THE AUSTRALIAN GOVERNMENT IS JUSTIFIED IN ESTABLISHING A SINGLE DISCIPLINARY BODY

Angelique McInnes
CQUniversity Australia, Level 21, 160 Ann Street, Brisbane, 4000
Email: a.mcinnes@cqu.edu.au

ARTICLE INFORMATION

Article history:

Submitted: 17 June 2020

Revision: 13 November 2020

Acceptance: 20 November 2020

Key words:

Legitimacy, financial adviser licensing, single disciplinary body, structural equation modelling, professions

ABSTRACT

Published empirical research (McInnes 2020) proves licensing financial advisers through multiple profit-driven Australian Financial Services licensees contributes to conflicts of interest by association. Government's response is to regulate advisers by adopting a single disciplinary body (Frydenberg & Hume 2019) to professionalise advisers like established professions. This paper supports Government's move to implement this body (Taylor 2020c; Maddock 2020), albeit delayed by COVID-19 (Taylor 2020a), by using the evidence published in a Routledge book (McInnes 2020). It aims to motivate advisers to work with policymakers to reshape financial advice into a true, accredited profession to address the problem of conflicted association, to make advice accessible (Marsh & Phillips 2019) and conflict free, while also dismantling costly compliance legislation (Smith & Sharpe 2020).

Introduction

Before advisers may offer their services to the public (Hutson & Vonnessen 2003; Pearson 2006) they have to comply with the regulations of the Australian Securities and Investments Commission (ASIC), the Financial Adviser Standards and Ethics Authority (FASEA), the Tax Practitioners Board (TPB), AUSTRAC, the Office of the Australian Information Commissioner (OAIC) and the Australian Financial Complaints Authority (AFCA) (Taylor 2020c; Taylor 2020b; Orchard 2018; Travers and Ertac 2020; OAIC 2020; Spicer 2018). Subject to Chapter 7, Part 7.6 of the *Corporations Act 2001* (Cwlth), ASIC enforces the mandatory regulation of advisers via multiple third-party Australian Financial Services (AFS) licensees. FASEA, as per the *Corporations Amendment (Professional Standards of Financial Advisers) Act 2017* (Cwlth), enforces the educational qualifications, ongoing training and ethical conduct of licensed financial advisers (FASEA 2020). Advisers offering tax [financial] advice for a fee must comply with the *Tax Agent Services Act 2009* enforced by the TPB (Financial Planning Association 2020). AUSTRAC works with the financial services sector to protect the public by identifying, preventing and interrupting criminals from abusing the financial system (Spicer 2018). The OAIC protects consumers' rights to privacy and access to their information as per the *Privacy Act 1988, Freedom of Information Act 1982*, and the *Treasury Laws Amendment (Consumer Data Right) Act 2019* which inserted a new Part IVD (Consumer Data Right into the *Competition and Consumer Act 2010* (OAIC 2020). Finally, the AFCA—bound by the *Treasury Laws Amendment (Putting Consumers First—Establishment of the Australian Financial Complaints Authority) Act 2018*—deals with public complaints about credit, finance, loans, insurance, banking transactions, financial advice, and superannuation, all of which were previously managed by the Superannuation Complaints Tribunal, Credit and Investments Ombudsman and the Financial Ombudsman Service (Orchard 2018).

Presently, advisers either choose to be self-licensed by applying for their own AFS license or advisers are employees of an AFS licensee giving the legal liability for the advice to their licensee (Power 2015; Certified Practicing Accountants and Chartered Accountants Australia and New Zealand 2017). Others have selected to be self-employed 'contractors' [franchisees] of institutional licensees without taking on any AFS licensee legal liability (Power 2015; Certified Practicing Accountants and Chartered Accountants Australia and New Zealand 2017). Advisers are either truly independent [non-aligned, non-institutionally owned, independently owned, unbiased and impartial] if they comply with s293A of the Corporations Act or they are product- or remuneration-conflicted—in other words, non-compliant with the Corporations Act (ASIC 2017a). Presently, the exit and entry of qualified advisers in Australia are determined by AFS licensees under the jurisdiction of ASIC (Bowley 2017) and FASEA (2020).

Adviser regulation is not only being examined in Australia, but also in places like the United States (US), United Kingdom (UK) and New Zealand (NZ) (Deloitte & Financial Services Council 2014; Burke & Hung 2015; Singleton & Reveley 2020; Bowley 2017; Marsh & Phillips 2019).

Like Australia, these countries' institutional third parties[1] appoint representatives[2] to deliver financial recommendations (Zabel 2010; Bateman & Kingston 2014; Burke & Hung 2015; McInnes & Ahmed 2016; Bowley 2017). These third parties with their representatives are all registered[3] with their corresponding regulator[4] (Zabel 2010; Bateman & Kingston 2014; Burke & Hung 2015; McInnes & Ahmed 2016; Bowley 2017). They are all dealing with how best to regulate financial advisers (Millhouse 2019; Deloitte & Financial Services Council 2014; Singleton & Reveley 2020; Bowley 2017) as they consider how best to improve consumer protection (Schmulow, Fairweather & Tarrant 2019), lack of public trust (O'Brien 2017) and confidence (Balasubramnian, Brisker & Gradisher 2014), quality of the advice (O'Brien 2019) and access to financial advice (Marsh & Phillips 2019).

