Moving deckchairs on the Titanic: Learning in Asian private banking

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Moving deckchairs on the Titanic: learning in Asian private banking

The region's private banks face rising competition and compliance costs, and need to raise client trust and engagement to offset these risks. To do so they need to improve the training of their staff. It won't be cheap, but it's an investment worth making.

Asia's private banks are navigating an increasingly difficult environment, and obstacles are looming that threaten to hole their ambitions.

Chief among these challenges is the rising number of investment alternatives in the market. Robo-advisers, or algorithm-based online portfolio management systems, are gaining traction in the US and will eventually spread into Asia. Insurance companies, retail banks, IFAs, mutual fund providers and online trading platforms are also seeking their money.

More directly, independent asset managers are increasingly competing with the private banks, with professionals who are often former private bankers offering tailored advice.

Added to this, the mounting levels of regulation are forcing up the cost bases of the private banks. To flourish in this difficult environment, Asia's private banks need to be better than ever. They have to demonstrate they are worth their fees and provide valuable advice.

That's easier said than done in an industry that is suffering globally from the belief that private banks focus on selling products to their customers, rather than offering good advice.

"Private bankers are by many perceived as acting in their own interests, not those of the client," says Kees Stoute, managing director at Hubbis, and the former head of South-east Asia private banking at EFG Bank.

It's a point David Stevenson makes in his book 'Secrets of Wealthy People; 50 Techniques to Get Rich': "The dirty truth is that, by and large, this industry is set up to extract excessive fees from you, based on the mystique of financial expertise, helped along by the soothing message that 'we can take all the pain and hassle out of money' by just leaving your risk (investment) capital with us," he says.

Such views have contributed to the cynicism with which banking in general is regarded. The 33,000 international respondents to the 2015 Edelman Trust Barometer placed trust in financial services at just 54%.

This relatively poor perception is likely a result of how the industry has evolved. Back in the 1980s, private bank services outside of Switzerland, were largely unbundled with trusts, wealth planning and fund management being offered by different divisions.

But it became apparent that the best margins available were in fund management, so private banks gradually rolled these services into one to attract more assets. That helped to foster today's focus on product selling as opposed to client advice. Market scepticism about private bankers today is not helped by the lack of time they spend with their clients. Vish Jain, a partner in transaction advisory services at Ernst & Young, says relationship managers at private banks spend a small minority of their time engaging with their clients.

"Based on companies I work with, the lowest quote I saw was 11% of an RM's time being spent with clients, and the rest with admin, research, or troubleshooting," he says. "The average was 20% of time being spent on clients, with the other 80% spent on what arguably can be done by others."

To surmount these problems, private banks need to improve the trust of their clients. That requires better communication, and less focus on short term revenue generation.

"There are lots of grey-haired men in their fifties now who won't be around for much longer. The issue is that there aren't enough people with years of experience to replace them."

MICHAEL STANHOPE
Hubbis

THE TRUST EQUATION

'The Trusted Advisor', a bestselling book co-written by David H. Maister, offers a trust-equation that goes to the heart of this issue: credibility, plus reliability, plus intimacy, divided by self-orientation, equals trustworthiness.

In other words, the most trusted private bankers have knowledge and experience, are dependable and have integrity, and know their clients well, making them feel comfortable sharing private and personal information with them.

And most importantly, they are not too focused on what they can get from the relationship, but rather on how they can add value to their clients.

"The best private bankers are considered genuine advisers, on a par with or above a wealthy person's lawyer or doctor," says Michael Stanhope, founder and chief executive of Hubbis.

"They are often named godparents to their client's children; some even go on holiday with them.

"Even today, very few Asia-raised bankers can boast anywhere near that closeness of relationship."

Building that mind-set into relationship managers will increasingly require training. While some banks take the concept of learning and development (L&D) very seriously, others focus the training their RMs receive on understanding products and the compliance required to sell them.

"The best private bankers are considered genuine advisers, on a par or above a wealthy person's lawyer or doctor. They are often named godparents to their client's children; some even go on holiday with them. Even today, very few Asia-raised bankers can boast anywhere near that closeness of relationship."

