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# *Year Two* *Case for Change* Financial Services (FNS)

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*Year Two Case for Change*

*Projects 1H & 1J*

*May 2018*

Project 1H - Review banking and lending units of competency

Project 1J – Review insurance services, agency and broking units of competency

Version 1.0 – May 2018

## Administrative information

Name of IRC: Financial Services IRC

Name of SSO: PwC's Skills for Australia

Name of Training Package: Financial Services Training Package

Case for Change:

1. Project 1H - Review banking and lending units of competency
2. Project 1J – Review insurance services, agency and broking units of competency

This Case for Change was agreed to by the Financial Services IRC.

Allan Jones



8 May 2018

FNS IRC Chair

Signature of Chair

Date

This case for change was established as a result of initial research and consultations outlined in the Industry Skills Forecast and Proposed Schedule of Work (2017) for the Financial Services IRC and is submitted for endorsement by the Australian Industry and Skills Committee.

### Case for Change

This case for change is proposed in response to the following industry drivers for change:

#### Project 1H - Review banking and lending units of competency

#### Industry drivers

- A. Integration of technology has increased need for soft skills:** Processes related to the assessment of loans in credit management have been automated, particularly those relevant to meeting licensee requirements. This has led to an increased emphasis on communication skills required between credit officers and mortgage brokers/lenders. Further significant changes in technology, such as the emergence of Open Banking and greater Big Data accessibility, mean there is greater focus by banks on being competitive when it comes to providing an optimal experience for the customer. Therefore, training in this area needs to be updated to reflect these changes in technology, and ensure development of communication and relationship management skills remain at the forefront of qualifications.
- B. Knowledge gap in processing complex loans:** Consultations with financial institutions and credit unions have indicated that processing complex loans is a fundamental skill for those in banking and lending job roles, but currently no nationally-endorsed training exists which addresses this skill.
- C. Recent government reforms and regulatory changes:** The First Home Super Saver (FHSS) Scheme was introduced in the Federal Budget 2017-18 to reduce pressure on housing affordability. On February 2018 the Senate passed the Treasury Laws Amendment (Banking Executive Accountability and Related Measures) Bill 2018. Training will need to be updated to reflect the impact on vocational outcomes of these recent government and regulatory reforms.
- D. Lack of clear pathway to meet compliance requirements for general advice:** Recent legislation changes have led to an emerging industry need to meet regulatory obligations specific to the provision of general advice. The current ASIC units of competency are unclear regarding which type of advice they relate to (i.e. general or personal), which has led to inconsistencies in the content delivered by training providers. This lack of clarity is making it difficult for industry to ensure they are meeting compliance requirements for general advice.
- E. Focus on increasing trust and credibility in the sector:** The Financial Services Royal Commission has placed significant pressure on banks and financial institutions, leading to a push in maintaining trust and credibility in the sector. As a result, ethical decision making and compliance to responsible lending obligations has been highlighted as a vital focus within these institutions moving forward, particularly so that employees maintain ethical conduct when selling and dealing in financial products.
- F. Overlapping qualifications leading to same vocational outcomes:** Industry feedback has indicated that there is significant overlap of units of competency in FNS42015 Certificate IV Financial Services and FNS41815 Certificate IV Banking Services, with the two qualifications leading to the the same job roles. Updating these qualifications to improve the structure of VET leading to these job roles will provide greater clarity for industry.
- G. Demand for specialist streams:** Industry feedback indicates that there is currently a lack of clarity around which qualifications lead to specific job roles. Introduction and/or clarification of specialist streams in broader qualifications such as FNS41815 Diploma of Financial Services will lead to greater alignment of VET with job roles.