Unlike these countries, the Australian Government has set a course to further professionalise financial advisers by committing to establishing a single disciplinary body to regulate Australian financial advisers as individuals (Frydenberg & Hume 2019; Vickovich 2019) separate from institutional third parties. The overlap of roles between ASIC, FASEA, TPB, AFCA, (Liu et al. 2020, p. 63) along with the professional associations[5] and the AFS licensees is in the process of being overhauled as the Government prepares to implement this new body (Travers & Ertac 2020; Hendy 2020; Australian Government Productivity Commission 2018; Riskinfo 2020). This paper relies on evidence published in an earlier publication (McInnes 2020) supporting the Government as being on the right path to hasten the establishment of a single disciplinary body to pioneer a new way to regulate financial advisers as true professionals.

Figure 1 from the bottom up illustrates that under the AFSL-AR licensing model, advisers are paddling 'in two canoes' (Liu et al. 2020, p. 37); that is—acting as double agents serving the commercial interests of their AFS licensees (Commonwealth of Australia 2019) as well as their clients' best interests, manifesting into conflicts of interest (Kingston & Weng 2014) by association (McInnes 2020). Conflicts of interest by association caused by this double agency result in infringements of sections 961B and 961J of the Corporations Act, which the FASEA Codes of Ethics Standards two[6] [best interests' duty] and three [conflicts of interests][7], commenced on 1 January 2020, aim to address (Collier 2003; Serpell 2008; Jones 2009; Alexander 2011; Ireland & Gray 2011; Kell 2013; McInnes 2020). Although Pearson (2019) maintained best interests duty would mitigate conflicts of interest, yet to be verified is whether FASEA's Code of Ethics Standards two and three will mitigate the infringements of s961B and s961J of the Act. Despite the best interests duty 'safe harbour' requirements to address advice misconduct, the Royal Commission into Misconduct of the Banking, Superannuation and Financial Services Industry (FSRC) saw Haynes querying the effectiveness of this requirement to improve the quality of advice (Liu et al. 2020).

[1] Australian Financial Services licensees, US broker-dealer institutions, UK 'restricted' advice institutions, UK independent advice institutions, US financial advisory institutions and NZ Qualifying Financial Entities

[2] Australian s923A independent authorised representatives [AR] and Australian product-aligned authorised representatives, US broker-dealer registered representatives and US independent registered investment advisers, UK 'restricted' appointed representatives, UK independent appointed representatives, NZ Authorised Financial Advisers and NZ Registered Financial Advisers

[3] Australian Financial Advisers Register, US Investment Adviser Registration Depository, UK Financial Services Register, NZ Financial Services Providers Register

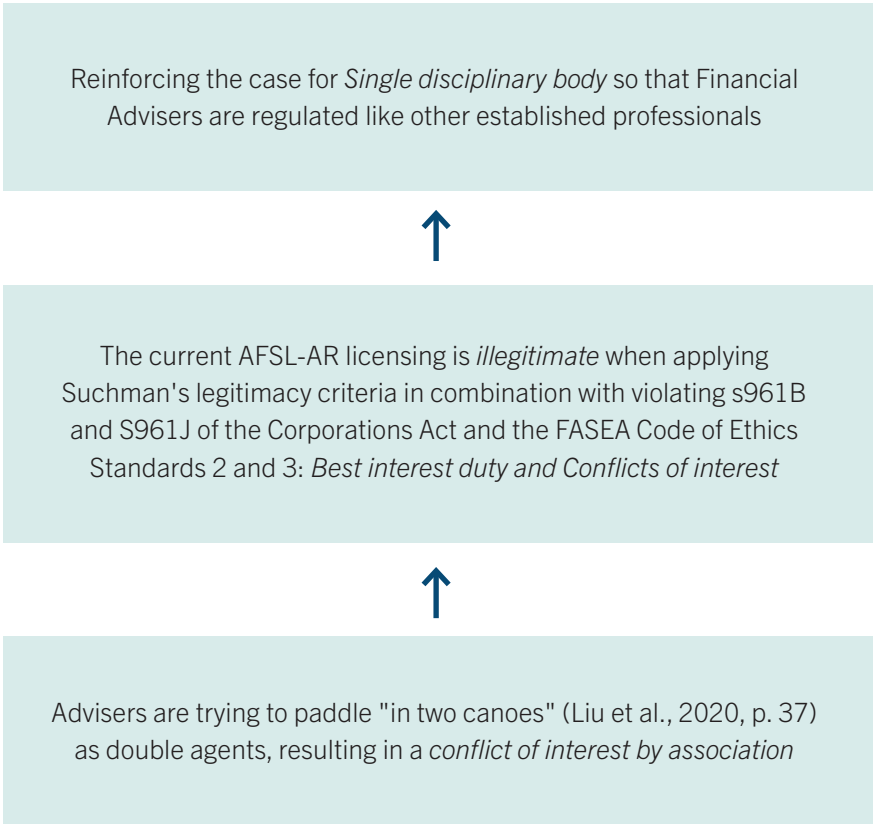
[4] Australian Securities and Investments Commission US Securities and Exchange Commission, UK Financial Conduct Authority, US Financial Industry Regulatory Authority, NZ Financial Market Authority

[5] Financial Planning Association, Association of Financial Advisers, Self-Managed Super Fund Association, et cetera

[6] *"You must act with integrity and in the best interests of each of your clients"*

[7] *"You must not advise, refer or act in any other manner where you have a conflict of interest or duty"*

Figure 1: Adapted from the works of McInnes (2020) is the framework supporting the implementation of the single disciplinary body



Liu et al. (2020) recommend the retention of the 'safe harbour' requirements by improving them through a similar principle-based US Securities and Exchange Commission model or via FASEA's (2019, p. 5) Code of Ethics to regulate adviser behaviour. Since its inception, the practicality of applying Standards two and three of the FASEA Code of Ethics has not gone unchallenged (Financial Planning Association of Australia 2020).