"There is still too much emphasis on product training and providing product knowledge. Managers in a lot of [private banks] think that as soon as a client adviser understands a product he is able to sell it, and that's just not true," says Reto Fuchs, founder and director of Skillfox, a professional training company.

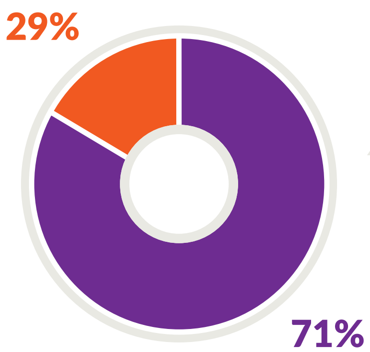
This is not a problem for Asia alone. Private bank clients in London and Australia also complain that private banks focus too much on selling products, and not enough on understanding and handling client expectations.

For example, the ultimate objective of any investment management company should be to satisfy its investors.

Success should be measured by whether the company delivers the investment returns that its clients need, not the amount of commission that it can earn.

If the region's private banks want to avoid the risk of being disintermediated, they would be wise to consider shifting

HONG KONG RELATIONSHIP MANAGER POLL



Do you think the CPT / CPD that you do is:

- *A pointless box-ticking exercise*
- *Very helpful and can be applied in your job*

Source: Hubbis Asian Wealth Management Forum, 12th February 2015

more of their business to focus on their client's real needs. And, again, doing so will require proper training. Approached this way, training is an investment, and not just a cost.

IMPROVING THE SKILL-SETS

The concept of organised wealth management in Asia can trace its roots back to 1964, when UBS became the first Swiss bank to establish an Asian hub in Hong Kong.

However, in its modern form it has only been around for about 20 years.

In contrast, the industry has existed for 300 years in Europe. Swiss private banks in particular have evolved a culture of how best to advise and add value to their clients over several generations. The best banks instil lessons on how to engage with these HNWs into their new bankers though internal training and apprenticeships.

Some private banks have exported this culture to their Asia operations. UBS, for example, takes the on-boarding process and internal training very seriously. Banker recruits spend several months getting to know colleagues and on rotation programmes after arriving, working in different product areas. All-told the on-boarding process takes around 10 months. The new recruits take the CACS exams in Singapore, but also many internal UBS-assessed courses.

BNP and Bank of Singapore have also made visible progress in the area of training. Other parts of the financial industry focus on meaningful L&D too. The insurance sector conducts strong levels of training and is energetic and enthusiastic in getting its client-facing professionals to conduct it. Insurance agents are often keen to take external exams too, such as gaining CFP certification.

Yet while all private banks have internal training sessions, they tend to focus this on product knowledge and understanding of compliance rules. "We should put the client in the centre of everything that we do and seek to better understand them, with [the selling of] products being secondary activities," says Paul Smith, chief executive of the CFA Institute.

"However, at the moment [prioritising product selling] is the way most of the financial services industry is organised."

Worse, training is falling as a priority in private banks. Even private banks that seriously embrace L&D seem to be allocating less resources to it. Many banks Hubbis has spoken to over the past year indicate they intend to either keep the resources they allocate to L&D flat, or even cut them.

The international private banks have coped in large part by relying on the experience of many of their senior personnel. Many of the senior private bank managers in Asia today are Swiss, Italian, French or Dutch people in their forties or fifties, with decades of wealth management experience. The top relationship managers are typically between 35 and 45 years old, possess a finance or economics degree and have been at the same bank for 10 years, according to research by Ernst & Young.

These sort of RMs use their experience to advise their clients. But as the years

"There is still too much emphasis on product training and providing product knowledge. Managers in a lot of [private banks] think that as soon as a client adviser understands a product he is able to sell it, and that's just not true."

pass more of these individuals will retire or leave to become independent asset managers.

"There are lots of grey-haired men in their fifties now who won't be around for much longer," says Stanhope. "The industry faces a worrying issue that when they go there aren't enough people with years of experience to replace them."

This means that learning and development will become particularly important for the newest generation of bankers, who tend to have been born in the late 1970s until the early 1990s.