#### Recommended Changes

1. **Update 11 x units of competency related to banking and lending** with the following criteria:
  - a. **Update content** of units of competency (including elements, performance criteria and assessment requirements) for their currency and industry relevance to banking and lending occupational roles:
    - i. Update units of competency for their content relating to communication skills and ensure they are contextualised to current technological changes. (*Driver A; Issue IV*)
    - ii. Update units of competency for their theoretical content and provide learners with up to date understanding of the banking and lending sub sector based on regulatory changes and development in government reforms. For example, FNSASIC303 will be updated to align with recent government reforms related to the first home super saver (FHSS) scheme. (*Driver C*)
2. **Develop 1 x unit of competency on complex loans** to be included in the FNS Training Package as an elective in the Diploma level qualifications. (*Driver B; Issue III*)

3. **Develop 12 x units of competency on general advice** to be included in the FNS Training Package to ensure that a clear pathway exists for learners to meet compliance requirements for the provision of general advice (*Driver D; Issue V*). These units will be housed in the following qualifications, at a minimum:
  - i. FNS41815 - Certificate IV in Financial Services
  - ii. FNS51815- Diploma of Financial Services
4. **Update 8 x qualifications** that are identified as being in scope for this project. Specifically update qualifications with the following criteria:
  - a. **Update specialisation groupings** in qualifications, groupings need to be created to ensure better alignment with current job roles. (*Driver G; Issue I*) This includes:
    - i. FNS41815 Diploma of Financial Services -Financial Risk Management, Business Banking, Consumer Lending
    - ii. FNS51515 Diploma of Credit Management - Debt Collection, Loan assessment
  - b. **Update packaging of qualifications**, specifically core and elective unit options for their relevance. For example, consider inclusion of units of competency from the Certificate IV or Diploma in Finance and Mortgage Broking as core or elective options in FNS51510 Diploma of Credit Management as industry feedback has indicated some overlap in roles and responsibilities. Inclusion of additional elective units related to ethical decision making such as FNSINC503 or FNSINC504 in Certificate IV qualifications will also be considered. (*Driver E*)
  - c. **Update the structure to differentiate the vocational outcomes** of FNS42015 Certificate IV Financial Services and FNS41815 Certificate IV Banking Services which significantly overlap, with 21 units of competency duplicated across the two qualifications. (*Driver F; Issue II*)

See also Attachment A – Training package components to change

### Project 1J – Review insurance services, agency and broking units of competency

#### Industry drivers

- A. **Industry support for minimum standard of education:** There is currently industry support led by the National Insurance Brokers Association (NIBA) to establish a minimum standard of education for insurance brokers. Industry feedback indicates strong support for FNS51215 Diploma of Insurance Broking as the most appropriate qualification to be set as this minimum standard, though there are concerns about the current Diploma's offerings when it comes to technical skills, specifically around claims.
- B. **Regulation and compliance requirements:** Regulatory guidelines which apply to workers providing advice for different types of insurance products make up a significant element of compliance requirements within the insurance industry. As it stands, there is currently a lack of clarity and agreement between RTOs as to the exact units of competency necessary to meet these requirements. There is strong desire from within industry to ensure course offerings are uniform across RTOs to reduce confusion and build trust in the industry. There is some disagreement within industry as to whether it should be possible for learners to complete a specific set of units of competency to meet certain regulation requirements without completing an entire qualification.
- C. **Ability to register with the Australian Institute of Chartered Loss Adjusters (AICLA) via completion of FNS51415 Diploma of Loss Adjusting:** Industry feedback has indicated that there is concern regarding the Diploma of Loss Adjusting, as it does not offer all units of competency required in order to register as a chartered loss adjuster. AICLA is keen to see the Diploma of Loss Adjusting amended so as to ensure learners have a clear pathway to becoming a chartered loss adjuster.