With reference to the earlier publication that includes a detailed review of the literature on legitimacy theory, McInnes (2020) prove the AFSL-AR licensing is illegitimate if tested alongside Suchman's (1995) legitimacy criteria [Figure 1]. Suchman (1995, p.574) defined legitimacy as

> *a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.*

McInnes (2020) applies this definition to financial planning theory suggesting licensing advisers via multiple profit-driven third parties are perceived as inappropriate within the '*socially constructed system of '* appropriate adviser culture and ethics (Suchman 1995, p. 574) as legislated in the Act.

Suchman (1995) theorises three main legitimacy criteria: 1) pragmatic [regulative], 2) normative [moral] and 3) cultural-cognitive [cognitive]. Briefly, *pragmatic legitimacy* is defined as the perception of the social support for an object's activities operating within some socially acceptable system (Suchman 1995; McInnes 2020). *Regulative legitimacy* stems from pragmatic legitimacy (Rao 2004; Chen & Roberts 2010; McInnes & Ahmed 2016). Legitimacy studies (Bitektine 2011; Chelli, Durocher & Richard 2014; Scott 2014) suggest that maintaining regulative legitimacy requires a perception of legislative compliance. McInnes (2020) show regulative illegitimacy exists, because advisers perceive that the current licensing through third-party profit-driven intermediaries, risks them from unintentionally (and intentionally) breaching regulatory compliance of the Corporations Act because of their licensees' product affiliations.

To comprehend *normative [moral] legitimacy*, attention must move to specific morals, values or ethics (Chen & Roberts 2010; Chua & Rahman 2011) of an object's outcomes, goals, activities, and/or structures within a socially accepted (Johnson & Holub 2003), constructed value system (Bitektine 2011). Moral legitimacy comprises: i) consequential; ii) procedural; iii) structural; and iv) personal normative legitimacies (Suchman 1995) (see Figure 2).

Consequential [moral] legitimacy analyses an object's socially valued outcomes from an ethical perspective (Suchman 1995). Product-oriented licensees perform as '*commercial businesses using advisers as a sales force*' (Commonwealth of Australia 2014, p. 24) to support shareholder wealth maximisation (Griffiths 2007; Lindorff & Peck 2010; Kofman & Murawski 2015). Linking the shareholder wealth maximisation model to the principal-agent problem has led to risk-taking and moral hazard behaviours (Murray, Manrai & Manrai 2017) by licensees and advisers. While licensees supervise their agents to act in the clients' best interests, they are simultaneously driven by the profit motive (Lewis 2013). During a mixed methods study, Smith (2009) found this tension (Perkins & Monahan 2011) to be most keenly felt by the employee advisers of licensees—those who face conflicts between their professional obligations of best interests and their commercial obligations of licensee profit. Wahn (1993) found that individuals who are dependent on their employers are more likely to behave unethically when expected to comply with organisational pressures which FSRC found present within AFS licensees (Commonwealth of Australia 2019). Although conflicts of interest can be managed through disclosure (Serpell 2008), Bruhn and Miller (2014) suggest disclosure does not generally work. Sah and Loewenstein (2014) found during their experimental research that most conflicts of interests are unavoidable, and thus disclosure is useless. Critical for legitimacy, Maclean and Behnam (2010) argue, involves organisations resolving their struggle to manage their regulatory compliance, especially when the legal requirements compromise their commercial activities. Interestingly, Burdon (2020) notes that the UK Regulator's approach of penalising or coercing profit maximising institutions to encourage ethical behaviour and a healthy compliance culture was ineffective. In support, McInnes (2020) finds that licensing advisers through multiple intermediaries results in ethical tension between the licensees' commercial interests and their clients' best interests (Maclean & Behnam 2010; Smith 2009; Finke & Langdon 2012, Moran 2014), displaying the current licensee-adviser licensing model as consequential [morally] illegitimate.

Procedural [moral] legitimacy considers the moral perceptions of an object's socially acceptable practices, standards and procedures (Suchman 1995). Legitimacy theory states decoupling (Cole & Salimath 2013) occurs where formal policies, processes and rules for legislative compliance differ from actual practice (Carruthers 1995) and behaviour (Scott 2014). Investigations by the FSRC, parliamentary inquiries, recent court cases and media reports show AFS licensees implement legislated practices, standards plus procedures using codes of practice and handbooks (Flood 2017) reinforcing the advisers' product distribution role (Commonwealth of Australia 2018; Ziffer 2018; Davis 2019; Commonwealth of Australia 2019; Ferguson, Masters & Christodoulou 2014; Parliament of Australia 2014). Often product recommendations are masqueraded as sources of advice (Newnham 2012). Together with the inductive qualitative analysis of a US financial services organisation where widespread deceptive sales practices occurred (Maclean & Behnam 2010), research by McInnes (2020) reinforced procedural illegitimacy when advisers verified that AFSL-AR licensing resulted in deceptive sales practices to enhance product distribution, whilst giving the appearance (window dressing) of satisfying compliance with the Corporations Act and, hence, Standards two and three of the FASEA Code of Ethics.