Some in the finance industry refer to them as 'the strawberry generation', in reference to the stereotypical image of people in this generation as being well-educated, immaculately turned out and with high expectations, but prone to spoil if placed under much pressure. In other words, there is a risk that many of these younger people lack the discipline and perseverance needed to excel in this industry.

Referring to the trust-equation, if not well-trained, the banker won't be capable to act in the client's best interest, thus scoring low on trustworthiness. It is important these young bankers gain a thorough understanding of the benefits of properly advising clients, followed by years of experience.

They need to foster longstanding HNW relationships that grow a private bank's business over the long term.

"We should put the client in the centre of everything that we do and seek to better understand them, with the selling of products being secondary activities. However, at the moment prioritising product selling is the way most of the financial services industry is organised."

A CONTRAST IN ATTITUDES

One way to assist this would be for private banks to allocate more resources towards L&D, with the encouragement of Asia's regulators. Singapore deserves praise for the seriousness with which it is addressing the issue.

The Monetary Authority of Singapore (MAS) instituted the Private Banking Code of Conduct in 2011, and it supported the Institute of Banking and Finance (IBF) in creating Client Advisor Competency Standards (CACS), a competency exam for private bankers. Private banks in Singapore need to ensure their client-facing individuals pass the CACS, which basically consists of a two-paper assessment.

Once the banker has passed CACS, they have to fulfil 15 hours of continuing professional development (CPD) hours each year. The IBF says 99.7% of over 4,000 relationship managers met their CPD requirements in 2014, while most bankers logged in 20 hours of CPD or more.

The attitude of Hong Kong's regulators with regards to formal education has been less progressive. The Securities and Futures Commission is very demanding of private bankers when it comes to assessing their competency to sell products, often asking for lots of disclosure and documents in a prescriptive manner to ensure the bankers understand and ensure the suitability of the products for the clients.

However it doesn't demand any formal certification of these bankers, although they are being encouraged to take the Private Wealth Management Association's Enhanced Competency Framework (ECF).

The only requirement of private bankers in Hong Kong is five hours of continuous professional training (CPT) a year per regulated activity they engage in. The

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KEES STOUTE
Hubbis

city's L&D requirements are distinctly lighter than those of rival international financial centres, which raises questions over how seriously training is viewed as a catalyst factor in developing the industry going forward.

"How can Hong Kong ever consider itself to be a world class international financial centre if it has such low standards when it comes to monitoring and ensuring the professionalism of its private bankers?" wonders Stanhope.

"At the moment [prioritising product selling] is the way most of the financial services industry is organised."

PAUL SMITH
CFA Institute

Financial regulators often say they focus on ensuring investor protection and better investor outcomes, yet this does not always seem apparent in their actions.

Requiring high standards of private banker education is a sensible means to protect end investors, so it seems strange that all financial regulators don't actively try to raise them.

CPD requirements, there are still questions over the effectiveness and relevance of training today. There are some worrying signs.

"Attendees routinely come in and play on their phones or read the newspaper while these courses are taking place, yet are still rewarded for their attendance," says Stanhope.

"After understanding the product, the next step the banker has to consider is: 'how do I explain these products to the client?' And to take it even one step further, 'how can I demonstrate the client that this product solves his problem or parts of his problems?'"

Do some regulators worry that setting high standards of education would lead industry participants to lose their jobs or leave the industry? Ratcheting up education requirements may prove painful for several firms, who are forced to release or better-train their less dedicated RMs. Yet wouldn't it result in an ultimately healthier, more client-focused industry?

Even if regulators in Hong Kong and other Asian countries do raise their

At the Asian Wealth Management Forum in Hong Kong on February 12, representatives of the private banking audience of over 300 people were asked to vote on whether CPD was useful or a pointless box-ticking exercise. A worryingly high 71% opted for the latter.

The response rate was better at Hubbis' 'Building the Skills You Need for Success in Wealth Management' forum on March 10 in Singapore, where 56% of the audience of relationship managers

voted that CPD was useful. That is a much more positive sign, and it is probably in part a development of the IBF's proactive approach towards consultation with the industry over CPD requirements. Yet even so, 44% of voting RMs said they felt that CPD was a waste of time.

This is a concerning outcome. The CPD standards of any Asian financial regulator are an easy hurdle for serious professional investment advisers to clear.