#### Recommended Changes

1. **Update FNS51215 Diploma of Insurance Broking**
  - a. **Update qualification structure:** Update packaging rules of the qualification to ensure training in soft skills and technical skills are meeting minimum industry requirements. (*Driver A; Issue I*)
  - b. **Update qualification content:** Update **2 x units of competency** within the Diploma of Insurance Broking native to the FNS training package for currency and relevance to the insurance industry. (*Driver A; Issue I*)
  - c. **Update 8 x units of competency** offered in FNS51115 Diploma of General Insurance focused on claims to consider importing into the Diploma of Insurance Broking, where there is a gap in this area. Where education outcomes are not specific to insurance broking, develop units of competency which cover claims in broking and other technical skills identified through further industry consultation to fill this gap. (*Driver A; Issue II and III*)
2. **Update mapping of units of competency related to compliance with ASIC regulations**
  - a. **Update content and mapping of 6 x ASIC coded units of competency** to ensure these are up to date with recent and upcoming changes to legislation and regulatory guidelines, and to more clearly map qualification levels to regulatory requirements. Changes to mapping of ASIC units may impact all insurance qualifications. (*Driver B*)
  - b. **Develop a nationally recognised RG146 compliance Skill Set** housed in the FNS51215 Diploma of Insurance Broking, to meet regulatory requirements for provision of general advice, pending the outcomes of the overall review of ASIC coded units above and further regulatory changes around the provision of financial advice. (*Driver B; Issue IV*)
3. **Delete FNS30615 Certificate III in Insurance Broking and FNS60115 Advanced Diploma of Insurance Broking**
  - a. There is limited ongoing industry requirement for the Certificate III in Insurance Broking and the Advanced Diploma of Insurance Broking, so they should be reviewed for deletion. The review of mapping of ASIC coded units above will assist to determine the ongoing necessity of these qualifications. (*Driver A*)
  - b. Deletion of these qualifications will lead to subsequent deletion of **3 x units of competency** unique to the Certificate III in Insurance Broking, and deletion of **7 x units of competency** unique to the Advanced Diploma of Insurance Broking.
4. **Update Diploma of Loss Adjusting**
  - a. Update the packaging rules of the Diploma of Loss Adjusting to ensure appropriate core and elective units of competency are being offered that meet industry requirements. (*Driver C*)

See also Attachment A – Training package components to change

### Industry support for change

Industry views were captured via targeted stakeholder interviews, group teleconferences and through a public online survey. The method and scale of stakeholder consultation undertaken in building the case for change, and stakeholders' outstanding issues and dissenting views are outlined in Attachment B – *Stakeholder consultation method and scale*.

#### Issues identified by stakeholders

##### Project 1H - Review banking and lending units of competency

- I. **Industry has highlighted demand for specialist streams** to ensure better alignment with the different roles that exist in banking, lending and credit management roles.
- II. **Industry feedback indicates that the structure of qualifications can be improved:** Industry has indicated there is an issue regarding the near overlap of qualifications, therefore through review to differentiate the vocational outcomes between FNS42015 Certificate IV Financial Services and FNS41815 Certificate IV Banking Services, this will be addressed.
- III. **Industry has indicated that there is a skills gap in complex loans.** There is a skills need to meet different borrowing requests, client structures and documentation being presented to lenders in the market as indicated by various financial institutions and credit unions.
- IV. **Industry feedback indicates that there is a greater emphasis on a customer-centric approach** in banking and lending. Given the technological changes in the sub sector, developing customer service skills will be at the forefront in employability skills.
- V. **Training providers are currently having to be selective in the content delivered for ASIC units of competency** so that outcomes are **specific to general advice**. This is leading to inconsistency and lack of clarity in the ability for VET to assist industry to meet compliance requirements.

##### Project 1J: Review insurance services, agency and broking units of competency

- I. There are differing opinions within industry as to whether **setting a minimum standard of education will ultimately lead to the desired outcome** of increased perception of professionalism and trust in the insurance industry.
- II. There are also contrasting positions around whether the **provision of training in soft/communication skills is the responsibility of the employer or should be covered in VET**. Some organisations argue that soft skills are the responsibility of the organisation as these will be organisation-specific, while other organisations have stated that, given communication is a fundamental part of entry level job roles in insurance, they would expect these critical skills to be included in VET content.
- III. Industry feedback indicates that there needs to be content delivered covering **fundamental technical skills** of insurance broking such as the nature of contracts, and claims processes at an AQF level below the Diploma.
- IV. Industry feedback has outlined that university graduates are increasingly moving into the insurance sub-sector via entry level job roles. This may impact desire of employers to direct employees to complete full qualifications and **speaks to the need of more portable skill set** offerings to meet compliance requirements without completing an entire qualification.

#### Total proposed changes

See separate attachments for specific Unit of Competencies identified for the following review (See Appendix A for more detail).

Total proposed changes to training products	Number of training products Project 1H Banking & lending	Number of training products Project 1J Insurance services, agency and broking
Existing qualifications to be updated	8	8
Existing qualifications planned for deletion	0	2
Existing units of competency to be updated	11	16
Existing units of competency to be deleted	0	10
New units of competency to be created	13	0
New skill set to be created	0	1

#### Impact of Change

Throughout the Case for Change process we have sought to gather multiple perspectives on impacts of the proposed changes to training products. Expected impacts relative to stakeholders for this project are outlined below.