Suchman (1995) defined *structural [moral] legitimacy* as the moral assessment of adopting acceptable (in the eyes of society) formal structures. Under existing adviser licensing, licensees appoint and oversee multiple representatives (Australian Government 2014). Accepting licensees to control self-employed advisers like quasi-employees (Pokrajac 2014) led to proven unethical practices because advisers do not have autonomy like true professionals (Smith, Armstrong & Francis 2009) to provide truly independent advice, except in the case where they are self-licensed complying with s923A of the Act. As the FSRC investigated the misconduct, it became apparent licensees who had full control of their employee 'advisers' where the relationship is not only a licensee-adviser one but an employer-adviser too, resulted in even less autonomy to offer independent advice with a culture driven to meet product sales targets. The Australian financial advisory participants have bought into a system of co-habitation (Money Management 2014) between product distributors and their advisers where they are working under the same umbrella as associates servicing clients' needs. This product-conflicted licensing system is structurally [morally] illegitimate because it is troubled by conflicts of interest by association (McInnes 2020).

Achieving *personal [moral] legitimacy* requires the moral evaluations of the roles of charismatic personalities (Carnegie & O'Connell 2012; Goretzki, Strauss & Weber 2013) with vested interests who lobby Government to create or dismantle organisations (Suchman 1995). Young and Thyil (2014) suggested leaders of financial organisations have a duty and moral obligation to all stakeholders to behave ethically to receive consent to operate. Demonstrated during the naming and shaming of leaders of licensees during the FSRC, through litigations by ASIC (O'Brien 2019) combined with McInnes's (2020) evidence the licensing model displays personal illegitimacy where pre-FSRC individual licensee leaders' contributions to the licensing debate (Carnegie & O'Connell 2012) aimed to protect their distribution channels.

Finally, *cultural-cognitive legitimacy* manifests when a perception of shared understanding, activities, norms and beliefs (Santana 2012) aims to perpetuate an institutional order (Kury 2007) based on awareness (Meyer 2007). In terms of financial planning, cultural-cognitive legitimacy is the perception of a shared understanding of adviser identity, role (Zimmerman & Zeitz 2002, p. 420) and performance (Scott 2014). With regards to this shared understanding, a Roy Morgan study

(Morris 2013) claimed the public were generally unsure as to whether financial advisers were product-aligned or s923A independent [identity] providing conflicted or independent advice [role] to meet the best interests duty and avoid conflicts of interests [performance]. According to McInnes (2020), licensee-adviser licensing cultural-cognitive illegitimacy exists because advisers claim the public cannot clearly distinguish between independent financial advisers and conflicted financial advisers.

The importance of passing Suchman's criteria was discussed in earlier works (McInnes & Ahmed 2016; McInnes 2020).

Research support for a single disciplinary body

It is clear three years after the FSRC (Commonwealth of Australia 2019) finding solutions to improve consumer protection (Schmulow, Fairweather & Tarrant 2019), lack of public trust (O'Brien 2017) and confidence (Balasubramnian, Brisker & Gradisher 2014), quality of the advice (O'Brien 2019) and access to financial advice (Marsh & Phillips 2019) remains agenda items for Government to persuade the public to seek financial advice.

North (2015) identified the different standards, structures, sizes, and range of business models the current licensing regulations has disseminated. For instance, there are organisations that offer 'holistic' (comprehensive) advice; others, like SMSF and life insurance-only advice, offer limited (scoped) advice, not forgetting innovative FinTech and RegTech technologies (Nicholls 2019) like the emerging Robo advice business models. Sanders and Roberts (2015) highlight the financial advisory sector's business models developed around the licensee-adviser licensing model is an institutional profit-driven intermediary, rather than a client-driven intermediary serving the clients' best interests.

Not only evidence (Cull & Bowyer 2017; Hooper, D'Souza & Braddon 2018) from the FSRC (Commonwealth of Australia, 2019) exposed how these institutions' culture and ethics undermined the compliance obligations of the individual professional adviser (Millhouse 2020). Cull (2009) mentions in her paper that the embedded financial product distribution within a profit business model makes professionalism challenging. Sanders and Roberts (2015) later claim it is the opposite approach of accredited true professions.

Merely focussing on FASEA's bachelor's degree requirement, national exam, professional year, continuing professional development and ethical standards[8] is insufficient according to Breakey and Sampford (2017b). They claim the financial advice sector requires an integrity system encompassing *inter alia* licensing requirements and a regulated independent body. This supports the notion of Steen, McGrath and Wong (2016) and the empirical evidence of McInnes (2020) in that disconnecting advisers from intermediaries should encourage a much-needed cultural shift toward adviser behaviour that serves the common good. Besides, the illegitimacy of the existing adviser licensing structure leads to a strong argument for replacing current institutional adviser licensing via multiple licensees with a recognisable accredited professional individual licensing model via a single disciplinary body as occurs in the medical, legal and accounting professions (Kingsford Smith 2014; Sanders & Roberts 2015; McInnes 2020). This is further supported by the FSRC (Commonwealth of Australia 2019), the ASIC inquiries (2017b) and ASIC private (Australian Securities and Investments Commission 2013) and public class actions (Pearson 2019)—of which discovered licensees had failed on many levels in the oversight of their advisers.

