November 2014 and released on 7th December 2014.</td>
</tr>
</tbody>
</table>
Chartered Accountants Australia and New Zealand, 2014, Appendix B Submission to Financial System Inquiry)
APPENDIX C 3

RIPO LL REPORT RECOMMENDATIONS

(Extracted from Commonwealth of Australia November 2009, Parliamentary Joint Committee on Corporations and Financial services: Inquiry into financial products and services in Australia, pp. 150-152)

Recommendation 1

The committee recommends that the Corporations Act be amended to explicitly include a fiduciary duty for financial advisers operating under an AFSL, requiring them to place their clients’ interests ahead of their own.

Recommendation 2

The committee recommends that the government ensure ASIC is appropriately resourced to perform effective risk-based surveillance of the advice provided by licensees and their authorised representatives. ASIC should also conduct financial advice shadow shopping exercises annually.

Recommendation 3

The committee recommends that the Corporations Act be amended to require advisers to disclose more prominently in marketing material restrictions on the advice they are able to provide consumers and any potential conflicts of interest.

Recommendation 4

The committee recommends that the government consult with and support industry in developing the most appropriate mechanism by which to cease payments from product manufacturers to financial advisers.

Recommendation 5

The committee recommends that the government consider the implications of making the cost of financial advice tax deductible for consumers as part of its response to the Treasury review into the tax system.

Recommendation 6

The committee recommends that section 920A of the Corporations Act be amended to provide extended powers for ASIC to ban individuals from the financial services industry.

Recommendation 7

The committee recommends that, as part of their licence conditions, ASIC require agribusiness MIS licensees to demonstrate they have sufficient working capital to meet current obligations.
Recommendation 8

The committee recommends that sections 913B and 915C of the Corporations Act be amended to allow ASIC to deny an application, or suspend or cancel a licence, where there is a reasonable belief that the licensee 'may not comply' with their obligations under the licence.

Recommendation 9

The committee recommends that ASIC immediately begin consultation with the financial services industry on the establishment of an independent, industry-based professional standards board to oversee nomenclature, and competency and conduct standards for financial advisers.

Recommendation 10

The committee recommends that the government investigate the costs and benefits of different models of a statutory last resort compensation fund for investors.

Recommendation 11

The committee recommends that ASIC develop and deliver more effective education activities targeted to groups in the community who are likely to be seeking financial advice for the first time.
APPENDIX C 4

INQUIRY INTO EDUCATION STANDARDS

(Extracted from Commonwealth of Australia 2014, Parliamentary Joint Committee on Corporations and Financial Services: Inquiry into proposals to lift the professional, ethical and education standards in the financial services industry, pp. xiii-xvi)

Recommendation 1

The committee recommends that the term 'general advice' in the Corporations Act 2001 be replaced with the term 'product sales information' to better reflect the nature of that information.

Recommendation 2

The committee recommends that the term 'personal advice' in the Corporations Act 2001 be replaced with 'financial advice' to better reflect the nature of that advice.

Recommendation 3

The committee recommends that to provide 'financial advice' an individual must be registered as a financial adviser.

Recommendation 4

The committee recommends that the government should bring forward legislation to protect the titles 'financial adviser' and 'financial planner' and require that to be eligible to use the title 'financial adviser', an individual must be registered as a financial adviser.

Recommendation 5

The committee recommends that the register of financial advisers:

- include the information fields detailed in the government's announcement of the register on 24 October 2014;
- have a unique identifier that follows every individual adviser throughout their career;
- only list financial advisers on the register when a professional association (which has been approved by the Professional Standards Councils) advises that the adviser has completed the requirements of the Finance Professionals’ Education Council approved professional year and passed the registration exam;
- record any higher qualification awarded by a professional body to the adviser;
- annotate any censure or limitation placed on a financial adviser by a professional body, Australian Securities and Investments Commission or Australian Financial Service Licence holder, and
- highlight that an adviser is no longer authorised to provide financial advice if the adviser has their membership of the nominated professional body suspended or revoked.
Recommendation 6

The committee recommends that the government consider proposals to increase fees for organisational licensees to reflect the scale of their financial advice operations, in the context of a broader review of ASIC's fees and charges.

Recommendation 7

The committee recommends that:

- the mandatory minimum educational standard for financial advisers should be increased to a degree qualification at Australian Qualification Framework level seven; and
- a Finance Professionals' Education Council should set the core and sector specific requirements for Australian Qualifications Framework level seven courses.

Recommendation 8

The committee recommends that ASIC should only list a financial adviser on the register when they have:

- satisfactorily completed a structured professional year and passed the assessed components; and
- passed a registration exam set by the Finance Professionals' Education Council administered by an independent invigilator.

Recommendation 9

The committee recommends that the government require mandatory ongoing professional development for financial advisers that:

- is set by their professional association in accordance with Professional Standards Councils requirements; and
- achieves a level of cross industry standardisation recommended by the Finance Professionals' Education Council.

Recommendation 10

The committee recommends that the professional associations establish an independent Finance Professionals' Education Council that:

- is controlled and funded by professional associations which have been approved by the Professional Standards Councils;
- comprises a representative from each professional association (which has been approved by the Professional Standards Councils), an agreed number of academics, at least one consumer advocate, preferably two who represent different sectors and an ethicist;
- receives advice from ASIC about local and international trends and best practices to inform ongoing curriculum review;
• sets curriculum requirements at the Australian Qualifications Framework level seven standard for core subjects and sector specific subjects (e.g. Self-Managed Superannuation Fund services, financial advice, insurance/risk or markets);
• develops a standardised framework and standard for the graduate professional year to be administered by professional associations;
• develops and administers through an external, independent invigilator a registration exam at the end of the professional year; and
• establishes and maintains the professional pathway for financial advisers including recognised prior learning provisions and continuing professional development.

Recommendation 11

The committee recommends that professional associations representing individuals in the financial services industry be required to establish codes of ethics that are compliant with the requirements of a Professional Standards Scheme and that are approved by the Professional Standards Council.

Recommendation 12

The committee recommends that financial sector professional associations that wish to have representation on the Finance Professionals' Education Council and to be able to make recommendations to ASIC regarding the registration of financial advisers, should be required to establish Professional Standards Schemes under the Professional Standards Councils, within three years.

Recommendation 13

The committee recommends that any individual wishing to provide financial advice be required to be a member of a professional body that is operating under a Professional Standards Scheme approved by the Professional Standards Councils and to meet their educational, professional year and registration exam requirements.

Recommendation 14

The committee recommends that government require implementation of the recommendations in accordance with the transitional schedule outlined in the table on page (xvi) of the report.
## APPENDIX D
### ASIC REGULATORY GUIDES

<table>
<thead>
<tr>
<th>Issued</th>
<th>Name</th>
<th>Title</th>
<th>Document History</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2015</td>
<td>RG 104</td>
<td>Licensing: Meeting your general obligations</td>
<td>Replaces Superseded RG 104 Issued October 2007</td>
</tr>
<tr>
<td>Dec 2016</td>
<td>RG 105</td>
<td>Licensing: Organisational competence</td>
<td>Superseded RG 105 Issued Oct 2007; Replaced Section E of RG 164, &amp; parts of RG 130</td>
</tr>
<tr>
<td>July 2015</td>
<td>RG 166</td>
<td>Licensing: financial requirements</td>
<td>Superseded RG 166 Issued Nov 2013</td>
</tr>
<tr>
<td>Jan 2007</td>
<td>RG 169</td>
<td>Disclosure: Discretionary powers</td>
<td>Reissued May 2005</td>
</tr>
<tr>
<td>Oct 2013</td>
<td>RG 175</td>
<td>Licensing: Financial product advisers- Conduct and disclosure</td>
<td>Superseded RG 175 Reissued Dec 2012</td>
</tr>
<tr>
<td>Sept 2016</td>
<td>RG 179</td>
<td>Managed discretionary account services</td>
<td>Superseded PS 179 issued March 2004</td>
</tr>
<tr>
<td>Aug 2004</td>
<td>RG 181</td>
<td>Licensing: Managing conflicts of interest</td>
<td>Superseded PS 181</td>
</tr>
<tr>
<td>June 2008</td>
<td>RG 182</td>
<td>Dollar disclosure</td>
<td>Superseded PS 182 May 2007</td>
</tr>
<tr>
<td>Mar 2013</td>
<td>RG 183</td>
<td>Approval of financial services sector codes of conduct</td>
<td>Superseded PS 183 issued March 2005</td>
</tr>
<tr>
<td>April 2016</td>
<td>RG 184</td>
<td>Superannuation: Delivery of product disclosure for investment strategies</td>
<td>Superseded PS 184 reissued June 2007</td>
</tr>
<tr>
<td>Dec 2012</td>
<td>RG 244</td>
<td>Giving information, general advice and scaled advice</td>
<td></td>
</tr>
<tr>
<td>Nov 2014</td>
<td>RG 229</td>
<td>Superannuation forecasts</td>
<td>Superseded RG 229 issued Dec 2011</td>
</tr>
<tr>
<td>Mar 2013</td>
<td>RG 246</td>
<td>Conflicted remuneration</td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX E
KEY LEGISLATIVE TERMS

Financial product
Section 763A of the Corporations Act 2001 sets out the general definition of a financial product as follows:
(1) A financial product is a facility through which, or through the acquisition of which, a person does one or more of the following:
   (a) makes a financial investment ...;
   (b) manages financial risk ...;
   (c) makes non-cash payments ...
(2) A particular facility that is of a kind through which people commonly make financial investments, manage financial risks or make non-cash payments is a financial product even if that facility is acquired by a particular person for some other purpose.
(3) A facility does not cease to be a financial product merely because:
   (a) the facility has been acquired by a person other than the person to whom it was originally issued; and
   (b) that person, in acquiring the product, was not making a financial investment or managing a financial risk.

Financial service
Section 766A of the Corporations Act 2001 identifies a financial service as follows:
(1) A person provides a financial service if they:
   (a) provide financial product advice...; or
   (b) deal in a financial product...; or
   (c) make a market for a financial product ...; or
   (d) operate a registered scheme; or
   (e) provide a custodial or depository service...; or
   (f) engage in conduct of a kind prescribed by regulations made for the purposes of this paragraph.

Licensing
Section 911A of the Corporations Act 2001 (Corporations Act) stipulates that financial services businesses, including those who provide financial product advice, must hold an Australian Financial Services Licence (AFSL). As part of its responsibility for regulating the financial services industry, licences are issued and monitored by ASIC.
Conduct obligations

The Corporations Act outlines the circumstances that constitute the provision of financial product advice, split into two categories: personal advice and general advice. Under section 766B(1) of the Corporations Act, financial product advice is defined as:

...a recommendation or a statement of opinion, or a report of either of those things, that:
(a) is intended to influence a person or persons in making a decision in relation to a particular financial product or class of financial products, or an interest in a particular financial product or class of financial products; or
(b) could reasonably be regarded as being intended to have such an influence.

Section 766B(3) of the Act defines personal advice as:
...financial product advice that is given or directed to a person (including by electronic means) in circumstances where:
(a) the provider of the advice has considered one or more of the person's objectives, financial situation and needs...; or
(b) a reasonable person might have expected the provider to consider one or more of those matters.

Section 766B(4) defines general advice as: '...financial product advice that is not personal advice

Suitability rule

Advisers providing personal financial advice must ensure that there is a reasonable basis for that advice, often referred to as the 'suitability rule'. Section 945A of the Corporations Act stipulates that:

(1) The providing entity must only provide the advice to the client if:
(a) the providing entity:
   (i) determines the relevant personal circumstances in relation to giving the advice; and
   (ii) makes reasonable inquiries in relation to those personal circumstances; and
(b) having regard to information obtained from the client in relation to those personal circumstances, the providing entity has given such consideration to, and conducted such investigation of, the subject matter of the advice as is reasonable in all of the circumstances; and
(c) the advice is appropriate to the client, having regard to that consideration and investigation.
Monarch Institute - Diploma Level English and Maths Quiz

Welcome to the Monarch Institute Diploma level English and Maths online quiz. The purpose of the quiz is for you to access whether you are ready to commence study at a diploma level. There are 12 questions in total. Make sure you read the questions thoroughly before you attempt the answer.

Questions

1. A large increase in the number of fast-food restaurants in a community is most likely to result in:
   a) Lower prices and higher quality
   b) Lower prices and lower quality
   c) Higher prices and higher quality
   d) Higher prices and lower quality

2. If the price of beef doubled and the price of chicken stayed the same (all things being equal), people would most likely buy:
   a) Less chicken and more beef
   b) More chicken and less beef
   c) The same amount of chicken and beef
   d) More beef and more lamb

3. A deceased estate has the combined value of $188,500. If it is to be split between four relatives equally, how much does each receive?
   a) $41,475
   b) $43,665
   c) $45,235
   d) $47,125

4. Suppose you have $100 in a savings account earning 2 percent interest a year. You do not add any additional funds or withdraw any funds during the 5 year period. After five years, how much would you have? Assume there are no account keeping fees or charges.
   a) More than $102
   b) Exactly $102
   c) Less than $102
   d) Cannot be determined

5. Imagine that the interest rate on your savings account is 1 percent a year and inflation is 2 percent a year. After one year, would the money in the account buy more than it does today, exactly the same or less than today?
   a) More
   b) Same
   c) Less
   d) Cannot be determined

6. Tanya is a financial adviser. One of her clients takes out a life insurance premium at the cost of $276 per year, of which 2.5% is paid as a commission to Tanya. What amount of money would Tanya receive in commissions if she sells 54 of these policies a year?
   a) $316.40
   b) $372.60
   c) $414.80
   d) $512.10

7. Round 35.6776 to three decimal places
8. The manufacturers of XYZ winter sportswear have their manufacturing plants running night and day, but they are unable to produce enough sportswear to satisfy demand. If XYZ manufacturers cannot increase production and demand continues to increase, the price of XYZ winter sportswear will:
   a) Increase
   b) Decrease
   c) Stay the same
   d) Cannot be determined

9. Place in order from smallest to largest
   a) 3.5, 3.489, -3.6, -3.67
   b) -3.6, -3.67, 3.5, 3.489
   c) -3.67, -3.6, 3.5, 3.489
   d) -3.67, -3.6, 3.489, 3.5

10. Which represents the best buy - in other words which of the following is the best value for money option?
   a) 3kg for $6.10
   b) 4kg for $8.50
   c) 5kg for $13.07
   d) 6kg for $18.12

11. Rohit runs a fiancé company that charges its clients $50 per hour for consultations plus $65 for any written quotes. How much money will the company make from three clients who each have a two hour consultation, where one client also requests a written quote?
   a) $195
   b) $215
   c) $365
   d) $385

12. Which of the following is spelled correctly?
   I. Debter
   II. Finance
   III. Management
   IV. Inshorance
   V. Buisness
   VI. Guarantee

Select one of the below answers:
   a) ii, iii, and vi
   b) i, ii,v,vi
   c) i,ii,iii, and v
   d) ii,iii,v,vi
## APPENDIX G

### PROFESSIONAL ORGANISATIONS

<table>
<thead>
<tr>
<th>Name of Organisation</th>
<th>Abbrev.</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Investors Association Ltd</td>
<td>AIA</td>
<td><a href="http://www.investors.asn.au/">http://www.investors.asn.au/</a></td>
</tr>
<tr>
<td>Accounting Professional and Ethical Standards Board</td>
<td>APESB</td>
<td><a href="http://www.apesb.org.au/">http://www.apesb.org.au/</a></td>
</tr>
<tr>
<td>Association for Financial Professionals</td>
<td>AFP</td>
<td><a href="https://www.afponline.org/">https://www.afponline.org/</a></td>
</tr>
<tr>
<td>Association of Superannuation Funds of Australia</td>
<td>ASFA</td>
<td><a href="https://www.superannuation.asn.au/">https://www.superannuation.asn.au/</a></td>
</tr>
<tr>
<td>Australian and New Zealand Institute of Insurance and Finance</td>
<td>ANZIIF</td>
<td><a href="https://anziif.com/">https://anziif.com/</a></td>
</tr>
<tr>
<td>SMSF professionals’ Association of Australia</td>
<td>SPAA</td>
<td><a href="https://www.smsfassociation.com/">https://www.smsfassociation.com/</a></td>
</tr>
<tr>
<td>Association of Independently Owned Financial Professionals</td>
<td>AIOFP</td>
<td><a href="https://www.aiop.net.au/">https://www.aiop.net.au/</a></td>
</tr>
<tr>
<td>CPA Australia Ltd</td>
<td>CPAA</td>
<td><a href="http://www.cpaaustralia.com.au">http://www.cpaaustralia.com.au</a></td>
</tr>
<tr>
<td>Financial Services Institute of Australasia</td>
<td>FINSIA</td>
<td><a href="https://www.finsia.com/">https://www.finsia.com/</a></td>
</tr>
<tr>
<td>Financial Services Council (changed name from Investment &amp; Financial Services Association (IFSA) on 30th June 2010)</td>
<td>FSC</td>
<td><a href="http://www.fsc.org.au/">http://www.fsc.org.au/</a></td>
</tr>
<tr>
<td>Australian Bankers’ Association</td>
<td>ABA</td>
<td><a href="http://www.bankers.asn.au/">http://www.bankers.asn.au/</a></td>
</tr>
<tr>
<td>The Institute of Actuaries of Australia</td>
<td>IAA</td>
<td><a href="http://www.actuaries.asn.au/">http://www.actuaries.asn.au/</a></td>
</tr>
<tr>
<td>Institute of Chartered Accountants Australia</td>
<td>ICAA</td>
<td><a href="https://www.charteredaccountantsanz.com/">https://www.charteredaccountantsanz.com/</a></td>
</tr>
<tr>
<td>The Institute of Public Accountants</td>
<td>IPA</td>
<td><a href="https://www.publicaccountants.org.au/">https://www.publicaccountants.org.au/</a></td>
</tr>
</tbody>
</table>
APPENDIX H

FPA APPROVED DEGREE LIST 2006-2016

(Extracted from FPA Approved Degree List 2006, 2014, and 2016 as courses approved for entry into the CFP Certification Program)