Dedicated investment professionals probably conduct at least five hours of CPD each week, just as part of keeping up to date with their profession. So a requirement of 30 or even 50 hours a year should be easy to reach, if it is described properly and includes materials such as research reports and relevant journal articles.

Doing such research and learning and development should be part of what a high quality private banker does, regardless of any mandatory requirement to do so.

SOLVING THE ISSUE

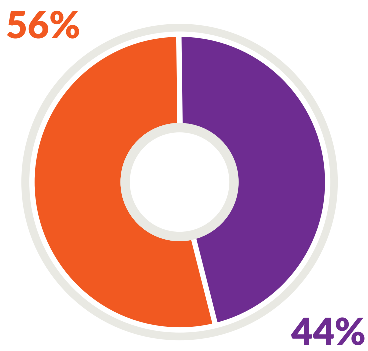
There is no simple solution to changing this RM attitude. But a good start would be for banks to reflect upon how training could contribute to addressing the challenges we discuss in this article.

"There needs to be more emphasis on a combination of technical know-how and communication skills," says Fuchs.

"After understanding the product, the next step the banker has to consider is: 'how do I explain these products to the client?' And to take it even one step further, 'how can I demonstrate the client that this product solves his problem or parts of his problems?'"

While there is no easy cure, there are a few areas where more attention could be given so as to raise L&D standards in Asia.

SINGAPORE RELATIONSHIP MANAGER POLL



Do you think the CPT / CPD that you do is:

- *A pointless box-ticking exercise*
- *Very helpful and can be applied in your job*

Source: Hubbis Building the Skills you Need for Success in Wealth Management, 10th March 2015

RAISE CPD HOUR REQUIREMENTS

Private banks could ensure their bankers take a minimum number of CPD hours a year, on a variety of skill and knowledge sets; i.e. not just training that focuses on product and compliance.

In some banks team managers are expected to outline specific areas of weakness for individual RMs, and have them devote CPD hours to improving in these areas until the manager is satisfied.

If the RM fails, they could be made to re-take them, or conduct a test after six months to demonstrate they are improving sufficiently.

The respective banks view these CPD hours as necessary investments into professionalising the bankers. Obviously, the regulators in Singapore and especially Hong Kong could support such moves by raising minimum CPD hour requirements higher, potentially to 30 hours a year.

QUALITY CPD COURSES

CPD training conducted internally by banks and externally by other training providers should obviously be of a high quality, and include communication skills and organisational skills.

Good RMs will be able to manage their time well, freeing up space to focus on client engagement and using this to communicate what they learn. To support this, it would be wise to make large parts of training interactive. Interactivity engages people, and helps them to apply faster what they learn. One example would include role-playing case studies, in which RMs deal with trainers posing as HNWs with differing needs and varying attitudes.

Another example would be for CPD trainers to place scenarios of HNW clients in front of RMs, and ask them to suggest various investment possibilities, with the accuracy of these scenarios depending upon how much information they glean about the client.

The vital element of such an exercise would be to demonstrate that the RMs require client information to offer accurate investment advice.

The regulators could take a hand here, encouraging more imaginative and engaging CPD courses from providers.

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PROVIDE APPRENTICESHIPS

The concept of apprenticeships in private banks has a long tradition in Switzerland. It makes sense, giving junior private bankers experience across all the divisions of their institutions and ensuring they always have a mentor to

turn to and learn from. Mentoring is often rather effective when it comes to passing on skills from one generation to the next.

REWARD GOOD L&D PERFORMANCE

Perhaps the simplest single way to get RMs to take training seriously is to link customer satisfaction to their pay.

This assumes that advisers who become more capable in advising clients are more likely to make those clients satisfied.

Higher client satisfaction and lesser complaints is usually good for the development of the business. The opposite holds also true: by convincing bankers that high customer satisfaction leads to higher rewards, private banks can help incentivise RMs to take the training more seriously – provided it is seen as valuable and high quality.

Bankers could also be recognised and rewarded for excelling at L&D. And it should be part of their KPIs.