[8] Corporations Amendment (Professional Standards of Financial Advisers) Bill 2017.

Moreover, financial planning is becoming a profession (Breakey & Sampford 2017b). Financial planners should thus be regulated as soon as possible as are professionally qualified lawyers, doctors and accountants (Bruce 2012; Ap 2011; Burke et al. 2015; Australian Securities and Investments Commission 2014; Watts and Murphy 2009; McInnes 2020). Unlike AFS licensee-having the power to control financial advisers to recommend the licensee's financial products as they are contractually obligated to their AFS licensees, pharmaceutical companies do not have the same coercive power to control doctors to prescribe their pharmaceutical products (McInnes 2020). Third party/intermediary medical practices, centres, large corporate commercial corporations (including hospitals) or other health providers who employ doctors, lawyers and accountants (Bamber & Iyer 2002; Institute of Chartered Accountants of Australia 2012; MilnerKnight, 2020; Medical Board of Australia 2012; Australian Bar Association 2016; McInnes 2020) are able to control their professional culture, ethics, knowledge, skills and practices (Breakey & Sampford 2017a, p. 262; McInnes 2020) rather than be controlled by those who employ their services. When corporate control of these professionals works against their values of fiduciary duty, independence, collegiality, ethical standards and autonomy to serve the public good (Breakey & Sampford 2017a), they have the legal power of their professional bodies to minimise or stop it.

Established professions are controlled via their certification bodies. Similarly, financial advisers should be certified by an independent body in a similar manner (McInnes 2020) so that managerial interventions and licensee controls (Evetts 2011) can be removed. Instituted professions have evolved their regulatory governance over centuries (Breakey & Sampford 2017b). For instance, English lawyers gained the 'status of profession' by the end of the thirteenth century, while English physicians did so during the sixteenth century, and accountants between the seventeenth and eighteenth centuries (Edwards & Anderson 2011). Registration of medical practitioners in Australia began first in Tasmania in 1939 (Dammery 2001). The first UK immigrant lawyers arrived in 1814, barristers emerged in 1824, and the Australian Supreme Court opened 17 May 1824 (Pelly 2015). The first Australian association of lawyers (Law Society of NSW) dates to 1842. It was established to improve the integrity of the legal profession (Pelly 2015). For the accounting profession, the first two professional bodies and the designation 'chartered accountant' was founded in Scotland in 1850 (Edwards & Anderson 2011). Australian accountants were recognised as a profession in March 1907 in the Editorial of Australia's first professional accounting journal (The Public Accountant) because of a UK legal case—Society of Accountants and Auditors v Goodway and Others—which ruled that only a member of that society is an incorporated accountant (Cooper 2007).

Initially, professionals formed partnerships or were sole practitioners (Breakey & Sampford 2017a). However, new business models evolved over time where professionals have become employees of larger commercial organisations, manifesting ethical predicaments such as conflicts between their professional ethical duties and contractual obligations to their employer (Breakey & Sampford 2017a). Despite their shortcomings, these recognised professions continually evolve their mindsets (professional beliefs, moral issues around common good language and ethics), education, socialisation (honesty, trust) and practices (professional codes, regulation and related controls) (Smith, Clarke & Rogers 2017) through community membership, supervision, mentoring, apprenticeships, training and education (Breakey & Sampford 2017b). Thus, professionalism is a dynamic concept brimming with contradictory meanings and failures at the individual level, and not at the institutional level (Smith, Clarke & Rogers 2017) for the common good.

Although, there are writers suggesting that efficiency and commercialisation have replaced traditional ethics and serving the common good (Smith, Clarke & Rogers 2017), COVID-19 may be the return to traditional ethics to serve the common good (Bearden 2020; Centorrino 2020; Schlag & Mele 2020). Financial advisers have the benefit of hindsight of several established professions to evolve the financial planning profession in a shorter time than these professions have done and to learn from their mistakes.

Literature on the development of professions internationally (Neal & Morgan 2000; Adams 2010) suggest it is a challenging and ongoing process—one that takes time involving either state intervention or that develops spontaneously or in combination. The Government is approaching the establishment of the financial planning profession by combining both (Sanders & Roberts 2015) to address weaknesses in governance within the financial advice sector (Commonwealth of Australia 2019; Frydenberg & Hume 2019). Now is the opportune time for advisers to shape the emerging profession to be fit for purpose, especially given the claim by Hooper, D'Souza and Braddon (2018) that the adoption and development of Fintech and Regtech solutions to address issues such as compliance has the backing of both Government and ASIC. For many, it may seem obvious that professional associations, the abandoned monitoring body/ies (Smith 2020) initially planned by FPA, AFA, SMSFA and others (Riskinfo 2019) or FASEA should take on all or some of the role of the disciplinary body. However, it must be recognised that most of them would not qualify because they would struggle to meet the requirements of a professional standards scheme (Professional Standards Councils 2020) pursuant to the professional legislation (Sanders & Roberts 2015). This is particularly so when many are conflicted by funding/sponsorships from commercial AFS licensees who are often also corporate members of the association with strong relationships with AFS licensees (Power 2016; Flores 2019). Even if policy makers face resistance to change (Marsh & Phillips 2019) due to lack of transparency, complicated internal administrative structures and systems (Millhouse 2019) and notwithstanding the cost of that change, any change will, according to Dolan et al. (2012), have a strong effect on behaviour. However, it is imperative that the right people, namely well-behaved advisers, who are far more qualified than Government, lawyers, academics and ethicists, be fully involved in shaping the policies, governance, processes, and people of the single disciplinary body, so that financial planning becomes a true profession run by advisers, like the established professions run theirs.