<table>
<thead>
<tr>
<th>Education Provider</th>
<th>2006</th>
<th>2014</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Curtin University of Technology</td>
<td>• Bachelor of Commerce (Financial Planning Major)</td>
<td>• Bachelor of Commerce (Financial Planning)</td>
<td>• Bachelor of Commerce (Financial Planning)</td>
</tr>
<tr>
<td></td>
<td>• Bachelor of Commerce (Accounting and Financial Planning Major)</td>
<td>• Bachelor of Commerce (Financial Planning)</td>
<td>• Bachelor of Commerce (Accounting &amp; Financial Planning) PLUS 326 Estate Planning</td>
</tr>
<tr>
<td></td>
<td>• Bachelor of Commerce (Economics and Financial Planning Double Major)</td>
<td>• Bachelor of Commerce (Accounting &amp; Financial Planning)</td>
<td>• Bachelor of Commerce</td>
</tr>
<tr>
<td></td>
<td>• Master of Financial Planning</td>
<td>• Master of Financial Planning</td>
<td>• Bachelor of Commerce</td>
</tr>
<tr>
<td>Deakin University</td>
<td>• Bachelor of Commerce (Financial Planning Major)</td>
<td>• Bachelor degree</td>
<td>• Master of Financial Planning</td>
</tr>
<tr>
<td></td>
<td>• Master of Commerce</td>
<td>• Master of Financial Planning</td>
<td>• Bachelor of Commerce</td>
</tr>
<tr>
<td></td>
<td>• MBA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Griffith University</td>
<td>• Bachelor of Commerce in Financial Planning and Investments</td>
<td>• Master of Commerce (Financial Planning)</td>
<td>• Master of Financial Planning</td>
</tr>
<tr>
<td></td>
<td>• Master of Financial Planning</td>
<td>• Bachelor of Commerce (Financial Planning)</td>
<td>• Bachelor of Commerce (Financial Planning)</td>
</tr>
<tr>
<td></td>
<td>• Master of Financial Planning (Honours)</td>
<td>• Bachelor of Commerce (Professional)</td>
<td>• Bachelor of Commerce (Professional)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Bachelor of Commerce (Accelerated)</td>
<td>• Bachelor of Commerce (Accelerated)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Bachelor of Commerce (Accelerated) Financial Planning</td>
<td></td>
</tr>
<tr>
<td>University of Western Sydney</td>
<td>• Bachelor of Business (Applied Finance-major in Financial Planning)</td>
<td>• Master of Commerce (Financial Planning)</td>
<td>• Master of Commerce (Financial Planning)/</td>
</tr>
<tr>
<td></td>
<td>• Master of Commerce (Financial Planning)</td>
<td></td>
<td>Master of Financial Planning</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Bachelor of Accounting with specialization in financial planning and taxation</td>
</tr>
<tr>
<td>Education Provider</td>
<td>2006 Qualification</td>
<td>2014 Qualification</td>
<td>2016 Qualification</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>------------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>University of Wollongong</td>
<td>• Bachelor of Commerce (Financial Planning)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>University of Southern Queensland</td>
<td>• Masters of Personal Financial Planning • Postgraduate Diploma in Personal Financial Planning</td>
<td></td>
<td></td>
</tr>
<tr>
<td>University of the Sunshine Coast</td>
<td>• Master of Financial Planning • Graduate Diploma in Financial Planning</td>
<td>• Bachelor of Business (Financial Planning)</td>
<td>• Bachelor of Commerce (Financial Planning)</td>
</tr>
<tr>
<td>RMIT University</td>
<td></td>
<td>• Bachelor of Business in Financial Planning</td>
<td>• Bachelor of Business (Financial Planning)</td>
</tr>
<tr>
<td>TAFE NSW Higher Education</td>
<td></td>
<td>• Bachelor of Applied Finance (Financial Planning)</td>
<td>• Bachelor of Applied Finance (Financial Planning)</td>
</tr>
<tr>
<td>University of Canberra</td>
<td></td>
<td>• Bachelor of Commerce (Financial Planning major) • Bachelor of Finance (Financial Planning major)</td>
<td>• Bachelor of Commerce (Financial Planning major) • Bachelor of Finance (Financial Planning major)</td>
</tr>
<tr>
<td>University of New England</td>
<td></td>
<td>• Master of Financial Services</td>
<td>• Master of Financial Services • Bachelor of Business • Bachelor of Accounting • Bachelor of Business and Bachelor of Law</td>
</tr>
<tr>
<td>University of NSW</td>
<td></td>
<td>• Master in Financial Planning</td>
<td>• Master of Financial Planning</td>
</tr>
<tr>
<td>Charles Sturt University</td>
<td></td>
<td>• Master of Applied Finance</td>
<td>• Master of Applied Finance with studies in Financial Planning</td>
</tr>
<tr>
<td>Kaplan Higher Education</td>
<td></td>
<td>• Master of Financial Planning</td>
<td>• Master of Financial Planning</td>
</tr>
<tr>
<td>Central Queensland University</td>
<td></td>
<td>• Bachelor of Financial Planning • Bachelor of Financial Planning/ Bachelor of Accounting</td>
<td></td>
</tr>
<tr>
<td>Latrobe University</td>
<td></td>
<td>• Financial Planning major</td>
<td>• Financial Planning Specialisation (7 subjects) within a full Bachelor Degree</td>
</tr>
</tbody>
</table>
## APPENDIX I
### STRUCTURE OF FINANCIAL PLANNING 2002

#### Table I-1 Composition of Industry

<table>
<thead>
<tr>
<th>Segment</th>
<th>No. of Business</th>
<th>No. of Businesses Surveyed</th>
<th>Ave. No. Reps</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td>Boutique Advice</td>
<td>88</td>
<td>612</td>
<td>5</td>
</tr>
<tr>
<td>Small Advice</td>
<td>5</td>
<td>34</td>
<td>30</td>
</tr>
<tr>
<td>Medium Advice</td>
<td>3</td>
<td>20</td>
<td>72</td>
</tr>
<tr>
<td>Large Advice</td>
<td>2</td>
<td>17</td>
<td>147</td>
</tr>
<tr>
<td>Financial Services Group</td>
<td>2</td>
<td>17</td>
<td>521</td>
</tr>
<tr>
<td>Industry</td>
<td>100</td>
<td>700</td>
<td>16892</td>
</tr>
</tbody>
</table>

(FPA, 2002 Table 2, p.8)

#### Table I-2 Distribution of Investment

<table>
<thead>
<tr>
<th>Investment Distribution</th>
<th>Boutique Advice</th>
<th>Small Advice</th>
<th>Medium Advice</th>
<th>Large Advice</th>
<th>Finance Group</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Managed Funds</td>
<td>38</td>
<td>42</td>
<td>31</td>
<td>29</td>
<td>28</td>
<td>36</td>
</tr>
<tr>
<td>Superannuation</td>
<td>41</td>
<td>22</td>
<td>15</td>
<td>27</td>
<td>50</td>
<td>41</td>
</tr>
<tr>
<td>Direct Property</td>
<td>2</td>
<td>6</td>
<td>17</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Direct Shares</td>
<td>9</td>
<td>7</td>
<td>15</td>
<td>28</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Listed Property</td>
<td>3</td>
<td>5</td>
<td>3</td>
<td>6</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Syndicated Property</td>
<td>1</td>
<td>1</td>
<td>8</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Tax effective Schemes</td>
<td>0.3</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0.4</td>
<td>1</td>
</tr>
<tr>
<td>Interest Bearing Dep</td>
<td>4</td>
<td>4</td>
<td>9</td>
<td>3</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Other</td>
<td>1.7</td>
<td>12</td>
<td>1</td>
<td>7</td>
<td>4.6</td>
<td>2</td>
</tr>
</tbody>
</table>

(FPA, 2002 Table 28, p.18)

#### Table I-3 Income by Type of fee or Commission

<table>
<thead>
<tr>
<th>Income By Type</th>
<th>Boutique Advice</th>
<th>Small Advice</th>
<th>Medium Advice</th>
<th>Large Advice</th>
<th>Finance Group</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Initial Fees</td>
<td>13</td>
<td>18</td>
<td>3</td>
<td>19</td>
<td>9</td>
<td>13</td>
</tr>
<tr>
<td>Initial Commissions</td>
<td>20</td>
<td>11</td>
<td>12</td>
<td>14</td>
<td>52</td>
<td>21</td>
</tr>
<tr>
<td>Regular Fees</td>
<td>33</td>
<td>37</td>
<td>29</td>
<td>34</td>
<td>11</td>
<td>30</td>
</tr>
<tr>
<td>Regular Commissions</td>
<td>32</td>
<td>21</td>
<td>27</td>
<td>17</td>
<td>23</td>
<td>30</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>13</td>
<td>29</td>
<td>16</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>

(FPA, 2002 Table 33, p.20)

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APPENDIX J

TRANSCRIBED AND CODED INTERVIEW EXCERPTS

Chapter 5

Note: Column 2 Refers to Interview Participant assigned code.

<table>
<thead>
<tr>
<th>Theme</th>
<th>Transcription Excerpt</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFA</td>
<td>E the AFA today represents just over 2000 individual practitioner members and through it corporate partners and corporate licensees around 7000 odd advisors (Interviewee E 2013, interview, 3 May).</td>
</tr>
<tr>
<td>AFA</td>
<td>F the rivalry is between the FPA and the AFA. And the FPA clearly wins (Interviewee F 2013, interview, 25 July).</td>
</tr>
<tr>
<td>Background organisations</td>
<td>R it was called the Australian Society of Investment and Financial Advisors. But they were basically the independent financial advisors, small business, mainly small to medium size business wanting to establish themselves, as I said, as a self-regulatory… as they wanted to build a professional basically. They saw themselves as needing to lay down a regulatory structure of standards, a code of ethics. So, I helped build their first code of ethics (Interviewee R 2017, interview, 23 March).</td>
</tr>
<tr>
<td>Background organisations</td>
<td>R The licensees when I first joined were mainly smaller organisations with some medium sized, but mainly they were small (Interviewee R 2017, interview, 23 March).</td>
</tr>
<tr>
<td>Background organisations</td>
<td>R Not the big banks or anything? …[t]hey weren’t around (Interviewee R 2017, interview, 23 March).</td>
</tr>
<tr>
<td>Background organisations</td>
<td>R Westpac was an early adopter of it (financial planning) …[a]nd the other banks then started to be interested. But, certainly, Westpac was an early adopter (Interviewee R 2017, interview, 23 March).</td>
</tr>
<tr>
<td>Big firms</td>
<td>H we have been very aggressive in trying to take over jurisdictions. Why didn’t we do it with financial planning? Because of this split in the profession, between the big end that really, it wasn’t their focus, and the other end. (Interviewee H 2015, interview, 11 March).</td>
</tr>
<tr>
<td>Commission</td>
<td>S the big boys generally didn't want to be associated with financial planning because that's for that life agent people (Interviewee S 2017, interview, 29 March).</td>
</tr>
<tr>
<td>Communication</td>
<td>R were able to simplify things as a good salesman does but they were also able to give the expertise. In other words, they were using combined selling instinct and capabilities with good analysis and they were the ones that survived (Interviewee R 2017, interview, 23 March).</td>
</tr>
<tr>
<td>Communication</td>
<td>R And they were able to explain things. I personally think they were particularly strong in the skills of selling (Interviewee R 2017, interview, 23 March).</td>
</tr>
<tr>
<td>Culture</td>
<td>A I think the cultural of the accounting firms was that you charge by fee whereas the culture of where these products came from paid by commission… the cultural of both the origins had been a different role from the start and it was that mixing at some point where it became acceptable to some in the accounting firm but most would object to it (Interviewee A 2012, interview, 23 November).</td>
</tr>
<tr>
<td>Culture</td>
<td>B it was a cultural issue, that was linked back to whether or not accountants had the ability to develop sales skills, and into personal relationship skills and accounting had sort of grown off the back of legislature compliance and the</td>
</tr>
<tr>
<td>Theme</td>
<td>Transcription Excerpt</td>
</tr>
<tr>
<td>---------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>need to lodge tax returns, so there was a prime mover for their existence and growth (Interviewee B 2012, interview, 28 November).</td>
<td></td>
</tr>
<tr>
<td>Culture</td>
<td>D accountants have been about the idea of tax and that sort of historical context for such a long time that it’s almost impossible for them to make the cultural transition to future focus, to forward thinking (Interviewee D 2013, interview, 2 May).</td>
</tr>
<tr>
<td>Culture</td>
<td>F I think the reason we didn’t get involved is because of cultural reason (Interviewee F 2013, interview, 25 July).</td>
</tr>
<tr>
<td>Culture</td>
<td>N the accountants traditionally are very conservative and financial planning can be seen as very risky (Interviewee N 2015, interview, 1 May).</td>
</tr>
<tr>
<td>Distribution of products</td>
<td>E I think because financial planning and advice emanated either out of the need for insurance companies to sell product or for fund companies to sell unit trusts or for super companies to sell superannuation or for banks to sell bank products (Interviewee E 2013, interview, 3 May).</td>
</tr>
<tr>
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<td>N the accountants traditionally are very conservative and financial planning can be seen as very risky (Interviewee N 2015, interview, 1 May).</td>
</tr>
<tr>
<td>Distribution of products</td>
<td>E I think because financial planning and advice emanated either out of the need for insurance companies to sell product or for fund companies to sell unit trusts or for super companies to sell superannuation or for banks to sell bank products (Interviewee E 2013, interview, 3 May).</td>
</tr>
<tr>
<td>Education background</td>
<td>A many of the insurance sales people selling these products didn’t have a professional background in terms of educational requirements (Interviewee A 2012, interview, 23 November).</td>
</tr>
<tr>
<td>Culture</td>
<td>F I think the reason we didn’t get involved is because of cultural reason (Interviewee F 2013, interview, 25 July).</td>
</tr>
<tr>
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<td>E I think because financial planning and advice emanated either out of the need for insurance companies to sell product or for fund companies to sell unit trusts or for super companies to sell superannuation or for banks to sell bank products (Interviewee E 2013, interview, 3 May).</td>
</tr>
<tr>
<td>Education background</td>
<td>A many of the insurance sales people selling these products didn’t have a professional background in terms of educational requirements (Interviewee A 2012, interview, 23 November).</td>
</tr>
<tr>
<td>FPA</td>
<td>I The FPA would think that they are the major player. And I think that that is right. I think they are the major player (Interviewee I 2015, interview, 11 March).</td>
</tr>
<tr>
<td>Fund managers</td>
<td>G right up to the stock market crash in the mid-1980s you had … an increase in fund managers with a range of products and they were obviously looking for who was going to distribute them because not everything was vertically integrated as it is now under the big banks … all of a sudden you had an increase in products, you had demutualisation over the years of NRMA, AMP and that sort of thing and consumers all of a sudden had all these opportunities and therefore a more complexity about it (Interviewee G 2013, interview, 29 July).</td>
</tr>
<tr>
<td>Fund managers</td>
<td>J financial products that they can sell to a market that was awash with cash, people looking for areas to invest (Interviewee J 2015, interview, 11 March).</td>
</tr>
<tr>
<td>Fund managers</td>
<td>M I was involved in the early 1980s in financial planning when I reckon we had about four investment products (Interviewee M 2015, interview, 30 April).</td>
</tr>
<tr>
<td>Hijacked</td>
<td>N I think they had the opportunity and they have kind of missed the boat … to actually take over and be the advisors…the industry probably would have been very different (Interviewee N 2015, interview, 1 May).</td>
</tr>
<tr>
<td>Lack of interest</td>
<td>F As far the accounting bodies are concerned, the trouble with a body like ours or the CPA for example is that we’ve got, how many members have we got at the institute, 70 000 … so it’s very hard to focus on one separate thing at any given time, so to say we represent auditors’, well we do that one day. Do we represent liquidators’; well we do that one day? Do we represent financial planners, oh yes we do that too. So we’re not a body that’s focussed on a particular industry or sector (Interviewee F 2013, interview, 25 July).</td>
</tr>
<tr>
<td>Lack of interest</td>
<td>H the main thrust of the profession is led by the bigger firms, and the bigger firms are focused on … that big end, whereas if you are a smaller operator you are not going to get those same clients (Interviewee H 2015, interview, 11 March).</td>
</tr>
<tr>
<td>Lack of interest</td>
<td>R I was talking about wealth management because they tended to be dealing with high wealth clients who had enough, well I’ll say, wealth to be able to pay for that premium service (Interviewee R 2017, interview, 23 March).</td>
</tr>
<tr>
<td>Lack of interest</td>
<td>R I don’t think they’ve devoted enough resources or expertise to it. They’ve got expertise but there’s not enough within their base to warrant it (Interviewee R 2017, interview, 23 March).</td>
</tr>
<tr>
<td>Theme</td>
<td>Transcription Excerpt</td>
</tr>
</tbody>
</table>
They had a special account. A nil interest bearing, NIB. Nil interest bearing. So, if you’re a millionaire you could put your money in a bank and earn nothing and you’d get the pension. Because there were no assets today. Today there’d be a class action. It was criminal… I left the bank and of course I was blatantly promoting Macquarie CMT, as it was then known, to my clients (Interviewee S 2017, interview, 29 March).

Taxation  G  the introduction for example of dividend imputation you add a complication (Interviewee G 2013, interview, 29 July).

Trust  R  I don’t think I was looking at it from the side of the accountants per se. I was looking at it from the perspective of the financial planners and we were seeking to build standards and self-regulation and professionalism within the heart of what we were doing. So, we were sort of latecomers. The accountants had all that, the reputation (Interviewee R 2017, interview, 23 March).

Work  D  from a work environment perspective… if you want to know about … investments you really should go to a financial planner and not an accountant (Interviewee D 2013, interview, 2 May).

Workplace  A  the work was available within accounting practices, because clients had needs for insurance and they had needs for investment advice … you might have an accounting client for a period, say 10-15 years but if you do things right you might have that client for fifty years because of the retirement time (Interviewee A 2012, interview, 23 November).