PROOF OF WORTH

The regulators could consider supporting initiatives of professional education providers through accreditation. With accredited training programmes to choose from, you allow bankers to demonstrate their commitment to improving themselves, which helps their reputations as well as their CVs. This could give an additional benefit to simply 'collecting CPD points'.

SENIOR MANAGEMENT COMMITMENT

Perhaps most importantly, true commitment to personal development starts with the senior management showing their support for professional development.

Senior managers who believe in the ultimate worth of training their bankers to better relate to their clients are more willing to endorse and promote it with their staff. In more mature jurisdictions, managers often have a targeted responsibility to proactively grow the skills and knowledge of their people.

They receive targets not just for good performance, such as increased assets under management and fee income, and but also to ensure that 'inputs' are being changed and progressed.

Perhaps more importantly, such managers ensure their people can demonstrate that increased knowledge and improved skills are being appropriately applied in the real world.

COMMITMENT FROM THE INDUSTRY PARTICIPANTS

In countries like Singapore, where the regulator has been very prepared to supply funding for L&D, surely there should be a mutual obligation from all private banks to invest in robust training.

While some have been very committed and spend an appropriate amount of money on proper learning and development, others do not. One way to better establish professional standards in the industry would be for the regulators to force all private banks to spend a certain amount of money on high quality training, possibly relative to their assets under management. This could and should not be just for their own RMs, but possibly for the HNW clients they serve as well.

TIME TO ACT

Ultimately, top-notch training can be used to create the very best private bankers in the world, and it can be done it in an Asian way. It's an attainable achievement. Singapore Airlines, for example, set the standard for in-flight attendants. And with a younger private banking industry, the region has less entrenched traditions than in London, Geneva or Zurich.

Yet these standards are not very evident today. Ask many private bank heads in Asia about their strategy, or the uniqueness of their proposition, and most mention points such as "putting the client first" or "open architecture". Probably it is less important to try to be unique and much more important to try to excel.

Take one example, discretionary portfolio management (DPM). Most private banks provide this value-adding service offering, but not very successfully. The

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ANTHONIA HUI
AL Partners

penetration of DPM is less than 5% in Asia, compared to 24% in Europe and 43% in the US. This is most likely a reflection of the low level of trust in the industry.A few banks that have focused on training their bankers to be much more confident with regards to DPM have shown good growth in this area.

However, it requires quite a different type of interaction with the client. Private banks would be advised to change their (perceived) focus if they wish to secure their futures.

Bankers who are properly trained will be more successful in gaining their clients' trust and assets to allocate to tailored investment solutions.

Those who continue focusing their training efforts on selling products instead will see their claims to put the client first undermined by reality, thus reinforcing the sentiment among the public.

"If you have a client to whom you don't add value and you approach him with high self-interest, that client does not sense sincere care," says Stoute. "As a result the client won't respect you and will display a high level of scepticism and distrust."

Additionally, HNW clients may well seek out cheaper investment options such as robo-advisers and online trading platforms. They will be also be catered to by independent asset managers (often ex-private bankers) who do offer personalised financial services and reduce the significance of private banks to providers of custody services.

Anthonia Hui, chief executive officer of AL Partners and co-founder of the Association of Independent Asset Managers in Singapore, says RMs who lose their customers to such rivals have only themselves to blame. "It's not important what the banks offer as a statement [of intent], it's whether you are conscientious enough and have the integrity to be aligned with what the client is doing," she says. "If you have no clients, you have no job, so they are your ultimate boss."

Private banking is a business that is meant to be based upon trust, yet this seems to be challenging to achieve amid the rush to promote product sales and short-term revenues. Banks that embrace better training as part of a broader aim of meeting their clients' needs are more likely to chart a course into a healthier future.

However, banks that use training to just sell products may increasingly resemble the place-setters on RMS Titanic's maiden voyage – keeping busy before an inevitable slide into oblivion. ■

Hong Kong's L&D oversight

REGULATOR

The Hong Kong Monetary Authority (HKMA) is the territory's ultimate regulator for all bank activities and licences. But the Securities and Futures Commission (SFC) is responsible for market products and distribution. The SFC has taken the lead role in terms of certification and learning and development requirements.