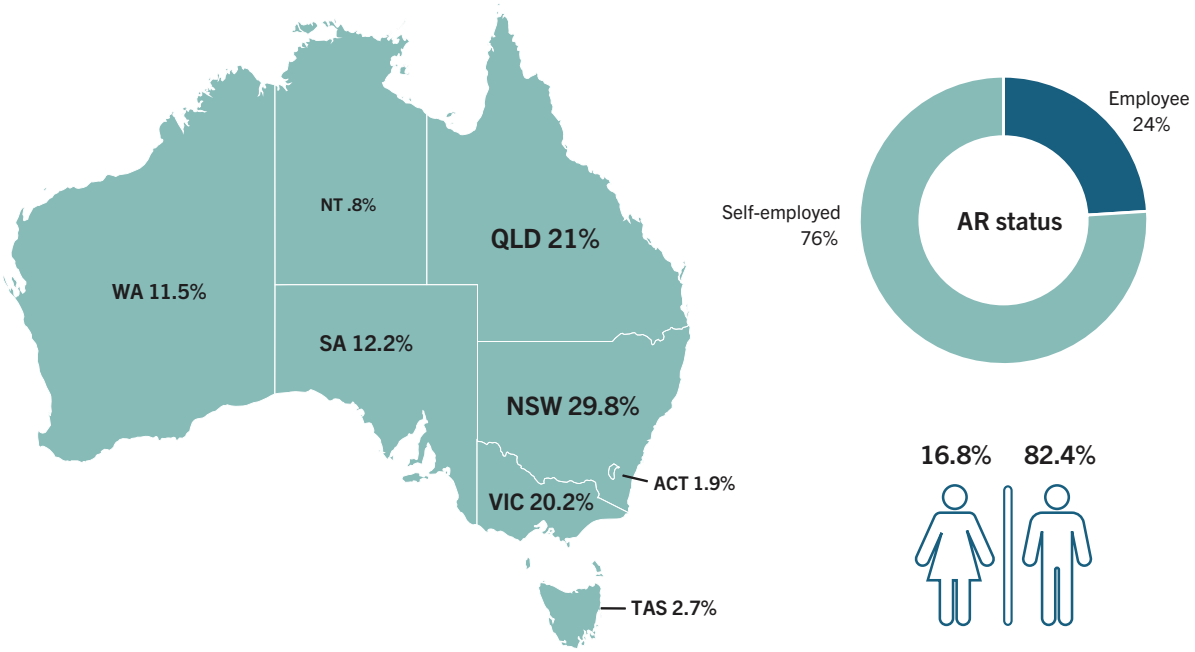
To be clear, individual licensing of 'natural persons' via a single disciplinary body to become a true professional is different from self-licensing (Bowler 2015) to become an independent financial adviser. Self-licensed AFS licensees are not 'natural persons' that are subject to the same requirements as accredited and recognised professionals who fall under the Professional Standards Scheme enforced by the Professional Standards Councils (2020). Self-licensing and limited licensing models are business models involving individual advisers forming small organisations that procure their own AFS license by meeting the same compliance requirements as the large product provider AFS licensees and other AFS licensees (Sharpe 2019; Halsey & Halsey 2014). However, the main difference between them and large product provider licenses is the license enables them to better meet the s923A independent adviser (advice) requirements of the Corporations Act. The main concern for self-licensed and limited licensees when it comes to individual licensing via the single disciplinary body is that it potentially makes the large investment in self-licensing in its current form redundant. However, if licensees want to survive, they all, including self-licensed advisers, will have to transform their businesses.

ASIC (2012) acknowledges the potential benefit of individual licensing via a single disciplinary body, making employee advisers more visible to everyone. Additionally, the growth in low-cost competitive digital finance solutions is making it possible for new players to threaten (Marsh & Phillips 2019) AFS licensees' businesses. Government's agenda is to utilise the disciplinary body to dismantle the layers of financial advisory legislative reforms coined 'FREXIT (financial regulation exit)' (Smith & Sharpe 2020). Then instead of ASIC and AFCA having to be concerned with handling complaints of misconduct, responsible for imposing banning orders to prevent individuals from providing financial advice, they can focus their enforcement powers (Bowley 2017) on AFS licensees and other intermediaries. This would free the disciplinary body to consolidate advisers' compliance responsibilities to ASIC, TPB, FASEA, AUSTRAC and AFCA under one umbrella focused on consistent adviser policies, governance, processes, and people.