Workplace  B  I think what happened is the need for advice and the product manufacturing of the outcomes of advice moved more quickly than the profession was able to deliver… look at accounting and medical. I mean they’ve been evolving over hundreds of years whereas … (financial planning) … the need for it got created quicker than the profession could deliver (Interviewee B 2012, interview, 28 November).

Workplace  F  say there’s always been a need, a big need, it’s always existed (Interviewee F 2013, interview, 25 July).

Chapter 6
Note: Column 2 Refers to Interview Participant assigned code.

Accountants and advice  H  It’s always been a bit of a fringe activity of the accounting profession that, depending on various independent rulings and other rulings, has either fallen in and out of favour over time (Interviewee H 2015, interview, 11 March).

Accountants and FSRA  R  So, they [the accountants] didn’t … believe they needed to be licensed (Interviewee R 2017, interview, 23 March).

Accountants as licensee  Q  it’s one thing to turn around and say look at all those big dodgy financial planners over there at Storm, or whatever, look at all the banks, look at all the issues they’ve got, look at this and look at that. You can do that when you’re not linked to the financial planning advice, if you’re providing education it’s different to being a licensee. The moment the CPA body now becomes a licensee, and you can’t legislate, even if they’ve got ethics or whatever, there will be some bad apple, at some point at time. Where something unfortunate happens and if/when that happens, and when that arises and when that something happens with a CPA advisor (Interviewee Q 2016, interview, 22 January).
<table>
<thead>
<tr>
<th>Theme</th>
<th>Transcription Excerpt</th>
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<tbody>
<tr>
<td>ASIC D</td>
<td>the law authorises people to perform service of financial advice, but it doesn’t authorise people to become professionals and so everybody who is a member of the FPA providing professional financial planning is licensed to do so, so they are both licensed and professional (Interviewee D 2013, interview, 2 May).</td>
</tr>
<tr>
<td>ASIC D</td>
<td>ASIC have been, to my mind, flawed in their approach to this, they have made a mistake, a fundamental mistake, in that they refused to support professionalisation, they instead want to support regulation, and they see the two as the same, and they’re not the same. They want to ensure everyone’s regulated, but they’re not actively encouraging professionalisation…. the fact that they would attack the FPA or more accurately not support the FPA, I think is an indictment on ASIC (Interviewee D 2013, interview, 2 May).</td>
</tr>
<tr>
<td>Big firm F</td>
<td>I think the big firms, and I recollect discussions at the time, saw it as a conflict of interest, I think a number of their bigger clients didn’t like the idea of accountants getting involved in financial planning, potentially in competition to their own people internally in the banks and so on, there was a view even with the firms that there was a conflict of interest, because how could they be auditing company X and yet another part of the firm they were packing up the products issued by company X (Interviewee F 2013, interview, 25 July).</td>
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<tr>
<td>Big firm J</td>
<td>[f]or whatever reason, I don’t think the cross-referral stuff happened the way it should have. I am not entirely sure why that was the case, I just don’t think it happened (Interviewee J 2015, interview, 5 May).</td>
</tr>
<tr>
<td>Big firm L</td>
<td>late 90’s or early… (Interviewee L 2015, interview, 4 May). And it could filter back to audit clients. So, eventually the big firms’ audit divisions won that argument…and so they moved out of the financial planning industry (Interviewee L 2015, interview, 4 May).</td>
</tr>
<tr>
<td>Big firm affordability I</td>
<td>we didn’t and the reason for that was that middle market Australia could not afford the fees that we were charging (and) On an hourly rate. Our fees were acceptable to high net worth individuals and we could afford to rebate commissions, and the volume of pieces of advice that we generated where the commission is equalled or slightly outweighed or slightly below the fees that we charged, was I would suggest, &gt;75% of the cases (Interviewee I 2015, interview, 11 March).</td>
</tr>
<tr>
<td>Big Firms I</td>
<td>. And as I say, I think the big four firms failed their clients by not investing the time and effort to come up with a viable solution to deal with the auditor independence issues (Interviewee I 2015, interview, 11 March).</td>
</tr>
<tr>
<td>Big firms S</td>
<td>Not for your self-managed super funds and business, which is primarily what the accountants got, but when you've got a young person how can you afford to service them and give them a financial plan and all of this for not much money and say, particularly at the bigger end of town, Well, we're going to charge you $5000 for this plan or service or whatever. So, that end of town is being left behind. Nobody is going to take them on (Interviewee S 2017, interview, 29 March).</td>
</tr>
<tr>
<td>Big firms J</td>
<td>Hidden within their fees and in times of a rising market, where basically you could not make too many mistakes when you were advising somebody, those fees would have been hidden in the obvious net growth of the fund management. Whereas, our guys charged a fee for service at a true cost (Interviewee J 2015, interview, 5 May).</td>
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<tr>
<td>Big Four I</td>
<td>our problem was that was taking place in a firm which had a different issue (and) Of auditor independence (Interviewee I 2015, interview, 11 March).</td>
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<tr>
<td>Board attitude P</td>
<td>because the institute is almost benign in terms of its technical input apart from tax and IFRS at the time…. It was left to the members to self-organise and self-</td>
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<tr>
<td>manage the issues and then hope they would come forth with suggestions (Interviewee P 2015, interview, 30 September).</td>
<td>The institute never had on its radar as an area of practice [referring to financial planning], it was an ancillary. So that’s what’s happened, it wasn’t a priority it just evolved into a need which was secondary need in the institute’s perspective which was why it was not given the right level of attention, that’s what’s happened (Interviewee P 2015, interview, 30 September).</td>
</tr>
<tr>
<td>if … you can go to one person and get advice on everything and that would be a Nirvana for a client… That’s not going to happen … (Interviewee B 2012, interview, 28 November).</td>
<td>Board attitude</td>
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<tr>
<td>Yeah, but now you’ve got this whole SOA as part of it, and that bogs you down in a whole lot of ways, it’ll lead to an automated type SOA which people won’t read (Interviewee A 2012, interview, 23 November).</td>
<td>Compliance</td>
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<td>you can tick all the boxes on what must be in a compliance form but that doesn’t mean because I have given an explanation it is not actually right…. And there is a huge compliance culture in financial planning. That doesn’t mean that it’s the right way of doing it (Interviewee M 2015, interview, 30 April).</td>
<td>Compliance</td>
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<tr>
<td>how on earth is it in anyone’s best interest, let alone the client or the public’s best interest or indeed the licensee to be issuing documents that go over a couple of hundred pages for financial services guide which nobody reads. And it’s just there as a legal safety net to avoid litigation, or to be used in litigation (Interviewee O 2016, interview, 15 February).</td>
<td>Compliance</td>
</tr>
<tr>
<td>I think the financial institutions have a lot to answer for in perpetuating a system which was fraught with inherent conflict of interest. When KPMG went into the financial planning game we recognised it for what it was. Which was, we cannot possibly hold ourselves out to be acting in the client’s best interest if the client can point to a range of investment options and demonstrate to their own end that all we have done is advise them into the investments that generate the highest commission for us (Interviewee I 2015, interview, 11 March).</td>
<td>Conflicts of interest</td>
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<tr>
<td>financial planning had a strong tie with the insurance industry, the life insurance industry which has its fundamental form of remuneration commission based on remuneration. That was always going to create a conflict (Interviewee I 2015, interview, 11 March).</td>
<td>Conflicts of interest</td>
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<tr>
<td>There is a fundamental conflict between the institutions who have products and sell their products. This is what I said, it needs some independent advice to oversight that (Interviewee P 2015, interview, 30 September).</td>
<td>Conflicts of interest</td>
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<tr>
<td>But if we’re the ones giving them the license, if we’re the CPA body giving them the license, what about … we’re responsible, we’re the licensee (Interviewee Q 2016, interview, 22 January).</td>
<td>CPA license</td>
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<tr>
<td>I think that is without doubt one of the biggest issues that needs to be addressed, that is appropriate for product manufacture and urban distribution as well, and balancing that out, now I’m not saying that everyone that’s operating under a product manufacturer is not providing proper advice but you know it comes down to that whole perception issue (Interviewee G 2013, interview, 29 July).</td>
<td>Distribution products</td>
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<tr>
<td>I think the legal jurisdiction, as far as financial planning is concerned, has always been sound. What hasn’t been sound is the consistency and the clarity of exactly what financial planners’ obligations are to their clients, and I think the legal jurisdiction falls down in that it inevitably comes back to a solution,</td>
<td>Financial Planning - work</td>
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to an information-based solution, i.e. the more information you provide to the client, the better the solution is. Whereas, invariably, what that leads you to is volumes of pages of information which are by and large incomprehensible to the everyday punter (Interviewee I 2015, interview, 11 March).

FPA criticism F wouldn’t call the FPA a professional association, it’s an association that’s attempting to become a professional association (Interviewee F 2013, interview, 25 July).

FPA criticism H they tried to give themselves credibility, but they have got no real stick over the members (Interviewee H 2015, interview, 11 March).

FPA membership P We [accountants] could’ve used the standards enshrined in the profession and applied those standards to the planning profession. But what happened was, the regulators came in and said you’ve got to fix this, and they did it like sheep. They did a crappy little course and they said you’re a planner (Interviewee P 2015, interview, 30 September).

ICA and FP P It relied upon the financial planning committee that met regularly, to monitor the situation and advise the institute (Interviewee P 2015, interview, 30 September).

ICA numbers A They’ve given that space away. The CA’s never really tried … all they did was put in place a specialist financial planning designation, but that was sort of catch up with lost recognition (Interviewee A 2012, interview, 23 November).

ICAA and Financial Planning R I personally think the Chartered Accountants underinvested in it and therefore there wasn’t enough (Interviewee R 2017, interview, 23 March).

Institutions distribution I they had the advantage of doing was again they mapped their own path as to how they migrated out of the securities dealer’s licence into the Australian Financial Services licence. And they were big influences (Interviewee I 2015, interview, 11 March).

KPMG I if I had a financial planner who felt that it was in the best interests of that financial planner’s client to invest in an entity that was an audit client of the firm, it would just set us up for a conflict.…The KPMG experience was managing the independence issues. These were enormously problematic for us and a lot of that was due to the concept of the way in which the financial advisory community was remunerated (Interviewee I 2015, interview, 11 March).

KPMG I it was what I felt to be a problem that KPMG didn’t want to invest in solving (Interviewee I 2015, interview, 11 March).

KPMG I What we want is we want to say to you, if you want to engage us for our advice, we will charge you an hourly rate and thereafter we will charge you a percentage of assets under management. Anything that comes from the provider, we will rebate to you in its entirety (Interviewee I 2015, interview, 11 March).

KPMG I If we at KPMG had to bring in people who understood the basics of wealth management, who understood the, I guess the mechanics of investment management and risk in return. We did do it successfully …I guess, our downfall was in failing to find a solution to something I think we should have been able to find which was how to maintain our auditor independence (Interviewee I 2015, interview, 11 March).

KPMG J a lot of our work historically for high net worth individuals was based on tax advice, and compliance work. But it soon became clear that high net worth individuals did have a need for people to come in and talk to them about what they wanted to do with their existing assets, how they wanted to invest in them for the purposes of providing them income in retirement… so the whole concept
<p>| Theme          | Transcription Excerpt                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |</p>
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<tr>
<td>SEC I</td>
<td>that the SEC requirements probably just lay dormant for a while, and it was only towards the end of the 90’s and the beginning of the 2000s that the SEC rally started to focus their attention on the question of auditor independence and what constituted the audit firm and what constituted in the minds of the SEC breaches of those auditor independence (Interviewee I 2015, interview, 11 March).</td>
</tr>
<tr>
<td>Six-step process B</td>
<td>the financial planning association has developed a series of steps, a process to financial planning (Interviewee B 2012, interview, 28 November).</td>
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<tr>
<td>SMSF S</td>
<td>You got to gobble this business up because one day these financial planners will want to attack this business. And if you've got all the wealth and all the clients there's nowhere for them to come (Interviewee S 2017, interview, 29 March).</td>
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<tr>
<td>Status P</td>
<td>all this was going around at the time the FPA was coming on to the scene… there was a touch of arrogance about what we were and our rights as chartered accountants. So, everyone believed that we were taking the moral high ground because we had the badge of institute (Interviewee P 2015, interview, 30 September).</td>
</tr>
<tr>
<td>Status S</td>
<td>the accounting bodies were a big arrogant. And they said, but we're accountants, we don't need to be licensed. Right? We are professionals. We're university qualified. Because the last thirty or forty years you must be university qualified. We're university qualified. We're professional. Therefore, this licensing is for other people. That was the general attitude. And they kept on lobbying and lobbying the accountants’ exemption (Interviewee S 2017, interview, 29 March).</td>
</tr>
<tr>
<td>Status S</td>
<td>But financial planners now, though, realise that they still don't have the image of accountants. Accountants are still the trusted advisor relevant to financial planners, they're working hard on that (Interviewee S 2017, interview, 29 March).</td>
</tr>
<tr>
<td>Superannuation E</td>
<td>when you’re talking about people’s money you’ve got to have rules in place, and as soon as Australia headed down the mandatory superannuation world, there was a need to regulate…exponential growth of super means prudential governance is critical… and sometimes people need to be protected from themselves, making the wrong decisions; their only answer was to regulate (Interviewee E 2013, interview, 3 May).</td>
</tr>
<tr>
<td>Taxation compliance A</td>
<td>the accountants won’t go any further with it now because they are so tied up with GST …and compliance on a more regular basis (Interviewee A 2012, interview, 23 November).</td>
</tr>
<tr>
<td>Taxation compliance N</td>
<td>I would say you would have the more traditional, older accountant who doesn’t want to be in that space. They want to do, and I hear it, they say “I just want to do what I have always been doing. I have been doing this for forty years and I don’t want to change” (Interviewee N 2015, interview, 1 May).</td>
</tr>
<tr>
<td>Work J</td>
<td>the other reason why we got out at the end of the day… insurance companies and others would just have these factories (Interviewee J 2015, interview, 5 May).</td>
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## Chapter 7