CERTIFICATION REQUIREMENTS

The HKMA chaired a task force made up of members of the Private Wealth Management Association (PWMA), the Hong Kong Institute of Bankers, the Hong Kong Securities and Investment Institute, and the Treasury Markets Association, which created the Enhanced Competency Framework (ECF).

The ECF consists of two modules, the first covering technical, industry and product knowledge, and the second covering ethics and compliance.

The first module suggests 40 hours of in-class training ahead of a two-part multiple choice exam, the first being a 1.5 hour paper on financial instruments, the second a two hour paper on wealth management.

A 70% success rate in both is the minimum required to pass. The second module suggests 12 hours of training, and is followed by a one hour multiple choice paper exam. Again, the minimum pass rate is 70%. Bankers have to pass the examinations on both modules to receive a certificate. However, the ECF is a voluntary scheme, so private bankers do not have to take it. There is currently no regulatory downside for not doing so.

It's also worth noting that a large amount of time and effort is being put into who can be grandfathered through module one. In most other leading financial jurisdictions this would not be permitted.

L&D REQUIREMENTS

The SFC says all private bankers in Hong Kong should conduct five hours of continuous professional training (CPT) a year for each type of regulated activity.

These regulated activities are as follows: dealing in securities; advising on securities; securities margin financing; dealing in futures contracts; advising on futures contracts; leveraged foreign exchange trading; advising on corporate finance; asset management; and providing credit rating services.

Banks can devise internal courses that are CPT-applicable. Additionally, many externally-run activities can be considered to have CPT eligibility. Workshops, seminars and course attendance are popular means, as is self-study, provided it is followed by the submission of assignments organised by recognised institutions. This CPT can cover a broad range of topics.

The SFC says that failure for a private banker to meet CPT requirements or keep records of CPT activities "will raise doubt on his fitness and properness. These failures may lead to disciplinary action by the SFC or the HKMA".

MONITORING ACTIVITY

The private banks self-police to ensure their personnel meet these CPT requirements. However, they have to keep records of CPT activities for three years. The SFC can request to see these records.

The voluntary nature of ECF means that certification is not required for private bankers in Hong Kong. ■

More information

Click Below

Securities & Futures Commission guidelines on Continuous Professional Training.

The Enhanced Competency Framework

Singapore's approach

REGULATOR

The Monetary Authority of Singapore (MAS) is ultimately responsible for the oversight of and professional standards in Singapore's wealth management advisory sector, along with regular banking. It instituted the Private Banking Code of Conduct in 2011, and supported the Institute of Banking and Finance (IBF) in creating Client Advisor Competency Standards (CACS), a competency exam for private bankers.

CERTIFICATION REQUIREMENTS

Private banks in Singapore are prevailed upon to ensure their client-facing individuals pass the CACS, which basically consists of a two-paper assessment. The first paper covers wealth management legislation, regulations and industry codes of practice. The second paper covers wealth management industry concepts and product knowledge. The first paper consists of a 1.5 hour exam, the second a two hour exam.

L&D REQUIREMENTS

Once the banker has passed CACS, they have to fulfil their annual continuing professional development (CPD) hours. While these are overseen by the IBF, CPD participation and compliance is intended to be an industry initiative that is self-policed by the private banks. The CPD requirement is currently 15 hours of industry-based training. Any materials relating to the specific policies and procedures of the bank employing the individual cannot be included.

It is the individual banker's responsibility to ensure they meet this 15 hour standard. Most do; the IBF says 99.7% of over 4,000 relationship managers fulfilled their CPD requirements in 2014. Personnel who failed to meet the minimum CPD hour requirement in the first year of their job can catch up these hours in the following year.

A source close to the IBF says more compartmentalisation of L&D coverage might be introduced, with minimum coverage requirements in certain areas. An increase in the minimum CPD requirements looks likely to occur eventually, most likely to 30 hours a year. The granularity of training to be included is also likely to increase. The IBF has also changed a more complex form of rows of licencing to three levels of certification: IBF qualified, which covers a new industry entrant, IBF advanced for bankers with at least three years of experience, and an IBF fellow, for industry veterans with 15-20 years of experience.

MONITORING ACTIVITIES

The IBF is also set to begin auditing the CPD records of random private banks this year, to assess whether the personnel of these institutions are meeting their L&D requirements.