Methodology

To determine the extent of the current AFS licensee-adviser licensing model's illegitimacy, McInnes (2020) asked the investigative questions as presented in Tables 2, 3, 4 and 5. She selected 4,000 Australian ARs on the ASIC Adviser Register using stratified probability random sampling (Cooper & Schindler 2014) to complete an online semi-structured cross-sectional questionnaire. To build additional acceptable standards for research (Willmott 1993) in financial planning, she used mixed methods methodology (Creswell & Plano Clark 2011; Baran & Jones 2016) utilising parallel convergent design (Creswell & Plano Clark 2011). She collected quantitative and qualitative data simultaneously to integrate into the overall interpretation of the results, which is known as the constant comparative technique (Baran & Jones 2016, Onwuegbuzie, Johnson & Collins 2009; Glaser 1965; Maykut & Morehouse 1994; Kolb 2012). She prioritised analysing the quantitative data using structural equation modelling (Figure 1) bootstrapped maximum likelihood estimation [MLE] (Arghode 2012).

Figure 2: Frequency of sample gender, location, AR status, age, qualifications, and licensee status [n = 262] adapted from the works of McInnes (2020)



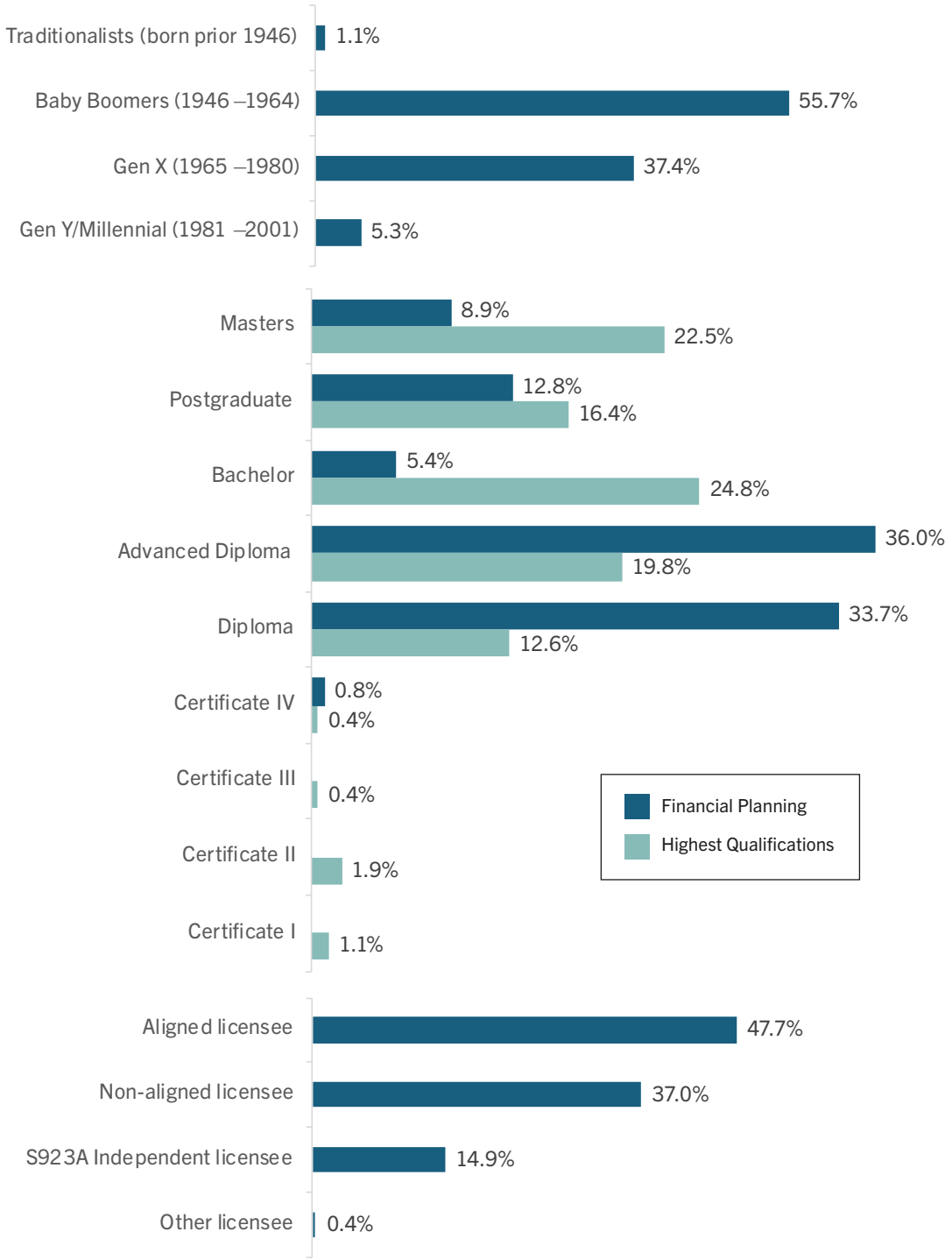

Traditionalists (born prior 1946)
1.1%
Baby Boomers (1946 –1964)
55.7%
Gen X (1965 –1980)
37.4%
Gen Y/Millennial (1981 –2001)
5.3%
Masters
8.9%
22.5%
Postgraduate
12.8%
16.4%
Bachelor
5.4%
24.8%
Advanced Diploma
36.0%
19.8%
Diploma
33.7%
12.6%
Certificate IV
0.8%
0.4%
Certificate III
0.4%
Certificate II
1.9%
Certificate I
1.1%
Financial Planning
Highest Qualifications
Aligned licensee
47.7%
Non-aligned licensee
37.0%
S923A Independent licensee
14.9%
Other licensee
0.4%

Table 1: Goodness of fit indices adapted from the works of McInnes (2020)