**Note:** Column 2 Refers to Interview Participant assigned code.

<table>
<thead>
<tr>
<th>Theme</th>
<th>Transcription Excerpt</th>
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<tbody>
<tr>
<td>Accountants association</td>
<td>A ICA and CPA chartered accountants are number one and I think CPA makes a difference. They’re battling each other rather than the … I think they’re given up ground on the financial planners role (Interviewee A 2012, interview, 23 November).</td>
</tr>
<tr>
<td>Accounting and Financial Planning</td>
<td>D Accounting and FP Most financial planners who are accountants introduce themselves as an accountant who does financial planning, and there’s often an embarrassment in an accounting firm, if they’ve got financial planning activity, so it’s the thing on the side, despite it being the thing that produces the most income, clients being the most talked to, but there’s a sense that it’s an ugly cousin that we sort of don’t want to have in there (Interviewee D 2013, interview, 2 May).</td>
</tr>
<tr>
<td>Accounting profession and financial planning</td>
<td>F the accounting profession doesn’t represent the financial planning industry, and why should it? We’re a professional body, we’re not there as a lobby group for a particular sector of the industry, or the financial services industry we’re there to provide education and to endow designations which attract the highest level of ethical standards (Interviewee F 2013, interview, 25 July).</td>
</tr>
<tr>
<td>Accounting profession and financial planning</td>
<td>L At the end of the day you can’t regulate against human behaviour and whether there are some bad eggs trading in there somewhere, or whether there is lack of mature supervision, bad ethics in the organisation, I don’t know (Interviewee L 2015, interview, 4 May).</td>
</tr>
<tr>
<td>Advisor changes</td>
<td>C I think we’re getting a stronger group of financial planners who are going forward, who are really customer focused, putting the customer at the heart of everything they do, and that’ll change the whole dynamic (Interviewee C 2013, interview, 29 April).</td>
</tr>
<tr>
<td>AFA</td>
<td>E in terms of our evolution as a profession because we have all come from different places from different bodies that represent the dominant set of that particular group and the AFA is a classic example of that (Interviewee E 2013, interview, 3 May).</td>
</tr>
<tr>
<td>APES 230</td>
<td>The Institute will continue to keep members informed of any updates regarding the development of the Accounting Professional &amp; Ethical Standards Board's proposed standard, APES 230- Financial Planning Services (‘Apes 230: Latest’ 2013).</td>
</tr>
<tr>
<td>APES 230</td>
<td>D Well, the KPMG’s of the world have been out of it for a long time. Dean: But they thought that they were the powers behind APSB. (Interviewee D 2013, interview, 2 May).</td>
</tr>
<tr>
<td>APES 230</td>
<td>F after five years of consultation with 100’s of submissions, with a public statement, two exposure drafts and then a public statement in November, stating that this is the high-water mark, this is what we’re going to endorse in the independent standard set up and then within a month they’d backed down, what are we supposed to conclude? And the industry is now heaving a sigh of great relief because they’ve now got accountants in the bag the reputation of the accounting profession has suffered massively as a result (Interviewee F 2013, interview, 25 July).</td>
</tr>
<tr>
<td>APES 230</td>
<td>F APES 230 There pretty powerful people, when you look around the board rooms of Australia and the financial services industry (Interviewee F 2013, interview, 25 July).</td>
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<tr>
<td>APES 230</td>
<td>F any form of conflicted remuneration was to be banned and there was a five year transition in which to do, trail books the whole thing was to be banned (Interviewee F 2013, interview, 25 July).</td>
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<tr>
<td>APES 230 F</td>
<td>you don’t have to do it, you can take conflicted remuneration (Interviewee F 2013, interview, 25 July).</td>
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<tr>
<td>APES 230 F</td>
<td>The institute to its eternal shame (and) said no, we don’t agree with what APES 230 says and they, I can’t know what actually went on, but behind the scenes after the announcement in November 2012 (and) the APSB backed down (and) We now have two levels of ethics in financial planning, classic compromise, level 1 is what they originally announced, no conflicted payment, total comprehensive ban with a five year phasing in, something like that, that’s good, I’m totally in favour of that. Level 2 however is if you don’t like that, as a member, you can continue to receive conflicted remunerations (and), now we’ve got this unprecedented and extraordinary, quite disgraceful in my view, two-tiered ethical structure within the profession (Interviewee F 2013, interview, 25 July).</td>
</tr>
<tr>
<td>APES 230 F</td>
<td>we have an independent ethical standards body, which is owned by the three accounting bodies, the Accounting Profession Ethical Standards Board, they decided about 6 years ago to try to produce a standard on financial planning, well of course it gave rise to more submissions, than any other standards ever, it gave rise to two exposure drafts, there’s only been one for every other standard, it was highly emotional, needless to say, which is curious to say because a small number of members of the accounting profession are involved in financial planning, but nevertheless those that are very powerful, well connected to the top end of town and into that whole culture of the vertically integrated product market (Interviewee F 2013, interview, 25 July).</td>
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<tr>
<td>APES 230 F</td>
<td>APS 230 is a standard…on financial planning, now after 5 years of consultation and literally 100 submissions, 90% of which were against any disturbance of the gravy train so to speak, on the 16th November 2012, the APSB in Melbourne, publicly announced the banning of all forms of commission, asset fees, kickback (Interviewee F 2013, interview, 25 July).</td>
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<tr>
<td>APES 230 F</td>
<td>they’d [FPA] be able to say look at what the accounting profession has done. Now, I regret to say the accounting profession is treated with some derision, not just in the financial planning industry but in government as well, because we just in the end didn’t have the courage of our convictions, (and) I’m ashamed of us (Interviewee F 2013, interview, 25 July).</td>
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<tr>
<td>APES 230 N</td>
<td>IPA… have actually come out and said they are not adopting ASP230 (Interviewee N 2015, interview, 1 May).</td>
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<td>APES 230 O</td>
<td>one of the aspects of APES 230 was basically dictating to members how to structure their practices and our view at the time, and remains, it goes beyond the FOFA requirements and we couldn’t understand why you would do that. Where you would potentially have accountants at a disadvantage if there was financial planning practice next door to them, the accountant providing exactly the same service would be at a disadvantage…So, our board resisted the application of H230 which caused a little of a fury. On the flip side of all that, we were aligned by our friends in other bodies who were doing that, but on the flip side you had one of the major accounting bodies coming out with its own license (Interviewee O 2016, interview, 15 February).</td>
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<tr>
<td>ASIC and accountants K</td>
<td>ASIC was just under resourced for the number of financial planners that were out there. And I think it is easier for ASIC to look at half a dozen of the audit firms rather than come in an spend a couple of months trawling through a small sample of big audits that (mumbles) financial planners and control a really good resource up to go into detail reviews of the advice they have given… (Interviewee K 2015, interview, 5 May).</td>
</tr>
<tr>
<td>ASIC and accountants K</td>
<td>I don’t think they see it as their place to intervene in the market to create new competition (Interviewee K 2015, interview, 5 May).</td>
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<tr>
<td>Bank and CFP M</td>
<td>Bank and CFP AMP But AMP even from the early day (and) have always promoted, you know, it’s a culture of trying to achieve the pinnacle from the requirement of advice, so they have always been very strongly behind CFP</td>
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<td>Theme</td>
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<tr>
<td>Bank culture</td>
<td>If you are a planner working for a bank, the bank is just going to, you know, if you don’t reach certain targets, they are going to get rid of you, the banks are going to turn their counter staff into earning commissions on trying to sell you other products that feedback from, a lot of the bank officers say “oh, we are forced to do this, we hate doing this” but they are under pressure to do it. Everyone in the bank is under pressure to make certain, reach certain targets and selling financial targets. Now, those individuals, who are either sellers or financial planners themselves who are working for banks, are they going to be upstanding members of some financial planning association? (Interviewee H 2015, interview, 11 March).</td>
</tr>
<tr>
<td>Bank culture</td>
<td>Banks and culture Their lack of compliance, their lack of ethics, their conflicts of interest. You know, I think ethnically they should not be doing it (Interviewee H 2015, interview, 11 March).</td>
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<tr>
<td>Bank culture</td>
<td>Banks are very large, respected institutions of enormous strength and they use that strength in the market place to say, we are not going to fail, we will always be here. People, individuals, come and go but we will be here. We will stand behind you. And that is a very big, powerful marketing tool that creates that positioning with people. But you look at the people who they employ. Number 1. You look at their controls. The Banks themselves were so complicit in designing products that shifted people’s savings out of higher interest accounts into lower interest accounts and they paid their staff a commission on basically reducing the earning capacity of funds (Interviewee H 2015, interview, 11 March).</td>
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<tr>
<td>Bank culture</td>
<td>They are like hired guns working for a bank, they will do whatever they can get away with (Interviewee H 2015, interview, 11 March).</td>
</tr>
<tr>
<td>Bank culture</td>
<td>You would have to be on drugs to think that AMP operates through an altruistic motive… (and) They never have been (Interviewee H 2015, interview, 11 March).</td>
</tr>
<tr>
<td>Bank culture</td>
<td>It was woeful. I mean, I think it was so bad that maybe banks should not be allowed to run financial planning (Interviewee H 2015, interview, 11 March).</td>
</tr>
<tr>
<td>Bank culture</td>
<td>They took over that jurisdiction………. We invest because we are a bank, we are a life insurance company, we are a fund manager (Interviewee I 2015, interview, 11 March).</td>
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<tr>
<td>Bank culture</td>
<td>To be a professional in my view you have to be completely independent so that if anybody working for a bank or an insurance company. Anybody flogging financial products, by definition, could not be a professional. In my view (Interviewee J 2015, interview, 5 May).</td>
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<tr>
<td>Bank culture</td>
<td>There are so many areas of conflict, aren’t there. With planners being employed by the banks, the same companies that are pushing the product (Interviewee K 2015, interview, 5 May).</td>
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<tr>
<td>Bank culture</td>
<td>some of the work we are doing for one of the banks is sort of saying well, you say your vision is to make your customers successful but how come you have this sales group that talks about cross selling product and makes a lot in sales, that is inconsistent with the illusion that I have, how come you have this rewarding tellers or how much they are cross selling in superannuation product or whatever else. Is that really consistent with your, your top down vision of the culture (Interviewee K 2015, interview, 5 May).</td>
</tr>
<tr>
<td>Bank culture</td>
<td>Well, I think there has to be a genuine interest in the best interests of the customer rather than being rogue salesmen (Interviewee K 2015, interview, 5 May).</td>
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<tr>
<td>Bank Culture</td>
<td>I see a lot of the problems of recent time are purely around that, where it has been allowed to be driven by sales and reward (Interviewee M 2015, interview, 30 April).</td>
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<tr>
<td>Bank culture</td>
<td>S they acted like cowboy financial planners. Because they were a cowboy group and they were terrible. So that was the fate they made and then they didn't address it quickly enough. They administered it very poorly, the oversight of that (Interviewee S 2017, interview, 29 March).</td>
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<tr>
<td>Bank staff</td>
<td>R what’s happened in the banks wasn’t the independent financial advisors, it was a failure in oversight and in compliance. And yet, the whole industry suffers. And now we’ve got quite a heavy regime coming in… the government sees that this is important for people to have confidence (Interviewee R 2017, interview, 23 March).</td>
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<tr>
<td>Banks</td>
<td>H But don’t pretend that you are in the game to be altruistic! At least be honest enough and say, “I am in the game to make bucks” (Interviewee H 2015, interview, 11 March).</td>
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<tr>
<td>Big firms</td>
<td>J Then (and) we had conflicts of interest. The big four firms pretty much have the audit market tied up, certainly in the public company audit market. (and) And, there were perceptions of conflicts of interest if you were the auditor of a particular company and your financial planners were advising clients to invest in some pretty good investments at that stage. In fact today, quite frankly, we just wouldn’t be able to do it. Back then it was a little grey (Interviewee J 2015, interview, 5 May).</td>
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<tr>
<td>Big firms</td>
<td>R I see Chartered Accounting firms as very different from what they were. Looking for the outside, they’re international, very large businesses. And so, audit no longer is – it’s one small stream amongst consultancy work and other streams have come through which are generating good income for them. And so, I can’t see that financial planning can match the kind of income opportunities that are there within their business model, from the large (Interviewee R 2017, interview, 23 March).</td>
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<tr>
<td>Clients</td>
<td>I development of the financial planning arena was not designed just to capture this particular volume of clients in the high net worth space, which might have been maybe 5 – 10% of the population (Interviewee I 2015, interview, 11 March).</td>
</tr>
<tr>
<td>Compliance</td>
<td>R Compliance costs if the market fails, government says they’ll have to do something and so they regulate it and they tend to overregulate because they don’t know how to do it. And I have friends still in financial planning who feel that the paper weight – the weight of paper and compliance is so great that they’re looking to leave. Because you actually can’t spend time enough with your client because you’re too busy with the paper work (Interviewee R 2017, interview, 23 March).</td>
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<tr>
<td>Compliance</td>
<td>S Depart industry compliance I could see all this regulation coming down the line. That it was just going to get worse and worse and worse. And it was going to be that much tougher to run the business (Interviewee S 2017, interview, 29 March).</td>
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<tr>
<td>Conflict</td>
<td>F Conflict doctor I go to the doctor, instead of charging you a hundred dollars, I’m going to charge, this is the deal of the century, I’m going to charge you either naught or if I prescribe drugs I’m going to charge 20% of the drugs I prescribe, is that ok? Well clearly not, because he’s got a conflict of interest, he has to prescribe drugs to you, and yet the financial planning industry suggests that’s OK, and that’s the centre point of what I’m saying (Interviewee F 2013, interview, 25 July).</td>
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<tr>
<td>Conflicted remuneration</td>
<td>B Mis selling there’s no demonstrated mis-selling as a result of commissions being in insurance. Whereas there is certainly demonstrated instances mis-selling where commission have been embedded in investments (Interviewee B 2012, interview, 28 November).</td>
</tr>
<tr>
<td>Conflicted remuneration</td>
<td>F You go and see a financial planner, whose receiving conflicted remuneration, well he’s going to be telling you one thing, possibly, and doing another, he’s motivations wrong, so you’d actually trust the used car salesman more than you trust the financial planner (Interviewee F 2013, interview, 25 July).</td>
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<tr>
<td>Ethics and competence</td>
<td>Well for example, you could look at the accounting profession. The overarching professional framework for us is the code of ethics. And so you have the fundamental principles you know, of competence (Interviewee N 2015, interview, 1 May).</td>
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<tr>
<td>Fee for service</td>
<td>If you rebated commissions to your clients, and charged a flat fee or an alley rate, I don't care if you're an accountant or not, or if you work for a bank, but if you operate that way, you're a professional (Interviewee F 2013, interview, 25 July).</td>
</tr>
<tr>
<td>Fee for service</td>
<td>When I was looking at these issues when they were fairly hot it was about the fact of, not just about the transparency, but it was designing something that was in the clients’ best interest. So, I always saw the relationship as fiduciary, that is, I have a duty of care to that client and therefore I will come with open hands and explain exactly what my remuneration is. And there should be, if I stood back and converted the commission charges or whatever as against a fee, that actually should be close to it (Interviewee R 2017, interview, 23 March).</td>
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<tr>
<td>FOFA</td>
<td>FOFA and lobbying whilst we were probably one of only a handful of people that saw everything that was in FOFA and it was lobbied very hard by industry to unwind things like Opt In and Fee For Service sectors, where are we? We are back where Opt In and FTS are on the table and they are part of the requirements and all of the industry has suddenly supported it as the right thing to do. Why? Because they have been through such a, been through the mud so much with everything that has happened with all the CPA advice and everything else, and they are now trying to do things that will try and improve consumer confidence in the area (Interviewee N 2015, interview, 1 May).</td>
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<tr>
<td>FPA</td>
<td>The financial planners speak for the members of that professional association, many of them who are CFP professionals (Interviewee C 2013, interview, 29 April).</td>
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<td>FPA</td>
<td>The FPA would think that they are the major player. And I think that that is right. I think they are the major player (Interviewee I 2015, interview, 11 March).#4</td>
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<tr>
<td>FPA and corporates</td>
<td>The reality was there were corporate limits and until you remove corporate membership you couldn’t change that section (Interviewee B 2012, interview, 28 November).</td>
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<td>FPA and Life agents</td>
<td>But they were primarily life agents and they were represented by the older agents, as well, and those guys were always jumping up and down (and) They even thought the FPA was too close to ASIC (Interviewee S 2017, interview, 29 March).</td>
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<tr>
<td>FPA changes</td>
<td>FPA changes I think the FPA also has enough size to it to invest in that. What has also happened since my time there was that they separated out the large corporates from the individuals. So, it became more about an individual registration or organisation of individual professionals rather than corporate licensees. I think that’s a good thing (Interviewee R 2017, interview, 23 March).</td>
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<tr>
<td>FPA Status</td>
<td>I think it’s [the FPA] is the premier professional association (Interviewee C 2013, interview, 29 April).</td>
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<td>GFC</td>
<td>It’s interesting in the U.K the institutions have kind of been blamed for some of the collapses there and the Global Financial Crisis and all that, whereas here it’s been shared at home to the financial planners which is in some cases justified and some cases not. The institutions have had a role to play in all of this and I think if you look at the objective of public protection which is the way I think I look at it and the public has to be protected from two corners, the advice that they receive and the products that’s constructed (Interviewee B 2012, interview, 28 November).</td>
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<td>Government</td>
<td>If they can’t identify peoples of high net worth, in times of stock market running white hot, they gear them up and create product with margin lending, as with what happened with Storm hence with FOFA there’s a ban asset fees with gearing, which is a classic political compromise (Interviewee F 2013, interview, 25 July).</td>
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<td>Impact on accountants</td>
<td>C  I think that’s more and more likely to happen than accountancy practices buying financial planning practices. Well ones got a high multiple…one’s value is maximising (Interviewee C 2013, interview, 29 April).</td>
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<tr>
<td>Impact on accountants</td>
<td>F  that there’s relatively small numbers of accountants involved in public practice and doing financial planning…under somebody else it appears there’s a relatively small number (Interviewee F 2013, interview, 25 July).</td>
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<tr>
<td>Impact on accountants</td>
<td>F  it would have led to a number of accountants wanting to get involved in courses on financial planning but because of the way that that announcement was finally made, I regret to say we don’t have any reputation in the field of financial planning (Interviewee F 2013, interview, 25 July).</td>
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<tr>
<td>Impact on accountants</td>
<td>G  it is still the client says it is my accountant, even though many, many accounting practices have a financial planning solution in there so from the client perspective the advice they are receiving is, even though it is from the financial planner within the practice, they see it from the accountant (Interviewee G 2013, interview, 29 July).</td>
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<td>Impact on accountants</td>
<td>N  members say it to me all the time, the consistent media and the examples of poor systematic advice that are coming out, members say “why would I want to move into that space?” “why do I want to be seen in that area, you know, we are professional accountants, we don’t want to be caught up in the perception of what financial planners are (Interviewee N 2015, interview, 1 May).</td>
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<tr>
<td>Impact on accountants</td>
<td>O  you could walk in the door of a suburban accounting practice and say I want to do XYZ and the accountant would say, yes that’s fine, I can provide you some structural advice on personal super, so here’s some options to consider. But anything more advanced than that I’ll have to shop you down to my friend down the street, or I might well have a financial planner in my practice. And I think, to that point, clients accepted that was the way it worked, but now I think clients are expecting the one stop shop sought of approach, they want the full range of service from the one practice, they don’t want to be shopped around (Interviewee O 2016, interview, 15 February).</td>
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<td>Impact on accountants</td>
<td>P  No, I don’t think so. I think people evaluate FPA members to their own accountants. Customers and consumers would first seek the advice of the accountants I believe and then if they weren’t satisfied then maybe go to an FPA member (Interviewee P 2015, interview, 30 September).</td>
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<td>Impact on accountants</td>
<td>Q  Institute of Chartered Accountants Charter as a professional peak body our mandate is to act in the … the primary purpose is to act in the public interest, so the public interest override the members interest. (Interviewee Q 2016, interview, 22 January).</td>
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<td>Informed consent</td>
<td>F  because written inform consent, informed consent is not just consent, it’s informed consent, and I would suggest the reason the commonwealth bank caved in and settled on storm, because they didn’t want to stand in front of a judge and prove that all these people that they ripped off or sorry that they sold inappropriately to, it wouldn’t be a good look, I think they well knew that those clients weren’t giving written informed consent, even though they signed every page, they were consenting but they weren’t informed (Interviewee F 2013, interview, 25 July).</td>
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<tr>
<td>Institutions</td>
<td>C  We moved away from commission to free-based advice in 2010 the three years before the legislative change once again, I think there was first mover advantage in that and I think the relationship now where the advice fee, for a planner is set between the planner and client, allows the planner to clearly articulate or develop their customer value proposition, clearly articulate it and a client absolutely knows what they’re paying for in that, and has the absolute right to turn it on or off depending on that (Interviewee C 2013, interview, 29 April).</td>
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<tr>
<td>Institutions</td>
<td>H  I don’t think they have proved that they have the ethical capacity to do it (Interviewee H 2015, interview, 11 March).</td>
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<tr>
<td>Institutions</td>
<td>M I think it was more that if any one of them stopped paying those benefits, then would they stop receiving business (Interviewee M 2015, interview, 30 April).</td>
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<td>Investments</td>
<td>N Investments comes down to that risk, and the fear that if they provide advice that is not going to benefit their client because, you know, the product underperforms, it reflects back on them (Interviewee N 2015, interview, 1 May).</td>
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| Jurisdiction    | D there is a blurring between accounting and financial planning in a number of those areas, but I do think that there is sufficient clarity that if I had to make a judgement on that I would have to say financial planners do have jurisdiction in those areas (Interviewee D 2013, interview, 2 May).  
(Note: Additional interview excerpts are in Appendix J Chapter 7 under regulation theme)                                                                                                                                                                                                                                                                                                                                                     |
<p>| Legal           | B I just think you might remember this day as the day that enshrinement was announced and it’s very poignant for your piece of research (Interviewee B 2012, interview, 28 November).                                                                                                                                                                                                                                                                                                                                                     |
| Legal           | B maybe the legal jurisdiction has leap frogged the public acceptance, work environment’s been sorted out (Interviewee B 2012, interview, 28 November).                                                                                                                                                                                                                                                                                                                                                     |
| Legal           | C when things go wrong you get the laws you deserve (Interviewee C 2013, interview, 29 April).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Legal           | D I think the next 12/ 18 months are going to shock the hell out of the accounting community, as those accountants who say well we’ve been doing this, you hear it all the time, we’ve been doing this a long time, and this is easy, but they’re doing it wrong and illegally (Interviewee D 2013, interview, 2 May).                                                                                                                                                                                                                                                                                     |
| Legal           | D I suspect that many accountants will be able to tick what they’ve been doing against the process of the law, because the laws pretty low, but it’s not been a professional financial planning process that they’ve been engaged with, it’s not been complex in terms of a deep understanding of the client’s goals and wishes and needs, and official structures and all the rest of the stuff that goes on (Interviewee D 2013, interview, 2 May).                                                                                                                                                                                                                      |
| Legal           | I I don’t think there is enough effort being put in place by the chartered accountants, the CPA and the FPA to come up with an agreed accreditation that enables people to say that they are credentialed, so as to get financial advice to individuals (Interviewee I 2015, interview, 11 March).                                                                                                                                                                                                                                                                                                                                 |
| Legal           | N We had been opposed to regulating the term financial advisor because we think it is too broad and it also doesn’t align with what you actually do, which is provide financial planning advice (Interviewee N 2015, interview, 1 May).                                                                                                                                                                                                                                                                                                                                                     |
| Legal           | N we don’t support, in principle, the regulation of terms, I mean “accountant” is not a regulated term (Interviewee N 2015, interview, 1 May).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Legal recognition | H Legal jurisdiction do you feel that financial planners have the right to claim jurisdiction over the legal name Financial Planner. And then have that enshrined, that they are the only ones that would give advice. No, no. Not at all (Interviewee H 2015, interview, 11 March).                                                                                                                                                                                                                                                                                                                                                     |
| Lobbying        | J the coalition government tried to change some of the regulations… I guess that was because of lobbying from those major institutions… I think there is still a lot of clout that the large institutions have (Interviewee J 2015, interview, 5 May).                                                                                                                                                                                                                                                                                                                                                     |
| Market forces   | M And I still remember the conversations with the head of the now FSC saying “Well, the market will dictate” and that was their approach, so they didn’t want to change anything (Interviewee M 2015, interview, 30 April).                                                                                                                                                                                                                                                                                                                                                     |
| Membership breakup | E Accountants and FP big four In a sense and it was probably the big 4, you know industry leadership happens in the giant partnerships, well once they stepped out of it the second tier’s jumped in because they could see the opportunity (Interviewee E 2013, interview, 3 May).                                                                                                                                                                                                                                                                                                                                                     |