To encourage more CPD training, the IBF monitors a training grant subsidy programme too, in which providers of CPD-eligible training can receive a subsidy for the people that attend. It uses this to help build statistics from these course providers about the type of training involved, and attendance numbers.

It has created a computer programme to analyse this data and offer conclusions from it, such as how many Singapore-based bankers are conducting CPD in what particular areas, and how many hours they are clocking. Additionally, the IBF is working to create 'pathways', to help train private bankers in complimentary sectors, such as trust advice, or to train priority bankers to become fully fledged private bankers. ■

More information

Click Below

Examination requirements for the IBF Client Advisor Competency Standards (CACS)

MAS consultation paper on draft legislation and proposed amendments for the financial advisory industry review

The UK's L&D structure

REGULATOR

Private bank L&D requirements are overseen by the Financial Conduct Authority (FCA), a financial regulatory body that operates independently of the UK government.

The FCA outlined its learning and development requirements in its Retail Distribution Review (RDR), which was first implemented in 2006. Most of its stipulations relate to continuing professional development (CPD) training. CPD is mandatory for financial advisers, securities & investments specialists and insurance professionals.

CERTIFICATION REQUIREMENTS

Under RDR, a client-facing private banker needs an investment management certification to advise customers on particular financial products.

There are a broad variety of these certifications available from institutes that are recognised by the FCA, many covering slightly different aspects of financial advice and products.

However, these licences do not cover advice that might be ancillary to investments, but is still relevant to private banking. Advising on insurance or estate planning requires independent financial adviser (IFA) qualifications. These are financial planning certificates (FPCs), and come in three levels.

The introduction of RDR required many wealth advisers to take their FPCs again. This, along with eliminating the front-loaded fees on products, caused many to vacate the industry.

L&D REQUIREMENTS

Under RDR financial advisers and securities and investments specialists must undertake at least 35 hours of CPD training each year. This can be more if advisers wish to get more than one licence.

The regulator says wealth management firms should ensure their employees complete the CPD hours to maintain their competence in areas such as skills and expertise, technical knowledge, and changes to financial legislation. Conducting research on products and services for clients cannot be included. Of this total, 21 hours have to be structured. In other words they must be earned by attending formal, FCA-approved activities or reading materials related to retail investment advice.

CPD also has 14 hours of 'reflective' and 'self-directed' learning, which can basically be filled through reading news articles and research, listening to relevant podcasts and other, non-participatory activities. This is entirely self-monitored.

When they have almost finished their CPD for the year, advisers can apply for a Statement of Professional Standing. This statement demonstrates they have complied with RDR.

MONITORING ACTIVITIES

Financial advisers have to ensure their CPD activities can be measured in terms of hours conducted, mostly by being overseen and verified by accredited CPD providers. The FCA offers also tells advisers to record their knowledge gaps and learning targets ahead of taking the CPD, to describe how they intend to fill these needs in terms of training and number of hours assigned. Additionally, the FCA says it will check 10% of advisers "to ensure advisers are meeting the minimum requirements". This might involve advisers having to submit their CPD records for review.

Accredited CPD course providers can also theoretically refer concerns about individual advisers attending their courses to the FCA. ■

More information

Click Below

Details on the FCA's Retail Distribution Review – Continuing Professional Development (RDR)

Details on investment management certifications

Australia's L&D approach

Australia's financial regulator takes a robust attitude towards monitoring the training and professional development of local financial advisers. Extensive amounts of training are required of all financial advisers, with the number of hours rising depending on the complexity of the financial products being advised about.

REGULATOR

The Australia Securities & Investment Commission (ASIC) is responsible for monitoring private banks and the training and professionalism of their personnel.

L&D REQUIREMENTS

The primary aim of ASIC is for advisers to meet its knowledge, skills and training standards. It details its expectations in its Regulatory Guide 146 Licencing: Training of Financial Product Advisers (RG146). Financial advisers need to meet the requirements of RG146.

The regulator divides RG146 compliance into Tier 1 and Tier 2. Tier 2 covers general financial tools, such as deposit products, non-cash payment products and general insurance. All financial advisers need to be comply with Tier 2.