Stakeholder	Impact
Industry / Employers	<ul style="list-style-type: none"> <li>• Potential employees have current and relevant skills</li> <li>• Less 'on-the-job' training required</li> <li>• Improved options for upskilling employees in banking and lending, and insurance</li> <li>• Greater recognition of qualifications</li> <li>• Greater certainty that employees have the knowledge and skills to process complex loans</li> <li>• Greater certainty in meeting compliance and regulatory requirements and obligations</li> </ul>
Registered Training Organisations	<ul style="list-style-type: none"> <li>• Increased flexibility in training product offerings</li> <li>• Consistency in the application of units of competency and clearer educational outcomes regarding the provision of general advice</li> <li>• Potential increases in enrolments and completion rates</li> </ul>
Students	<ul style="list-style-type: none"> <li>• Improved employability through existence of specialisations, and focus on technical skills</li> </ul>

	<ul style="list-style-type: none"> <li>• Increased awareness and knowledge of complex loans in banking and lending, and claims in insurance broking</li> <li>• Improved pathway for those aiming to pursue particular job roles within banking and lending, and those aiming to meet insurance regulatory obligations</li> </ul>
Other IRCs/Training Packages	<ul style="list-style-type: none"> <li>• None of the proposed responses include making changes to the content of imported units, therefore there is no anticipated impact to other IRCs or Training Packages.</li> </ul>

### Risk of not proceeding with proposed response

The base case (the 'do nothing') option must be considered as an alternative to the proposed changes in order to enable effective comparison between the two scenarios. This option negates the need for investment in training products, however does not address the current state issues identified. The likely impacts of this option are outlined below:

Issue	Implications of not implementing proposed changes
<i>Existing qualifications and training in banking and lending, and insurance do not reflect industry expectations or requirements.</i>	Choosing not to review training in these areas for currency and relevance now may mean not reviewing the training for another four years. It may mean that graduates are not able to meet industry requirements, graduate with qualifications that are not recognised by industry or with qualifications that still require extensive "on the job" training. It also may mean unused qualifications remain in the Training Package, inciting lack of clarity and perception of validity of VET offerings.
<i>Graduates of financial services qualifications have inadequate skills and knowledge of complex loans within banking and lending.</i>	Nationally recognised training continues to lack a unit of competency covering the fundamental area of complex loans, thus meaning VET in this area is failing to meet key industry requirements.
<i>Existing qualifications and training continues to be unclear in the ways it can assist employers and employees to meet compliance requirements.</i>	Employers and employees continue to lack certainty when it comes to education standards for compliance with RG 146 licensing requirements. Issues with compliance feed into the already present problem of a lack of consumer trust in the financial services sector.

### Timeframes

PwC's Skills for Australia anticipates that a Case for Endorsement for the FNS Training Package will be submitted to the AISC by June 2019.

### Implementing the COAG Industry and Skills Council reforms for Training Packages

Reform	Evidence of reform being addressed
<i>Removing obsolete and superfluous qualifications from the training system</i>	The Certificate III in Insurance Broking and Advanced Diploma of Insurance Broking were identified as obsolete or superfluous training products during industry consultations. Removing them will ensure that the training package remains relevant and effective.
<i>Making more information available about industry's expectations of training delivery</i>	Training package components will be written so they align with industry expectations for training delivery, and will be released with an FNS Companion Volume that provides additional information.
<i>Ensuring the training system better supports individuals to move easily from one related occupation to another</i>	Training package components will be amended to ensure they are providing learners with skills that are transferable across occupations within Financial Services.
<i>Improving the efficiency of the training system by creating units that can be owned and used by multiple industry sectors and housing these units in a work and participation bank</i>	FNS units will be amended to ensure they provide training which is relevant across multiple industries. Units of competency from other training packages, such as the BSB Training Package, will be considered for inclusion where relevant in the FNS Training Package
<i>Fostering greater recognition of skill sets</i>	Future training product development work will consider opportunities to develop skill sets.