| Membership breakup | F Accountants and auditors As far the accounting bodies are concerned, the trouble with a body like ours or the CPA for example is that we’ve got, how many members have we got at the institute, 70 000 or something? (and) so it’s very hard                                                                                                                                                                                                                                                                                                                                                     |</p>
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<td>to focus on one separate thing at any given time, so to say we represent auditors’, well we do that one day. Do we represent liquidators’; well we do that one day? Do we represent financial planners, oh yes we do that too. Do we represent forensic accountants, oh yes we do that too. So we’re not a body that’s focussed on a particular industry or sector (Interviewee F 2013, interview, 25 July)#4.</td>
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<tr>
<td>Participation</td>
<td>E there wasn’t leadership from the big ones it was rather left to the second tier’s…. But, at a professional body level, the associations didn’t go (Interviewee E 2013, interview, 3 May).</td>
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<td>Participation</td>
<td>L the conservative nature of accountants was dominant and it is hard to imagine some of the practices that are common place today being accepted in the late 1980’s. I just don’t think they were palatable to the older generations, if I can put it that way (Interviewee L 2015, interview, 4 May).</td>
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<td>Participation</td>
<td>N accountants are the trusted advisor and moved into this space they would be a dominant source of advice and the clients would see value in it…they feel without implementing the financial planning arm, they will be left behind (Interviewee N 2015, interview, 1 May).</td>
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<td>Participation</td>
<td>O over a third of our intake every week is coming from the other bodies. And they are generally smaller practitioners who are saying, well I’m not so focused on things like brand recognition I just want good service and practical advice. I want good information. And we’re finding that, and in discussion with those members, you know they are generally interested in the financial advisory space (Interviewee O 2016, interview, 15 February).</td>
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<tr>
<td>Participation</td>
<td>R you put in a fiduciary test, it’s a high test. It’s almost a trusteeship test. Which puts a very high obligation in the relationship and, you know, maybe – well, I don’t know why accountants these days are not into it, but I think it’s maybe because there’s not enough margin or the banks came in and made it a commodity. And where was it? So I think the large accounting firms, at one stage there, and the banks or the – more the merchant bank or the international bank – have what they call high wealth clients which they provide the full range of services to (Interviewee R 2017, interview, 23 March).</td>
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<tr>
<td>Participation</td>
<td>R a lot of people say, “Oh, I’m not going to go there. There’s too much trouble. There’s too many problems.” So, there’s a negativity about it (Interviewee R 2017, interview, 23 March).</td>
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<tr>
<td>Profession</td>
<td>C Profession I do with my financial planner and I would say he is absolutely professional. But over time, around education, ethics, experience and enforcement, the four e’s there, I think we’re there, and I we’re not far there, you know we could wake up in 6 months’ time and people say, yeah it’s a profession (Interviewee C 2013, interview, 29 April).</td>
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<tr>
<td>Profession</td>
<td>E Profession Yes, it is still very early days you know FSR was probably the start of the unbundling process. FOFA?? Is at another level again, what’s it going to take a generation I mean how long did it take for the accountants to develop from whatever they were doing to become the trusted profession as they are currently seen. Two three four five generations, it feels like we are still in the first generation (Interviewee E 2013, interview, 3 May).</td>
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<tr>
<td>Professional associations</td>
<td>B promoting the public that FPA members are different as they’ve signed up to something that is there to protect the public with professional conduct and standards (Interviewee B 2012, interview, 28 November).</td>
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<td>Professional Associations</td>
<td>B it’s the same with accounting, the vast majority of accountants are employed in either industry or all the big firms. So I guess everybody who is not used to being a professional in the sense of being in a professional association is still coming to grips with what that means and what it actually means is that it’s your and a lot of it goes back to ethics and signing up to that ethical framework and it’s how when you’re faced, which everybody is faced with every day, in a situation you’re faced with a conflict of interest… you have to use ethical reasoning to navigate your way around that, and part of profession for individuals is that you’ve got that</td>
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<td>Professional associations</td>
<td>B We don’t believe financial planners who haven’t signed up to a professional association, and a coded professional practice and specifically undertaken studies in terms of certification through CFP, we don’t believe that they do deserve the public trust as much. There’s some proof on that (Interviewee B 2012, interview, 28 November).</td>
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<td>Professional associations</td>
<td>B The slam dunk step would have been at this time to say we will enshrine the term and to be able to utilise that term you have to be a member of a professional association (Interviewee B 2012, interview, 28 November).</td>
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<tr>
<td>Professional associations</td>
<td>B their position is run by financial planners for financial planners and run by advisors for advisors. So you can’t have that as a professional association because the public interest already doesn’t get into there. That becomes a trade association and you’ve got to have substance behind your code and you’ve got to have an independent body that administers that code (Interviewee B 2012, interview, 28 November).</td>
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<tr>
<td>Professional associations</td>
<td>D How do we get professions to take on that regulation, to regulate the content? How do we get professions to act professionally so the law needs to do less (Interviewee D 2013, interview, 2 May).</td>
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<tr>
<td>Professional Associations</td>
<td>E Professional associations So the associations act for their members. So because this industry is professionalising and we are still in kindergarten if you like it is still early days (Interviewee E 2013, interview, 3 May).</td>
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<td>Professional associations</td>
<td>N Public interest So I think the FPA are becoming a more prominent voice and seen as a professional voice whereas there is a lot of associations out there who are member focused and not looking at it from a public interest perspective (Interviewee N 2015, interview, 1 May).</td>
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<td>Professional associations</td>
<td>O Owning financial planning I think the easy way is to have government legislate, I don’t think that’s the answer. I think the whole proposition should be in my view, driven by what the client wants. The issues is; who owns this space, why are we having these heavy regulations. The reality is nobody owns the financial planning space in Australia. Nobody has a mortgage on it, it’s owned by the client. The client’s the one who owns the market. And really it’s got to be a client driven approach (Interviewee O 2016, interview, 15 February).</td>
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<td>Public acceptance</td>
<td>A Well, public acceptance, I think the FPA’s trying hard to make financial planners accepted by putting out positive advertisements probably promoting themselves and running surveys to see the public acceptance. I think they’re gaining some ground (Interviewee A 2012, interview, 23 November).</td>
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<td>Public acceptance</td>
<td>C I think the public acceptance, those who use financial planners the public acceptance is high. But it’s getting the perception out to broader, I think 1 in 5 Australians who should use planners, do. I can’t wait to get it to 2 in 5, or 3 in 5 (Interviewee C 2013, interview, 29 April).</td>
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<td>Public acceptance</td>
<td>D I think if you say, if you take public acceptance to mean, does the public believe financial planners have jurisdiction, they do. But if you public acceptance to mean, do consumers trust them, that’s a different question (Interviewee D 2013, interview, 2 May).</td>
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<td>Public acceptance</td>
<td>E when done well public acceptance is fantastic. However when you take a broader view and you go into all people whether they do or don’t have an advice relationship and overlay that with public failures storm was a prime, trio, what you end up getting is a far smaller number. So to the public acceptance piece in my view as a profession we haven’t yet cracked it (Interviewee E 2013, interview, 3 May).</td>
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<tr>
<td>Public acceptance</td>
<td>H The FPA would like to be there, I’m sure, but they are not supported by any sort of legislation or any professional qualifications, (and) or have any great respect in the marketplace. (and) the public (Interviewee H 2015, interview, 11 March).</td>
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<tr>
<td>Public acceptance</td>
<td><strong>H</strong> They are held in low esteem and by people who have a bit more knowledge, they are held in absolute and total contempt (Interviewee H 2015, interview, 11 March).</td>
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<tr>
<td>Public acceptance</td>
<td><strong>K</strong> I think it is a long way off. Because I just don’t think…we really don’t have the public acceptance yet (Interviewee K 2015, interview, 5 May).</td>
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<tr>
<td>Public acceptance</td>
<td><strong>N</strong> I think if you looked at the public perception, I don’t think you would see financial planning as recognized as a profession (Interviewee N 2015, interview, 1 May).</td>
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<tr>
<td>Public acceptance</td>
<td><strong>O</strong> The core elements are there, one, is there public acceptance? From the external point of view, is there that trust? Is this really a specialist area of expertise to qualify as a profession? How rigorous are the ethical and professional standards? Is there a track record or robust educational standards which are recognised as being educational standards set independently, as happens in the accounting profession. And then what standard of insurance quality hovers over that? So I think there’s probably a race to run on that particular question? (Interviewee O 2016, interview, 15 February).</td>
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<tr>
<td>Public acceptance</td>
<td><strong>Q</strong> People didn’t realise when they were being sold the thousand dollar life policy that the life insurance was getting 130/140 % of that value. And as an accountant you look at that and go, hang on, if someone is paying $1000 and that person is $1300 that’s magic money. How are you getting paid more than what I’ve just paid? So that inherently creates distrust? (Interviewee Q 2016, interview, 22 January).</td>
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<tr>
<td>Public acceptance</td>
<td><strong>S</strong> I don't think public acceptance is there (Interviewee S 2017, interview, 29 March).</td>
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<tr>
<td>Registration</td>
<td><strong>I</strong> Registration we do this with auditor registration, we do this with Tax Agents Registration, so why is it that we seem to be fumbling and (and) falling over ourselves in terms of the registration of accredited financial advisors (Interviewee I 2015, interview, 11 March).</td>
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<tr>
<td>Regulation</td>
<td><strong>D</strong> they’re prepared to subject themselves to professional oversight or regulation, they do not deserve the title of professional (Interviewee D 2013, interview, 2 May).</td>
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<tr>
<td>Regulation</td>
<td><strong>E</strong> there’s harmonisation or synchronisation of regulators and regulatory issues globally is one of the drivers, and coming out of the GFC, so much of this regulation happened, one. Two, superannuation, lots of money, can’t have let it failed, and three if there’s bad practices, where’s the evidence, well Storm, APIS, Trio, there’s enough evidence, so we need to get in a regulate (Interviewee E 2013, interview, 3 May).</td>
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<td>Regulation</td>
<td><strong>O</strong> Regulatory oversight the fact that there has been some market failures in the financial services sector which has probably shine a light onto some of the deficiencies in the oversight, both from the professions points of view, but also think in terms of government and regulatory oversight. (and) So yeah I think there’s really a mixed bag in the sense of how financial planning’s evolved (Interviewee O 2016, interview, 15 February).</td>
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<tr>
<td>Regulation interference</td>
<td><strong>E</strong> Murders against the law and there’s murder’s every day, and this is the tension if you like, the balance, about getting the right regulation, the right amount of regulation that actually impacts the industry or the profession the right way. Because no amount of regulation is going to stop murder, no amount of regulation’s going to stop fraud, and so every profession’s had their bad eggs and their rogue’s, the question is it systemic or not? And of the course the industry mounted a very big argument to say that Storm was not a systemic, what storm did was not systemic, and I think that’s proven to be true (Interviewee E 2013, interview, 3 May).</td>
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<td>Regulation reason</td>
<td><strong>F</strong> The heavy regulation is really caused by a series of regular disasters, storm, west point, the huge mis-selling scandal of the mid 1990’s that went on in the UK of</td>
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<tr>
<td>Regulation reason G</td>
<td>it is highly emotive when people consumers lose their investment dollars, their retirement savings (Interviewee G 2013, interview, 29 July).</td>
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<tr>
<td>Regulation reason H</td>
<td>I don’t think regulation by itself is the answer. You really need to bring about a cultural change and to bring about change, you don’t just bring in, you know, legislation. I mean, if that doesn’t work, well, we will bring in another 500 pages and if that doesn’t work, we will bring in 2000 pages (Interviewee H 2015, interview, 11 March).</td>
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<tr>
<td>Regulation reason J</td>
<td>Whenever there is a major failure and people lose a lot of money. (and) it really focuses the law makers (Interviewee J 2015, interview, 5 May).</td>
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<tr>
<td>Regulation reason J</td>
<td>Do you think regulation needs to get control or to um….When you have got all the trillion dollars sloshing around, trying to find a … and “financial planners”, having a key role in helping people make decisions about where that is actually parked, then I think you have got to have pretty tight rules and regulations around what is a financial planner and how they operate (Interviewee J 2015, interview, 5 May).</td>
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<tr>
<td>Regulation reason O</td>
<td>It was pre-emptive legislation that came in. And the rationale that we used was that we want to prevent a systemic failure, we want to make sure that Australian’s have access to affordable financial advice? (Interviewee O 2016, interview, 15 February).</td>
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<td>Remuneration Q</td>
<td>I should be able to charge an appropriate fee or even commission because I can put a value, I’m a price maker, I’m providing a valuable service (Interviewee Q 2016, interview, 22 January).</td>
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<td>Representation D</td>
<td>I certainly think the accounting profession certainly has a role in the financial planning sector in that accounting is a professional service and financial planning is a related professional service, and accountants are professional service providers, so it should have been a relatively easy marriage, if not transition from the accounting domain (Interviewee D 2013, interview, 2 May).</td>
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<tr>
<td>Representation E</td>
<td>But you are entirely right, there is a big difference in regions versus cities, and your experiences have proven that (Interviewee E 2013, interview, 3 May).</td>
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<tr>
<td>Representation G</td>
<td>a chartered accountant, you’re a member of the institute and who knows really what you do except for what you tell us on an annual basis (and) I know that we have a minimum of about 2000 members, and this is where it’s quite interesting, how you actually position it, we have 2000 members that I would classify as authorised representatives of financial planners but only suggest that the majority of firms would provide a service of financial planning service of some kind (Interviewee G 2013, interview, 29 July).</td>
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<tr>
<td>Representation H</td>
<td>I don’t really see the institute doing it. I guess they could if they wanted to and it could be a subgroup sitting out there. But as I said, there are lots of other things on their plate (Interviewee H 2015, interview, 11 March).</td>
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<tr>
<td>Representation I</td>
<td>we would have gone about that differently rather than turning around and saying. Well, you know, there must be, surely we should be the people providing this advice. I mean, that is why I say there is a degree of arrogance about the way in which the Institute approached this and, you know, now we find ourselves in the situation where organisations are being held to account for the appalling performance of their employees, in terms of provision of financial advice. What the regulators should be doing is more focus on how across the breadth of those that might claim to be providers of financial advice, they can ensure that the quality of advice being provided is at the requisite level rather than spending all their time on bashing up (and) The wrong-doers (Interviewee I 2015, interview, 11 March).</td>
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| Representation K | Well, as I say, I don’t have a sense that there is any desire by the institute to get heavily involved with it again. (and) I don’t sense that there is the overtone from
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<tr>
<td>Representation K</td>
<td>the regulators to have accountants heavily involved in it (Interviewee K 2015, interview, 5 May).</td>
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<td>Representation K</td>
<td>if accountants who were truly independent of product manufacturer had taken a leading role earlier and had used the tools they had in effectual financial plans and produce and forecasts (Interviewee K 2015, interview, 5 May).</td>
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<td>Reputation K</td>
<td>I’m sure all accounting bodies could take a position in the industry if that was, you know what they had a desire to do, and the members were keen to…keen to push that. (and) I think the institute has an obligation (Interviewee K 2015, interview, 5 May).</td>
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<td>Reputation J</td>
<td>I think it is pretty poor at the moment. Yes. I mean like the stories that have come out around the people who have been duped by unscrupulous planners. Once again, attached to the banks and this has really tarnished the reputation. (and) It’s not just the banks, its institutions, basically isn’t it? It is, yes (Interviewee J 2015, interview, 5 May).</td>
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<td>Reputation L</td>
<td>And if my memory is correct, at that point in time some people in the industry didn’t enjoy the greatest of reputations (Interviewee L 2015, interview, 4 May).</td>
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<tr>
<td>Risk profile J</td>
<td>I mean some basic homework will tell you that the sector and stocks which probably form that person’s risk profile and you wouldn’t want to put them into it (Interviewee J 2015, interview, 5 May).</td>
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<td>Sale of practice D</td>
<td>there was probably an opportunity for the accountants to own financial planning, I’m now of the view that frankly there’s more likely an opportunity for financial planning to own accounting (Interviewee D 2013, interview, 2 May).</td>
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<td>Scandals C</td>
<td>Scandals affect I think overtime that perception will change, but we’re dealing with a history there and a few public failures of licensee’s, which unfortunately hangs around a while, those sorts of perceptions (Interviewee C 2013, interview, 29 April).</td>
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<td>Settlement F</td>
<td>We rolled over into the interests of the industry… and to our eternal shame,…we know, everyone knows, ASIC knows, the treasury knows, the whole world knows, everyone knows (Interviewee F 2013, interview, 25 July).</td>
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<td>Settlement F</td>
<td>it’s a relatively small number and the financial planning association represents a relatively small number of them, to be fair I think that the financial planning industry is trying to lift its game, sorry the financial planning association is trying to lift it’s game, and there are people in there with good will but the problem is that on their board … this is where there has to be Mr. X … on that board you’ve got a whole lot of vested interests (Interviewee F 2013, interview, 25 July).</td>
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<tr>
<td>Settlement G</td>
<td>The licensee is the one that authorises the financial planner, which is a very different framework of how you actually going to operate. Which is why it’s going to be interesting going forward for the accounting profession to see with the removal of the accountants exemption, how are they going to operate going forward (Interviewee G 2013, interview, 29 July).</td>
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<td>Settlement G</td>
<td>10 years down the track, its 2013 and FOFA has come into play. The industry I think took the first proper steps by trying to remove commissions on investment products, they’ve been removed, there was debate about whether there would be commissions on insurance and the government review (and) said yes there should be and then they went back and said no not at this particular stage (Interviewee G 2013, interview, 29 July).</td>
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<tr>
<td>Settlement J</td>
<td>Do you think it’s too late for accountants to take control of this, or not? Look, it might be. I think there is a lot of heavy players in this industry now, with a lot of games and… (and) It could be banks, institutions, yes. And, yes, I think trying to get them on board will prove tough (Interviewee J 2015, interview, 5 May).</td>
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<tr>
<td>Settlement K</td>
<td>I think there is always a jurisdictional fight. As you say, particularly in the super stakes, where there is a whole raft of different union related or industry related bodies that have currently got the carriage of superannuation savings and are trying to maintain it (Interviewee K 2015, interview, 5 May).</td>
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<tr>
<td>Settlement</td>
<td>M So, I think accountants are still trying very hard to make financial planning work but a lot of them, it’s not their natural fit in terms of, unless you have done financial planning, they don’t really understand how the two intersect anyway (Interviewee M 2015, interview, 30 April).</td>
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<tr>
<td>Settlement</td>
<td>O until you have a situation where the majority of FPA members are qualified and retrained and receive the educational standards I think they’re going to be plagued by this issue of compliance-based mentality rather than quality (Interviewee O 2016, interview, 15 February).</td>
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<tr>
<td>Settlement</td>
<td>Q I like to think that we as accountants that we can overtime regain that … the accountant retains a very trusted role (Interviewee Q 2016, interview, 22 January).</td>
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<tr>
<td>Skill set</td>
<td>E accountants in the main, in my experience, have been, “Look, you’re not an accounting problem, I can’t sort it for you.” I’ll help you do your tax return, at the SME level I’ll help you set up companies, I’ll do your returns, but to add on to that the personal financial requirements is … it’s a whole different skill set (Interviewee E 2013, interview, 3 May).</td>
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<tr>
<td>Skills</td>
<td>M Financial planning tasks and we don’t know about structures and we don’t know about super, but increasingly that space went to the financial planners (Interviewee M 2015, interview, 30 April).</td>
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<tr>
<td>SMSF</td>
<td>S the place to be is self-managed super funds. And they don't do administration and so then you've got some administration peak bodies come along to do the administration and financial planners more and more have attacked self-managed super funds, the advice side. Not many of them still don do the administration, they outsource that to various parties (Interviewee S 2017, interview, 29 March).</td>
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<tr>
<td>Standards</td>
<td>N you have the NAB, CBA, Macquarie, all these examples coming out every day and now through enquiries they are quite prominent and in the media. You have issues with the quality of the training being brought up day after day, you have issues about no professional standards in the industry (Interviewee N 2015, interview, 1 May).</td>
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<tr>
<td>Storm and Compliance</td>
<td>E Now you take the example of Storm financial were compliant, but they weren’t very professional. (and) Because they were compliant they were ticked off as being OK, but the advice was wrong. So, who is going to monitor that sort of behaviour? I mean that if they are not a member of an association ASIC is not going to (and) … They were a member of an association (Interviewee E 2013, interview, 3 May).</td>
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<td>Storm Financial</td>
<td>C Now, I don’t think there’s enormous bits of bad advice out there, but you get the pockets, and you judge by your weakest chain, weakest link of the chain. The storm example, I’m always resistant to mention, because it just opens wounds, is a case where those financial planners were very compliant. Clients signed every page from what I saw but the strategy was very wrong and the strategy was driven by greed. Not just with the planner but with from the client as well (Interviewee C 2013, interview, 29 April).</td>
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<td>Storm Financial</td>
<td>C But the whole strategy around double-gearing was something we’d never permitted here, we would not permit it, it’s foolish and especially from people who own their own home and come in debt free, to suddenly be double geared was folly. But people just believe it and the greed of the client, ‘oh, they’ll get better returns,’ is nonsense (Interviewee C 2013, interview, 29 April).</td>
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<td>Taxation registration</td>
<td>B It’s our position for some time that the exemptions shouldn’t be there and I just think this will clarify the situation. I think this is the quid pro quo for the financial planners coming under the taxation practitioners law (Interviewee B 2012, interview, 28 November).</td>
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<td>Taxation registration</td>
<td>F the accounting bodies at the moment are having conversations or arguments with the financial planning association over the role of accountants with tax advice (Interviewee F 2013, interview, 25 July).</td>
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<tr>
<td>Taxation registration</td>
<td>N The other thing that I think that complicates this area, just in terms of a legal framework is the overlap between tax advice and financial planning advice and planners now also have to be registered as a tax financial advisor. (and) Yes, and then you have also got, you throw into that credit, cause credit comes into any policy advice, so potentially you know, for a financial planner to provide holistic advice, they need three levels of registration or licensing which is another barrier to wanting to move into this space. For an accountant it is probably not too bad because they might already be a tax agent but they certainly won’t be a credit representative (Interviewee N 2015, interview, 1 May).</td>
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<tr>
<td>Taxation registration</td>
<td>N We have had many discussions with regulators such as ASIC prior to tax financial advisory services being regulated and our response to ASIC was “you’ve given guidance for example about a transition to retirement strategy which is really tax advice because it is built on a tax strategy, will this become tax advice post this regime beginning” and ASIC said well no, if its financial product advice it stays financial product advice but it might also be tax advice. (and) you have an advice area that is, convoluted in a way because you have the same piece of advice can come under one, two or potentially three different levels of licensing… (Interviewee N 2015, interview, 1 May).</td>
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<tr>
<td>Too broad</td>
<td>N individual topics in two days limited It’s a national qualification that any RTO can apply…the only thing that the diploma of financial planning actually equips you to give advice in, is financial planning. It doesn’t cover super, insurance, investments, any of these areas. (and) So, you have RTOs out there offering two day qualifications, and things like this. To become qualified (Interviewee N 2015, interview, 1 May).</td>
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<td>Treasury power</td>
<td>R there is a tolerance point – a tipping point in failure and there is back pressure coming from consumer groups and others about that failure. And you get an uplifting of it within hearings and other stuff and then you find you often, as a regulator, you’ll find a minister or some people in the system – particularly out of treasury – who feel strongly about it. So, sometimes why something’s happened, there’s a build-up….So, out of those reforms the banks then push back, and others push back, to say that we can’t live with that level of regulation, so, you get modification (Interviewee R 2017, interview, 23 March).</td>
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<td>Trio</td>
<td>E Trio, there’s enough evidence, so we need to get in a regulate (Interviewee E 2013, interview, 3 May).</td>
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<tr>
<td>Workplace</td>
<td>A I think the financial planning has received an adverse name from the negative publicity, from the crashes and various disaster which have been made by members of the financial planning association (Interviewee A 2012, interview, 23 November).</td>
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<tr>
<td>Workplace</td>
<td>B I think in terms of jurisdiction there’s been a massive step today announced to enshrine the term financial planning or advisor (Interviewee B 2012, interview, 28 November).</td>
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<td>Workplace</td>
<td>F I think there’s about 20 000 people claiming to be financial planners, something like that (Interviewee F 2013, interview, 25 July).</td>
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<td>Workplace</td>
<td>F we have a huge role, in financial planning it’s obvious we’ve got the client base, we’ve got the trust, we’ve got all of that stuff, but regrettably a number of our members have become involved in product selling, we saw this with trees and films before that, we see it regrettably all the time and our profession is loath to sit upon those people, because they’re very noisy and they’re very well connected with the big end of town obviously, you have a vested interest in continuing that culture, so yes we have a big role (Interviewee F 2013, interview, 25 July).</td>
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<td>Workplace</td>
<td>G one of the challenges for the financial planning industry is that the corporations act is all about financial product advice, it’s not about financial advice or strategic advice it’s about financial product advice and that’s one, probably one of the biggest challenges that financial planning has is moving away from the perception</td>
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that it’s all about financial products advice. Which is not how professional accountants look at it (Interviewee G 2013, interview, 29 July).