Tier 1 covers more complex financial instruments, including securities derivatives, managed investments, superannuation, foreign exchange and margin lending facilities. Dedicated financial advisers need to be conversant with this tier of RG146.

To comply with RG146, advisers have to partake in training courses relevant to their advisory activities. Alternatively, they can undergo an individual assessment with an authorised assessor, who measures their competence.

RG146 is effectively couched at 'certificate' level, meaning that tertiary education is not necessary. However, competency assessment is currently spread across a multitude of educational providers listed on the ASIC Training Register.

As part of its demands, ASIC insists all full service financial advisers conduct at least 20 hours of continuing professional development (CPD) courses a year, and a minimum of 120 hours over three years.

Advisers fill these hours through attending approved courses; conferences; in-house or external training; reading appropriate research or technical publications; self-study, which can include self-learning packages; mentoring; and CPA Australia-recognised programmes.

Many types of training can qualify for RG146 recognition, and the regime does not greatly differentiate between a graduate diploma in financial planning and a half day seminar followed by multiple choice exam.

MONITORING ACTIVITIES

RG146 rules require the employers of financial advisers to assess and record the qualifications of their staff. They also have to implement ongoing training regimes and maintain completion records of their staff.

Private bankers say smaller organisations usually keep these records on spreadsheets, with larger entities utilising learning management systems. ■

More information

Click Below

RG146: Training of financial product advisers

An Australian government inquiry into proposals to lift the professional, ethical and education standards in the financial services industry

Online learning with Hubbis

We help practitioners meet their professional education obligations via traditional e-learning, event presentations, video Q&As, books & publications, forums and thought-leadership.

80+ COURSES

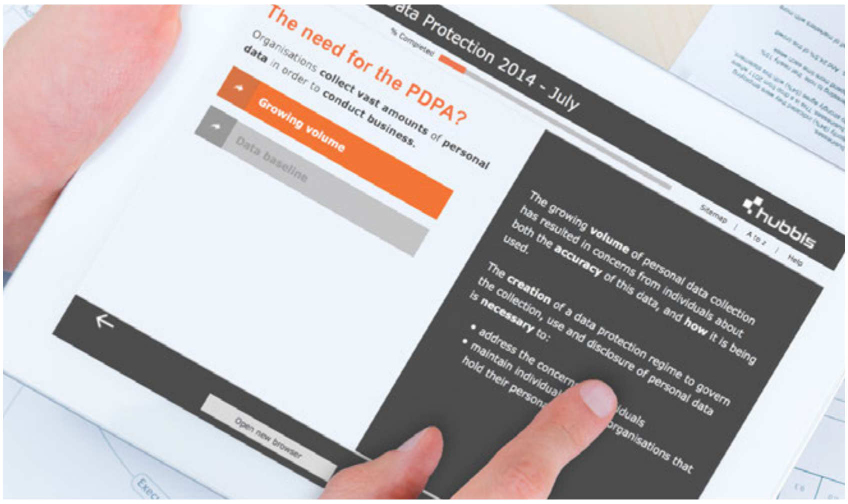
Traditional e-learning modules

Hubbis offers 80+ proprietary training courses covering core topics relevant to building and improving effective and appropriate advisory skills in an Asian industry context. The Hubbis syllabus covers major product, skills and compliance topics.

200+ HOURS

Event presentations, video Q&As, books & publications

Hubbis augments formal courses with over 200 hours of live-learning content that ranges from expert articles and interviews to engaging presentations from Hubbis' highly acclaimed Wealth Management events. Each training course and many of the additional materials are in modules of 30 and 60 minutes for CPT/CPD and all Hubbis modules are assessed prior to completion to assist in demonstrating user's learning success for regulatory reporting.



ANALYSE RESULTS

Reporting

The Hubbis system allows the recording and reporting of all online and offline internal and third-party training in order to provide a complete training record for each individual. The Hubbis e-learning platform also offers a dedicated reporting feature enabling HR and/or compliance managers to generate customised data sets to match both internal and regulatory training reporting requirements.

REGULATION & COMPLIANCE

INVESTMENTS

FAMILY WEALTH

SKILLS

STRATEGY & BUSINESS