Financial advice is a very generic term and you know, we would have accountants who consider themselves providing financial advice (Interviewee N 2015, interview, 1 May).

I think that is why you have not seen a big shift from accountants moving into this space (Interviewee N 2015, interview, 1 May).

They would see themselves as strategic advisors but not product advisors (Interviewee N 2015, interview, 1 May).

they actually have too much business because people trust them. So public acceptance is really posited around trust and confidence (Interviewee R 2017, interview, 23 March).

Accountants why aren’t accountant’s part of it? I think we’ve been over that. They’ve been regulated out of it really, and it’s become hard for them to get back in there. Maybe it’s too easy, maybe … the issue was in those days, I think you had to do a six-week course to become a financial planner. The attitude was, well we’re not going to compete with those guys, they’re not worthy to compete with. The FPA got its’ legal standing and rules changed, that’s how it got in there so quickly and so easily because the CA’s and the CPA’s wouldn’t compete because they thought it beneath them to compete. Brian: Yes, because of the course. David: Yeah, that’s right (Interviewee P 2015, interview, 30 September)

not advise on the product because most accountants would it takes a lot of keeping up to technically … (Interviewee B 2012, interview, 28 November).

Skills Firstly I think there are definitely different skills between accountants and financial planners, and on your point before, one of the reasons accountants didn’t take the space is because it’s a different skill. Accountants aren’t all that good at looking forward and planning for the future in terms of goals and that and asking the personal questions that are really important to planning in the space (Interviewee C 2013, interview, 29 April)

if we left it alone in the hands of industry it would be perverted to the point of uselessness, if we left it in the hands of universities it would go nowhere, so it’s about how do you deal with that? (Interviewee D 2013, interview, 2 May).

But you’re saying that they don’t have the skill set to do that?…In general, they’ve either had the skill set but chosen not to apply it, because my core business is, I’m an accountant that’s what I do (Interviewee E 2013, interview, 3 May).

CA education do you actually put in electives as part of the CA programs, and a decision was, based on obviously our project that we were working, that no, just stick to the five subjects, which we’d leave as the differentiator and expertise to ensure that everyone comes out for example as done the tax module, so you know that a chartered accountant has done tax (Interviewee G 2013, interview, 29 July).

You look at the people who are doing the work and you look at their qualifications, their knowledge (and) it doesn’t represent years of study to get to that position (Interviewee H 2015, interview, 11 March).

it forces them out of the profession because there aren’t any exceptions that, one there is an environment where they can actually go in after having done their
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<td>Accountants skills</td>
<td>M if an accounting firm was truly interested in doing financial planning they would use that base knowledge and instead of just rotating their graduates through audit, tax and whatever, they should be focused on “how do we build that financial planning component” because anyone then who is interested in financial planning has to naturally go out of accounting, having done a degree that could get them into accounting, they have to go out of it (Interviewee M 2015, interview, 30 April).</td>
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<td>Accountants skills</td>
<td>M they were never really embracing around any need for change or specific knowledge requirements, it was always resisted. (and) And it was always on the basis of “we already know this stuff” (Interviewee M 2015, interview, 30 April).</td>
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<td>Accountants skills</td>
<td>P Do you see the accountants having a set of skills that are commensurate with financial planning? …Definitely yes, the foundation of financial planning, it’s based on accounting and understanding finance. In my training though, when I was training in the PY it wasn’t ever a focus of the education though (Interviewee P 2015, interview, 30 September).</td>
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<td>Background</td>
<td>G Tax skill the base I would argue that those coming from a professional accounting/accounting background bring a certain level of technical expertise and so forth that others who haven’t been through that process wouldn’t have, particularly around tax and I mean I think this is one of the more bizarre things that it is hard to get your head around. (and) The reality is that the vast majority of all financial advice is tax advice, without doubt I would say probably 90% (Interviewee G 2013, interview, 29 July)</td>
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<td>Background</td>
<td>J accountants have most of the building blocks to be able to pick up that knowledge and say, “well we would do it more quickly than other professions” (Interviewee J 2015, interview, 5 May).</td>
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<td>Body of knowledge</td>
<td>B It’s abstract knowledge and in our case the two things which are required there are certification, and in our case, that’s CP certification and the other component in that is continuing education (Interviewee B 2012, interview, 28 November).</td>
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<td>Body of knowledge</td>
<td>D Body of knowledge abstract body of knowledge. Well, that’s Abbott’s main …Dean: And that’s why I disagree with that, I think it’s bigger than that (Interviewee D 2013, interview, 2 May).</td>
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<td>Body of knowledge</td>
<td>D Body of knowledge You’re right, certainly an established body of knowledge is central to the establishment of a profession, there must be a specific expertise, there must be written do and captured and able to be articulated through other environments, not through a singular, not through oral tradition, if you like … (Interviewee D 2013, interview, 2 May).</td>
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<tr>
<td>Body of knowledge</td>
<td>G Is quite a complex area (Interviewee G 2013, interview, 29 July)</td>
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<tr>
<td>Body of knowledge</td>
<td>K If you generally approach it from the perspective of the best interests of the client and really try to understand the client’s needs and build a tailored plan and then find the right investment match to execute the said plan, then I think clearly you can see that as a profession and as you say, it can be a body of knowledge that can differentiated in terms of service delivery and so on. I think the reality is though that the number of people who are prepared to pay those fees up front is very small (Interviewee K 2015, interview, 5 May).</td>
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<td>Body of knowledge</td>
<td>M I think the legislation has actually shown that the financial planning body of knowledge is different, and I think it is still a bit of a leap for accountants to say, you know, well I need to go back and do that. And I think it’s very difficult for them to understand that they do need to do that because it is, on the surface, it seems simple, but it is complicated (Interviewee M 2015, interview, 30 April).</td>
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<tr>
<td>Body of knowledge</td>
<td>S CPA did talk about ethics at one stage, believe it or not. So, I think that's about morality and that’s the difference between a professional and a non-professional</td>
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<tr>
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<tr>
<td>CFP</td>
<td>by the time I say to someone I’m a CA Financial Planning Specialist, I don’t think in the general public people know what a CA is, but if I say I’m a chartered accountant financial planning specialist people do. But CFP people seem to understand what it means (Interviewee Q 2016, interview, 22 January).</td>
</tr>
<tr>
<td>Degree entry</td>
<td>the CFP is actually equivalent – well, it’s at a diploma level – but it’s moving to a degree level (Interviewee R 2017, interview, 23 March).</td>
</tr>
<tr>
<td>Education</td>
<td>I think it will develop into a profession but what will happen is that when their credibility is called into account, as it is now, and people start to lose confidence, then there will be a business imperative for them to change (Interviewee J 2015, interview, 5 May).</td>
</tr>
<tr>
<td>Education</td>
<td>I don’t think it is too wide, but it is taking – and as part of the regulatory system, and we’ve got quite a complicated super scheme with all the super rules with the whole layer of that. We’ve got, then, tax; quite complicated (Interviewee R 2017, interview, 23 March).</td>
</tr>
<tr>
<td>Education</td>
<td>One of the factors was that the IAAP had built a good knowledge base. Basically, a distance learning course, financial planning course which was one of – we had built our own (Interviewee R 2017, interview, 23 March).</td>
</tr>
<tr>
<td>Education</td>
<td>Which we saw to be the equivalent to the idea of being a CPA. Because it had quite a – it was quite a rigorous standard to get to in terms of expertise (Interviewee R 2017, interview, 23 March).</td>
</tr>
<tr>
<td>Education sceptics</td>
<td>What do you think about going to university courses with the regulations that are happening now? Is that a good thing?...: Well, it means Paul Keating could never become a financial planner (Interviewee S 2017, interview, 29 March).</td>
</tr>
<tr>
<td>Educational level</td>
<td>at least two things; one has got to be a general recognition of a consistent level of educational qualifications (Interviewee G 2013, interview, 29 July).</td>
</tr>
<tr>
<td>Ethics</td>
<td>I mean, if you ask me who is the more ethical body, I would certainly say the institute is, or the CPAs to a lesser extent than the institute because of the lower educational requirements, and the financial planners aren’t very high (Interviewee H 2015, interview, 11 March).</td>
</tr>
<tr>
<td>ICA and training</td>
<td>There may well be an opportunity down the track as part of those going into public practice, to link something into a public practice program, that’s what I’m thinking about at the moment, so post CA program, so as to not water it down (Interviewee G 2013, interview, 29 July).</td>
</tr>
<tr>
<td>ICA and training</td>
<td>I don’t think our training was designed…. (and) Our formal accreditation program didn’t contain any of this stuff. It was an add on. It was an optional extra (Interviewee I 2015, interview, 11 March).</td>
</tr>
<tr>
<td>ICA and training</td>
<td>we have a lot of people now who aren’t accountants. (and) consultants, risk consultants and others that don’t have accounting qualifications at all and in fact aren’t members of any accounting body (Interviewee K 2015, interview, 5 May).</td>
</tr>
<tr>
<td>ICA and training</td>
<td>The thing that we remind members is that you are a professional and you have chosen to adhere to a higher standard. If you wanted to be like everyone else you wouldn’t become a professional accountant (Interviewee N 2015, interview, 1 May).</td>
</tr>
<tr>
<td>ICA and training</td>
<td>ICA and training, one of the fundamental discussions around the table of the exec team at the institute when I was there was, what should be in or not in the PY? And it was discussed should financial planning be in there? And at that point in time it wasn’t a necessity to have it in there, there was no time or room for it in there. So, what’s going to make this work or not is who decides that. Can you</td>
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<tr>
<td>Institutions</td>
<td>have an elective module now to do financial planning? (and) it’s not there still so there’s no political will in the members to drive that through to a module of financial planning (Interviewee P 2015, interview, 30 September).</td>
</tr>
<tr>
<td>Institutions</td>
<td>the fundamental problem with this industry is that it is focused on the players, not the recipients of the service, and its players are really truly focused on the recipients of the service and what they should be doing is sorting out amongst themselves how is it that we can ensure that whether a chartered accountant, a CPA, a financial planner who is part of a tied operation to AMP or MLC, or even an authorised representative, you have the right training and the right accreditation to provide relevant advice to the punter (Interviewee I 2015, interview, 11 March).</td>
</tr>
<tr>
<td>Investment decision</td>
<td>it did drive the culture of all of that, reward, so they were doing it for either finances or whatever their rewards were. And sadly, the cross-referral arrangements, there weren’t people properly trained to give that, so I think the changes around general advice is a nonsense and always has been. It’s about product promotion so all I can do is show you about a certain bank product, then I am still selling not advising, I’m selling (Interviewee M 2015, interview, 30 April).</td>
</tr>
<tr>
<td>Investments</td>
<td>the research from consumers certainly show that consumers know that financial planners know more about the future of investment then do the accountants. That doesn’t mean they trust them they just know that they’re the experts and that’s a difference, that’s significant difference (Interviewee D 2013, interview, 2 May).</td>
</tr>
<tr>
<td>Investments</td>
<td>Knowledge you can’t keep up with that and even the accounting fraternity is broken down into the specialised associations around GST and capital gains tax and you just can’t keep abreast with that (Interviewee B 2012, interview, 28 November).</td>
</tr>
<tr>
<td>Investments</td>
<td>Work I think, maybe they can get us better investment returns and that’s not the value proposition, it never was, people would think that. Now, my planner I use can’t pick better stocks than I can, it is more about planning for me, and this is why it’s growing (Interviewee C 2013, interview, 29 April).</td>
</tr>
<tr>
<td>Investments</td>
<td>Knowledge in the firms we KPMG have invested in bringing appropriate expertise and experience into our firm to provide this advice. If you think that going through some form of abbreviated accreditation is going to provide an alternative to that experience, then I think you are short-sighted and I think the likelihood is that you will have people who will find themselves in deep water because they really don’t have the requisite experience (Interviewee I 2015, interview, 11 March).</td>
</tr>
<tr>
<td>Investments</td>
<td>Knowledge of Investments my perception is that really most of them, if you really asked them any intense question about the stocks, or bonds or whatever they were recommending, they probably wouldn’t be able to tell you. I think financial planning could be a profession but there are a lot of people that I think call themselves financial planners and all they are is salesmen. (and) On a commission basis (Interviewee J 2015, interview, 5 May).</td>
</tr>
<tr>
<td>IPA and training</td>
<td>there was a bachelor’s Degree in financial planning or a post graduate study, but it’s just not been taken up (Interviewee O 2016, interview, 15 February).</td>
</tr>
<tr>
<td>License too broad</td>
<td>There has been some recognition of that with a consultation paper the government has issued to say if we develop this new curriculum, the curriculum has to cater for these different advice areas (Interviewee N 2015, interview, 1 May).</td>
</tr>
<tr>
<td>Low entry level</td>
<td>I think that’s right and think this is where a study of historical development of markets is something which is missing from courses (and) we’ve got all the booms in the last, twenty, thirty years which we need to go back over and say well what were the signs for those booms (Interviewee A 2012, interview, 23 November).</td>
</tr>
<tr>
<td>Low entry level</td>
<td>It’s created a market for the education groups, so the TAFE groups or the RG146 cases, and that’s created a whole lot of bodgy courses (Interviewee A 2012, interview, 23 November).</td>
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<tr>
<td>Theme</td>
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<tr>
<td>Low entry level</td>
<td>A The level of testing. Getting them to write things out and explain things in more detail goes further than the multiple-choice testing does. The multiple-choice testing covers basically just a business exercise to tick the box and can you lucky guess or do you know this and is it a memory test on the notes which have been produced (Interviewee A 2012, interview, 23 November).</td>
</tr>
<tr>
<td>Low entry level</td>
<td>S Ethics is what it's all about. It's about morality. Professionals, as well - - - (Interviewee S 2017, interview, 29 March).</td>
</tr>
<tr>
<td>PI cover</td>
<td>R PI cover it’s difficult getting PI insurance to cover it and all those factors in play (Interviewee R 2017, interview, 23 March).</td>
</tr>
<tr>
<td>Professional associations</td>
<td>L Member of prof association I would have seen a representative body, perhaps the body that sets the skill requirements to become a registered member of a particular association (Interviewee L 2015, interview, 4 May).</td>
</tr>
<tr>
<td>Professional framework</td>
<td>L I would suspect there should be and needs to be a particular independent body that monitors the skill level required to support the industry (Interviewee L 2015, interview, 4 May).</td>
</tr>
<tr>
<td>Professional framework</td>
<td>M So, I think we are moving toward a level playing field and that should be the case (Interviewee M 2015, interview, 30 April).</td>
</tr>
<tr>
<td>Professional framework</td>
<td>N has the PSC element in there with a limited liability cap, which the reality is that we probably 90% of the associations in the industry could never actually get a scheme approved (Interviewee N 2015, interview, 1 May).</td>
</tr>
<tr>
<td>Skill deficiency</td>
<td>D Processes I think that the accountants have been approaching it with the right professional mind, engaging ethically with their clients and doing those things, but the professional process is far more complicated, it does involve a deep diagnostic which I don’t accountants have ever been very good at (Interviewee D 2013, interview, 2 May).</td>
</tr>
<tr>
<td>Skill deficiency</td>
<td>R Skill set I scratch my head around the accountants in some sense. You’ve got to remember there were small independent advisors who were accountants coming in, just as there were life people coming in to want to build this financial planning association. Because they saw it to be quite a unique knowledge set (Interviewee R 2017, interview, 23 March).</td>
</tr>
<tr>
<td>Skill level</td>
<td>L the way I understand it has developed, the industry has matured on the basis of requiring a specific skill level, to support a registration, so we have grown from those skills with the ability to advise to a restriction and a qualifying skill required to do it (Interviewee L 2015, interview, 4 May).</td>
</tr>
<tr>
<td>Skills</td>
<td>L I guess if it requires the skill, which has to be applied and earned, and it is compatible with the services offered, I would expect it is entitled to segregate itself as other professions do (Interviewee L 2015, interview, 4 May).</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>S The university qualifications are going to say the difference between an accountant and a financial planner is just whatever specialisation they take (Interviewee S 2017, interview, 29 March).</td>
</tr>
<tr>
<td>Training</td>
<td>C they’re not experienced planners (and) but they’re well trained as they can be. They’ll do their 10 weeks, they’ll do their professional year now and they’re coming through (Interviewee C 2013, interview, 29 April).</td>
</tr>
<tr>
<td>Training</td>
<td>E the professional bodies have a significant have a huge role in driving the education agenda Not only what is in the agenda but the levels of the program and the AFA spent the last four years working on that and now there are a lot of members going through its programs which are always like a stepping stone (Interviewee E 2013, interview, 3 May).</td>
</tr>
<tr>
<td>Training</td>
<td>J To be a registered auditor you have got to demonstrate that you have proper training, you know, tertiary education and all that sort of stuff. You have got to have been in a practice supervised for three years or more. (and) you can be a CPA, IPA. (and) Maybe, I don’t know (Interviewee J 2015, interview, 5 May).</td>
</tr>
<tr>
<td>Training</td>
<td>P Training for accountants yes, of course accountants can be financial planners but what’s the barrier to entry now? What do you have to do now to be a financial</td>
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<td>planner? Is that a huge cost or not? Cost benefit. And then if there’s enough in there to do it, can the institute, as an example, respond with the right training and qualifications? (Interviewee P 2015, interview, 30 September).</td>
</tr>
<tr>
<td>Trust</td>
<td>E Skill set accountants so you’re going from the numbers to the coach and councillor and that’s for most accountants that I’ve met, that’s a completely different skill set. The ones who are good at it, and here’s the opportunity, the accountants who are really good on the trust side the accounting side, when they head into the financial advisory side, they’re brilliant, because they’ve already got the trust of clients, and they know everything about their clients as well, because they’ve got all the numbers, and so they become very successful financial advisors (Interviewee E 2013, interview, 3 May).#4</td>
</tr>
<tr>
<td>Trust</td>
<td>S There should be a joint qualification…It should be joint. When that happens, they'll be all there together and all work harmoniously. But you're right the reason that they were separate is because all these financial planners out there have been told they've got to do - become degree qualified. And so they've all done deals with the universities. How can we do this? How can you give us a financial planning degree? And it hasn't started from the top down, you might say. It's just been driven by this demand. And we're going to tack this on and we'll have a financial planning degree and you guys are qualified now and away you go. Whereas ultimately it should be - it's all about finance, it's all about looking at people's money, tax is an integral part of all of that and it should be covered at one level and eventually you go out and this becomes more traditional accountants knowing financial planning. But more and more they'll all work in the same practice anyway (Interviewee S 2017, interview, 29 March).</td>
</tr>
<tr>
<td>Universities</td>
<td>D the learning was happening in those workplaces, frankly because the academic institutions were still moribund with the focus on the historical holders of accounting, and it’s still the case (Interviewee D 2013, interview, 2 May).</td>
</tr>
<tr>
<td>Universities</td>
<td>O Universities Business At the end of the day, universities are businesses, they’re not going to run courses that don’t make money (Interviewee O 2016, interview, 15 February).</td>
</tr>
<tr>
<td>Universities</td>
<td>R but the young people coming out of university and high school or whatever that might be undecided in whatever they want to go in to. They want the choice, they want the one degree and then they can specialise in one of these things as they go through it (Interviewee S 2017, interview, 29 March).</td>
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## Chapter 9

**Note:** Column 2 Refers to Interview Participant assigned code.

<table>
<thead>
<tr>
<th>Theme</th>
<th>Transcription Excerpt</th>
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</thead>
<tbody>
<tr>
<td>Privilege lost</td>
<td>Q do you see that the institute and its’ accountant as a whole had a lost opportunity with financial planning? Harry: Yes (Interviewee Q 2016, interview, 22 January).</td>
</tr>
<tr>
<td>Privilege lost</td>
<td>R But the accountants could have had it if they really tried. Ken: Yes. And they certainly had all – they had their professional standing, they had standing in the community. (and) They had the capacity to build it. In some sense, I think they saw it to be more like the life industry. They didn’t actually recognise it for what it could be, I would have thought (Interviewee R 2017, interview, 23 March).</td>
</tr>
<tr>
<td>Privilege lost</td>
<td>S I think one day financial planning and accounting are going to continue to come together and I had that view 30 years ago. I think they will continue to come together because of regulators and other things, efficiency, et cetera, sharing of clients. And I think that the accountants might still come out on top you might say (Interviewee S 2017, interview, 29 March).</td>
</tr>
<tr>
<td>Profession</td>
<td>A they say we are a profession…But not there yet. They say they are, but they’re not (Interviewee A 2012, interview, 23 November).</td>
</tr>
<tr>
<td>Profession</td>
<td>D it satisfies the requirements under typical frameworks such as Abbott, I think you could tick boxes if you wanted to do it that way (Interviewee D 2013, interview, 2 May).</td>
</tr>
<tr>
<td>Profession</td>
<td>G I think they wouldn’t be recognised as professionals yet (Interviewee G 2013, interview, 29 July).</td>
</tr>
<tr>
<td>Profession</td>
<td>G it will be a generational thing, it takes years (Interviewee G 2013, interview, 29 July).</td>
</tr>
<tr>
<td>Profession</td>
<td>H do you feel it is a profession? Not at all (Interviewee H 2015, interview, 11 March).</td>
</tr>
<tr>
<td>Profession</td>
<td>I It is not something you can just sort of create a mould for and produce like widgets. It is tailor made and when things are tailor made, when things are bespoke, you have to be able to use a range of skills, not just technical but interpersonal skills and that means to be able to develop that trusted relationship with a client. It’s something beyond just putting stuff on a shelf (Interviewee I 2015, interview, 11 March).</td>
</tr>
<tr>
<td>Profession</td>
<td>J I think it could be a profession but its, the construct of that, should be pre-tied around the independence, training, qualifications, etc (Interviewee J 2015, interview, 5 May).</td>
</tr>
<tr>
<td>Profession</td>
<td>K I don’t think it’s a profession now. It would have to really break down the barriers between the advisor, the client and the product manufacturer. (and) To really become a professional rather than just being salesman (Interviewee K 2015, interview, 5 May).</td>
</tr>
<tr>
<td>Profession</td>
<td>N I think we need to look at it coming back to a common set of values. I think you can’t call yourself a profession without some sort of professional framework and there isn’t one in financial planning. There is not a professional framework that applies to all planners (Interviewee N 2015, interview, 1 May).</td>
</tr>
<tr>
<td>Profession</td>
<td>P I think it is now, I think it’s probably sure enough to define it as a profession. I think there’s been enough catastrophe’s over time to warrant a professional approach to it. I guess that’s what defines a profession. Is there a need in the public domain for focus on an area, so I think it is (Interviewee P 2015, interview, 30 September).</td>
</tr>
<tr>
<td>Profession</td>
<td>Q But I’d say it is a profession and I’ve read things on what makes a profession and there’s all different aspects on it (Interviewee Q 2016, interview, 22 January).</td>
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<tr>
<td>Settlement A</td>
<td>Probably submissions or lobbying. I think the accountants have effectively given up a lot of that area, and they’re letting all that go (Interviewee A 2012, interview, 23 November).</td>
</tr>
<tr>
<td>Settlement E</td>
<td>I think every professional body that has got a focus in this jurisdiction is on the journey along with the profession (Interviewee E 2013, interview, 3 May).</td>
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<tr>
<td>Settlement F</td>
<td>So we’ve been as an industry, we’ve been hoisted on our petard, another terminology is that we’ve kicked an own goal, and we reserve the right to complain bitterly about the regulation but as long as it never actually affects the culture we can live with it (Interviewee F 2013, interview, 25 July).</td>
</tr>
<tr>
<td>Settlement O</td>
<td>So, on the basis that a financial planner holds a taxation registration, albeit limited, we can consider that for entry. I think it does provide a pathway, I think what it does open the door to, is not accountants feeling under threat, but what we’re trying to say to our members is that there’s this huge opportunity here for you to leverage your brand… personally I wouldn’t be branding myself as a financial planner. I would be trading off the brand of accountant till the cows come home (Interviewee O 2016, interview, 15 February).</td>
</tr>
<tr>
<td>Settlement P</td>
<td>But a profession has to be self-regulating and the subject matter has to be accepted by the public and the legal framework (Interviewee P 2015, interview, 30 September).</td>
</tr>
<tr>
<td>Settlement Q</td>
<td>Do you think the financial planning association is the professional association in terms of … represents financial planners? Harry: I would say yes (Interviewee Q 2016, interview, 22 January).</td>
</tr>
<tr>
<td>Trust Q</td>
<td>I think in ten years’ time, the stuff that’s happening at the moment has helped the formation of the financial planning profession and hopefully the trust and transparency that financial planning needs will just be synonymous by that time (Interviewee Q 2016, interview, 22 January).</td>
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</tbody>
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APPENDIX K

TRANSCRIPTION OF KEY EPISODES
APPENDIX K 1

RIPOLL COMMITTEE HANSARD EXTRACT

(Extracted from Commonwealth of Australia 2009, Parliamentary Joint Committee on Corporations and Financial Services: Inquiry into financial products and services in Australia Official committee Hansard – witness APESP, Melbourne 26 August, pp. 79-80)

The following transcript is taken from the public hearing in which Mr Stuart Black and Mr Day directors of APESP are giving evidence to the Chairman of the Inquiry Mr Ripoll and the Hon Chris Pearce MP;

Mr PEARCE There are many accountants in Australia that are also AFSL holders. There are many organisations that provide a full service offering to their clients. They do accounting, auditing, financial planning advice and so on. There are many financial service advisers who are accountants, and many of those accountants are members of the professional bodies that make up your board. I get the distinct feeling from your submission and from your remarks here that you are somewhat separating financial advisers as being a distinct group when in fact they are made up of many disparate groups, including accountants. I get the feeling that you are requesting that the legislation be altered to affect financial advisers, but a lot of that will flow on to the accountants as well, won’t it?

Mr Black Where an accountant acts as a licensed financial adviser, most certainly. But that is not the basis of what I am arguing here. I would rather see the scope of the licensed investment advisers restricted and other people having the ability to give advice. What is happening now is that the only people who can give advice are so-called licensed people, and in some cases, they are not necessarily the best people to give the advice or, as the point was made earlier, to give a second opinion.

Mr Day A question that was raised earlier was the example of Storm and whether a qualified accountant have given a different answer. The answer was maybe yes, maybe no, but query whether the accountant would have looked at the broader picture, the whole of the assets and liabilities of the investor and whether they would have done a true financial picture of their income and expenses. Maybe that fits into the second opinion regime as well. But if the accountant can give financial advice in the broader sense, maybe a particular product or structure would be picked out that was not in their best interests.

Mr PEARCE Are you suggesting that in that case that accountant would not need to be licensed to give financial advice?
Mr Day That is right. They would be able to give financial advice in a more general sense.

Mr PEARCE But they might not be qualified to do that.

Mr Day They might not be qualified as in a licensed investment adviser or a licensed dealer, but they would be qualified in the broader sense of financial literacy, financial understanding and they would have worked with that client, quite probably, in their taxation affairs or in setting up their business, and so there is no reason why they could not give a more holistic piece of advice or even a second opinion advice.

Mr PEARCE Without being licensed?

Mr Day Without being licensed in the current terms.

Mr Black Under APS 110, which is the code of ethics—the Australian version of the international one that applies to all accountants—one of the fundamental rules is that you cannot give advice in areas that you are not qualified to give it. In the case where you had an accountant who was not qualified to give that advice he should be saying, ‘Sorry, I’ll have to get a second opinion elsewhere.’

Mr PEARCE Does the opposite work? Does the reverse work? Could financial planners give accounting advice?

Mr Black They can now.

Mr PEARCE Do they have to be licensed? Do they have to be an accountant to give accounting advice?

Mr Black Presently anyone can use the term ‘accountant’ in Australia.

Mr PEARCE What is your opinion on that? Would you be happy if licensed financial advisers felt that they had the competencies to be able to offer accounting advice?

Mr Day No, I would not. They should only be allowed to call themselves accountants if they are qualified in one of the three professional bodies.

Mr Black But that is not the case at present. At present you can have anyone call themselves an accountant.

Mr PEARCE Yes, I know that.

Mr Black They just cannot provide tax advice and they cannot be an auditor or a liquidator without registration, but they can call themselves an accountant.

Mr PEARCE So, you would not be happy with it going one way, but you are happy with it going the other way, that accountants could offer the financial advice without being licensed?

Mr Day That is right.

Mr Black It would not worry me.
CHAIR What you are effectively saying, though, is that the licence requirements in themselves are no guarantee of anything because the entry is so low in terms of qualifications?

Mr Black Yes, in the investment area. But if you take the professional bodies that Mr Day is talking about, all of their postgraduate programs are at a much higher level. They are an undergraduate entry and a postgraduate program, which touches on a fair proportion of what we are talking about. There is a continuing professional development requirement. If you are going to give advice in that area you have to keep up to date. In fact, under the institute’s requirements, if you provide specialised advice in any area you have to do a minimum of 20 hours each year in that particular area.

Mr PEARCE The same applies in the financial advising area. You have to do professional development, don’t you?

Mr Black Yes.

Mr PEARCE Again, it is exactly the same.

Mr Black Yes, and some of them are very good, the same as some accountants are good and some accountants are bad.

Mr PEARCE It is still unclear to me exactly what your proposed model would be. I cannot speak for the rest of my colleagues, but I think it would be quite a substantial step for us to move to advocating for a certain sector in the community to offer advice without being licensed to do that. That is a big step.

Mr Black I appreciate that is a big step and that is why we have raised it, because it is a fundamental change in the framework that is in place now.
APPENDIX K 2

THE BUSINESS 20 SEPTEMBER 2012

(Transcript of *Accountant financial planners called to account*, 2012, television program, The Business, ABC TV, Melbourne, 20 September)

**TICKY FULLERTON, PRESENTER:** The latest attempt to raise standards in the financial planning industry has led to open revolt in some sections of the accountancy profession.

Thousands of accountants also double as financial planners, and many are up in arms over the Accounting Professional and Ethical Standards Board's attempt to rub out conflicted remuneration in a way that goes much further than the Government's Future of Financial Advice reforms.

Andrew Robertson reports.

**ANDREW ROBERTSON, REPORTER:** The collapse of Storm Financial was the poster child for everything wrong with the financial planning industry. It prompted the Future of Financial Advice reforms, which have banned many of the commission-based payments at the heart of the Storm fiasco.

Now the Accounting Professional and Ethical Standards Board wants to raise the bar even higher for financial planners who are also accountants.

**SUZANNE HADDAN, MD, BFG FINANCIAL SERVICES:** We've always recognised that where financial planning originally started wasn't with the accounting fraternity and maybe some of the practices aren't consistent with the standards set by accountants.

**ANDREW ROBERTSON:** Suzanne Haddan was on the taskforce which drafted the new accounting standard for financial planners. It will outlaw charging fees which are a percentage of a client's assets or money, ban third party payments such as insurance commissions and also ban nearly all soft dollar benefits. It hasn't gone down well with accountant financial planners.

**ANDREW CONWAY, CEO, INSTITUTE OF PUBLIC ACCOUNTANTS:** Our principal concern is that the proposed A.P.E.S. 230, or APES 230, just simply goes further than the law and imposes significant burden and restrictions on members.

**ANDREW ROBERTSON:** Andrew Conway says his 22,000 members want nothing to do with the new financial planning standard.

**ANDREW CONWAY:** We've flagged to the APESB that if it was to proceed in its current form, that our board would move to strike it out and to remove the binding nature on our members and impose an ethical standard and professional standard that aligns with FOFA.

**ANDREW ROBERTSON:** Paul Harding Davis heads up accountancy-based financial planning firm Premium Wealth Management, which looks after $2 billion of client funds. He believes the Accounting Professional and Ethical Standards Board has taken the wrong
approach to asset-based fees. He also worries that banning all insurance commissions will stop many people getting the cover they need.

PAUL HARDING DAVIS, CEO, PREMIUM WEALTH MGMT: Even if the premiums are a bit cheaper, will you write out a second cheque to then pay for the amount of work involved in putting in place cover, which could easily range from three hours to 20 hours if it's a business-type arrangement.

ANDREW ROBERTSON: The Institute of Chartered Accountants and CPA Australia are also having trouble convincing many of their members of the merits of APES 230. As an indication of the sensitivity of the issue, both the institute and the head of the Accounting Professional and Ethical Standards Board agreed to take part in the report, but later withdrew. CPA Australia has yet to return our call.

Many accountant financial planners are concerned about the revenue implications for their practices. BFG Financial Services already operates under the proposed new standards.

SUZANNE HADDAN: It's a great feeling. It's professionally freeing because you know there's only one person you represent - that's the client.

ANDREW ROBERTSON: The Accounting Professional and Ethical Standards Board remains hopeful the new financial planning standard for accountants will coincide with the start of the FOFA reforms on 1st July next year
TICKY FULLERTON, PRESENTER: The normally staid world of accountancy is racked with division tonight. All three of Australia's accounting bodies are refusing to accept a new standard which bans conflicted payments for accountants who are also financial planners.

The Accounting Professional and Ethical Standards Board has approved the ban, but is facing the prospect of open revolt from the organisations it was created to represent.

Andrew Robertson investigates.

ANDREW ROBERTSON, REPORTER: One of the central aims in cleaning up Australia's financial planning industry is to get rid of conflicted payments, commission-type fees on the products planners recommend for our superannuation and insurance.

The Accounting Professional and Ethical Standards board has seen the light, but its members want the old days and the old ways to continue.

JENI MACK, CHAIRMAN, CHOICE: We're very surprised that the accounting bodies aren't seeking to further uphold the status of accountants as professionals. I mean, their reputation, the trust, the confidence the community has in accountants has been built up over centuries And we're very surprised that they're seeking to effectively undermine that status.

ANDREW ROBERTSON: All three of Australia's accounting bodies are strongly opposed to what's known as APES 230. But despite that, the accounting standards setting body has stood firm, decreeing that from 1st July 2015, all financial planning services offered by accountants will be on a fee-for-service basis. From 1st July next year, third party payments except for professional development will also be banned. It's much tougher than the Government's Future of Financial Advice reforms which still allow asset-based fees and commissions on some insurance products. And it's these clip-the-ticket-type payments which have caused so much consternation among accountants.

MICHAEL PETERS, AUST. SCHOOL OF BUSINESS, UNSW: It appears to be that the emperor has no clothes because the accountants are in fact subject to the same rules, regulations and standards as everybody else in the industry. It doesn’t really make them that different.

ANDREW ROBERTSON: The Institute of Public Accountants says it will issue its own standard which retains asset-based fees and insurance commissions.

ANDREW CONWAY, CEO, INSTITUTE OF PUBLIC ACCOUNTANTS: The vast levels of consultation that took place in relation to FOFA strikes the right balance. It's just unfortunate that in this view, in this position APES 230 goes too far.
ANDREW ROBERTSON: A view shared by Paul Harding Davis who manages a firm of accountant financial planners which has more than $2 billion under management.

PAUL HARDING DAVIS, CEO, PREMIUM WEALTH MGMT: I've got no doubt that this will work fine for very wealthy people for whom ready cash to be able to pay large fees is no problem. But I just worry about the impact in terms of average Australians and the impact of this in terms of accessibility to advice.

ANDREW ROBERTSON: The Institute of Chartered Accountants and CPA Australia may yet follow the IPA in setting their own standard, saying they're considering all options as to how to respond. But those times of explanations don't wash with consumer group Choice. It says if accountants want to operate under the same standards as financial planners, standards which led to the Future of Financial Advice reforms, then the Government should treat accountants the way it's treated financial planners and remove their right to self-regulate.

JENI MACK: If they're not going to adhere to high ethical standards I think it raises questions about whether they should be given the right to continue to self-regulate and whether they should be brought under other regulatory, more heavy-handed government regulatory frameworks.

ANDREW ROBERTSON: And while accountants ponder the damage to their reputations, there's also the little matter of the damage they're inflicting on the credibility of their own regulatory regime.
APPENDIX K 4
THE BUSINESS 3 APRIL 2013

(Transcript of *A backflip on commissions for financial planners*, 2013, television program, The Business, ABC TV, Melbourne, 3 April.

**TICKY FULLERTON, PRESENTER:** Now, the battle to rid the financial planning industry of conflicted payment methods has received a major setback today.

The body that sets accounting standards has caved in to pressure from its own members. In an 11th-hour backflip, the Accounting Professional and Ethical Standards Board now says payments should continue to be allowed.

I'm joined in the studio by our chief reporter Andrew Robertson and this must surely be the most enormous blow to the reputation of the whole accounting profession?

**ANDREW ROBERTSON, FINANCIAL REPORTER:** Well it actually is, Ticky. Accountants, and particularly chartered accountants and CPAs are very highly qualified and see themselves as a profession. As such their standard setting board has spent the last five years developing a new standard, which goes much further than the Government's mandated future of financial advice reforms, which people see as just a minimum standard.

The reason is, conflicted type commission payments have been at the heart of all financial planning scandals such as Storm Financial, West Point and so on and so forth. The accounting standards board up until last year wanted to ban all commission type fees including percentage funds under management. It also wanted to ban third party payments to financial planners and soft dollar commissions.

At last year's draft standard the board argued no safeguards could reduce this threat of self-interest to and acceptable level. However in today's proposal, that's been considerably watered down.

What today's proposal now says in relation to percentage of funds under management as well as third party payments is the first alternative is to be remunerated on a fee for service basis, as the board initially proposed.

The second alternative allows percentage of funds under management payments and third-party payments as long as there's lots of disclosure. In other words, the body that sets standards for accountants has been rolled and as history tells us, conflicted payments, no matter how much disclosure there is, can lead to unethical conduct.

**TICKY FULLERTON:** So what does this say about the independence of the - I've got to get this right - of the Accounting Professional and Ethical Standards Board and indeed the independence of accountants generally?

**ANDREW ROBERTSON:** To say there's a gravy train of commission payments is an understatement and to wean financial planners off this gravy train is proving exceptionally difficult, and accountant financial planners who are wedded to those sort of payments are congratulating the standards board for backing down.
But from the outside looking in, it does look like the three accounting bodies call the tune. They fund the board and in the most controversial issue since the board was founded five years ago it's actually the board that's doing all the backing down.

Now, in fairness, the chairman of the Accounting Professional and Ethical Standards Board told me this afternoon that the board must be in touch with its members when setting standards. Taken another way, that could be an admission that they were out of touch in trying to get rid of these conflicted payments.

What that means for accountant financial planners is they've actively chosen to reject higher standards to get rid of these payments and to be seen to be different.

TICKY FULLERTON: So if this revised payment standard is then adopted, what does it mean for people getting financial advice?

ANDREW ROBERTSON: Well, the issue is, Ticky, when you go to see a financial planner who are they working for? Are they working for you, are they working for themselves? Can you trust them?

TICKY FULLERTON: Should they be asking? (laughs).

ANDREW ROBERTSON: Absolutely. And as the accounting Professional and Ethical Standards Board said last year in its explanation of its original proposed standard, with asset-based fees such as percentage of funds under management it's in the member's best financial interests, that's the accountant's best financial interest, to sell more product to the client or to increase funds under management when the best option for the client may be an alternative such as to use surplus funds to repay existing debt.

So when you go to a financial planner, you know, if they know that they're going to get more money the more money you have in their fund, will they tell you to take the money out of the fund and pay your house off? The majority of accountant financial planners have decided they want to stay in the murky world rather than rise above it.

As one accountant said to me the other day, ”can you manage an auditor having audited the books of a big company and then demanding a percentage of that company's assets for that auditing work?” I don't think so.

TICKY FULLERTON: What an extraordinary - the financial decision will be made on Friday, at what promises to be a very interesting meeting of the Accounting Professional and Ethics Standards Board.

ANDREW ROBERTSON: Certainly does. Now I am told, some people believe in a wider accounting community outside financial planning, there's a silent majority in favour of these tougher new standards. Well this week is the week to stand up and be counted.

TICKY FULLERTON: Go the silent majority, Andrew Robertson thanks very much for joining us.

ANDREW ROBERTSON: Thanks, Ticky.
APPENDIX L

MARGIN LENDING EXAMPLE

Assume an investor applies to purchase a portfolio of shares or managed funds but only has cash of $30,000. However, the investor’s house is paid off and has equity. The bank is willing to lend 80% of the valuation. The investor has their financial adviser arrange a valuation – the investor thinks the valuation is approximately $450,000 however the financial adviser and the bank suggest the valuation is $500,000 so the investor can borrow 80% which is $400,000. The adviser also suggests that the investor cash some of their superannuation and invest the funds in a geared fund to increase wealth. The investor is over 65 years and is no longer employed and therefore can withdraw the funds. The investor withdraws $370,000 from their superannuation fund to invest in the margin loan. The investor now has the following to invest,

Initial funds in cash $30,000
House refinance funds $400,000
Superannuation $370,000
Total funds to invest $800,000

The adviser suggests investing in a geared portfolio with an 80 per cent “loan to- value” ratio. The investor buys the shares on margin and can borrow up to $3,200,000 to invest by entering into a margin loan.

Funds Invested $800,000
Margin loan $3,200,000
Total Investment $4,000,000

76 The amount of a loan as a percentage of the value of the asset it was used to buy. It is calculated by dividing the loan amount by the value of the asset. [https://www.moneysmart.gov.au/investing/borrowing-to-invest/margin-loans](https://www.moneysmart.gov.au/investing/borrowing-to-invest/margin-loans)
This original loan amount as a percentage of the investment amount is called the initial margin. In this case the loan is $3,200,000 and the total investment is $4,000,000 which equates to a “loan to value ratio” of eighty percent (80%).

If the value of the investments drops and the value of the account holdings falls to say 80% (the maintenance margin)\(^77\) of the original $4,000,000, which is $3,200,000, the lender may make a margin call. Within a few days the investor must meet a margin call and bring the LVR back to an acceptable level. To do so the investor has three choices: find extra cash to pay the lender, sell part of their investment to raise cash, or give the lender additional security, for example security over other property or investments. The lender does this because it has lent $3,200,000 and wants to mitigate the risk of defaulting on the loan. To meet a margin call and bring the LVR back to an acceptable level, the investor will need to contribute $800,000\(^78\).

In the period before the GFC it was assumed that investments would continue to increase. The S&P/ASX 200\(^79\) increased in the years prior to the GFC as follows: 2004 25%; 2005 20%; 2006 17%; 2007 -2%. In the year 2008 during the GFC the index dropped 37% and the two years following the GFC an increase of 29% and 4% in 2010.\(^80\) In the above example of a margin loan, in late 2008 the market value of the investment would have reduced to $2,520,000. Table L 1 traces the effect of the GFC on the above example investment. After the margin call the equity would be reduced to zero and the investor is indebted to the margin lender by an amount of $2,016,000, superannuation is permanently reduced by $370,000 and the investor still has an additional $400,000 mortgage on the residential property.

\(^{77}\) A maintenance margin is the minimum amount of equity that must be maintained in a margin account. It is usually twenty-five (25%) of the value of the investments, but for the purposes of this example we assume all investments only require a 20% maintenance margin.

\(^{78}\) Maintenance margin is 20% of market value. Equity required is $3,000,000 x 20% = $600,000. The maximum new loan is $2,400,000 ($3,200,000 - $600,000). Therefore, the current loan needs to be reduced by $800,000 ($3,200,000 - $2,400,000).

\(^{79}\) The S&P/ASX 200 index is a market-capitalization weighted and float-adjusted stock market index of Australian stocks listed on the Australian Securities Exchange from Standard & Poor's. It was started on 31 March 2000 with a value of 3133.3, equal to the value of the All Ordinaries at that date.

\(^{80}\) Returns calculated using Yahoo finance historical data for S&P 200 as a measure of the returns in the Australian Stock Market.
Overall the investor has replaced their net equity of $1,080,000 to a net debt position of $400,000 a difference of $1,480,000. This reduction has occurred due to the reduction in investments from $4,000,000 to $2,520,000. The scenario assumes that the value of the remaining superannuation has not decreased, and the bank has not foreclosed on the property, as the valuation of $500,000 used to obtain the additional mortgage was overstated. If all assets are sold to reduce their debt the investors are still left with an overall debt of $400,000.