Measure	Estimate Ex CLF	Cum CLF	Definition of measures	Thresholds for good fit
CMIN	222.131	128.339	Chi-square fit index shows the sample and estimated matrix are the same.	
CMIN DF	119	101	Chi-square fit index degrees of freedom.	
CMIN P	0	0.034	Chi-square fit index p-value.	p>0.01
PCMIN/DF	1.867	1.271	Relative or normed chi-square fit index measures the difference between the population's true covariance structure and the target model.	<3
GFI	0.915	0.95	Goodness of fit index measures the relative amount of variance and covariance in the sample matrices jointly explained by the population matrices.	>0.95 good; >0.90 permissible; 0 [no fit] to 1 [perfect fit]
AGFI	0.878	0.915	Adjusted goodness of fit index for the degrees of freedom value.	>0.95 to >0.80; 0 [no fit] to 1 [perfect fit]
CFI	0.964	0.991	Comparative fit index is an incremental fit index comparing the hypothesised model against some standard baseline independence and null model. Measures the over-identification condition.	>0.95 good; >0.90 permissible; 0 [no fit] to 1 [perfect fit]
TLI/NNFI	0.954	0.986	Tucker-Leis fit/ Non-normed fit index compares the hypothesised model with null [no] model. Measures over-identification condition.	close to 0.95; 0 [no fit] to 1 [perfect fit]
NFI	0.927	0.958	Normed fit index.	close to 0.95; 0 [no fit] to 1 [perfect fit]
PCFI	0.75	0.654	Parsimony comparative fit index measures whether the estimated parameter is robust against others.	0 [no fit] to 1 [perfect fit]
AIC	326.131	268.339	Akaike information criteria compares alternative models. A value as low as possible is better. Should be smaller than the saturated and independence models.	< saturated [342] & independence [3,073]
BIC	511.685	518.123	Bayesian information criteria compares alternative models. A value as low as possible is better. Should be smaller than the saturated and independence models to be more generalisable.	< saturated [952] & independence [3,137]
SMSR	0.0688	0.0318	Average error in the model is minimal.	<0.09 good; 1 [no fit] to 0 [perfect fit]
RMSEA	.058	.032	Root mean square error of approximation measures whether the population matrix is the same as the sample matrix within a 90% Confidence Interval [CI]. Lower discrepancy between matrices the better.	<0.05 good; 0.05 to 0.10 moderate; >0.10 poor
RMSEA 90% CI	[.046;.069]	[.009;.048]	Root mean square error of approximation confidence interval.	<0.05 good; 0.05 to 0.10 moderate; >0.10 poor
PCLOSE	0.139	0.971	Closeness of fit. If less than 0.05, then RMSEA fails the test of minimal discrepancy between observed and predicted covariance matrix.	>0.05

Content analysis of the specific words written (Steen, McGrath & Wong 2016; Smith 2009) by respondents and reported in the findings section below in italics and quotation marks formed part of the qualitative analysis.

The author screened the data in accordance with recommendations by Cooper and Schindler (2014) resulting in useable cases of 262 out of 4,000 [7%]. Aguinis and Edwards (2014) contended generalizability is not guaranteed by large sample sizes and response rates. Besides, only a response rate of 3.5% [137 cases out of 4,000] is needed according to an online calculator tool developed by Soper (2016) and based on the works of Cohen (1988) and Westland (2010) computing a recommended minimum sample size for valid SEM studies. The sample demographics as per infographic Figure 2 support the research's representativeness. Close to a normal distribution, the mean number of years of AR experience of the respondents was 17.66 years with a standard deviation of 8.42 years and a range of 1 to 40 years. Given the nature of the topic is sensitive and controversial, the self-report design resulted in common method bias. However, when remedying the issue statistically using a common latent factor [CLF] it was clear common method bias was inconsequential, because the estimates *ex* and *cum* CLF arrived at the same conclusions.

Findings of the illegitimacy of adviser licensing

Table 1 shows the model has overall acceptable fit. The overidentification condition [CFI] was met, the estimates are generalisable [BIC] and the population matrix model was the same as the estimated or sample model's matrix [RMSEA]. The average error or discrepancies between matrices is minimal at .032 [cum CLF]. PClose value verified the estimated model [sample] is a good fit to the population. Therefore, the parameter estimates are interpretable in terms of their sizes and significant factor loadings plus correlations.

Figure 3 illustrates all the estimated standardised regression weights [RW] in the respecified model are significant [$p < 0.05$] to highly significant [$P < 0.001$]. The insignificant p-value [$p = .079$] for correlation coefficients between b_1 [advisers are double agents] and b_4 [Single Disciplinary Body] [Figure 3] is good news, because advisers cannot be double agents, while concurrently being licensed via a single disciplinary body. Overall, the results indicated all the theories assist in evaluating the licensee-adviser licensing's illegitimacy. Although not ideal, negative covariances for factor b_3 [Illegitimacy of AFSL-AR licensing] indicated overestimations of the relationships between its indicators. However, these variables were retained, because they were related to each other based on goodness of fit statistics, the theory, and the advisers' voluntary commentary [qualitative data collected]. The results, described in Tables 2, 3, 4, 5, and illustrated in Figure 3, supported all the hypotheses and sub-hypotheses.

Figure 3: Confirmatory factor analysis model cum Common Latent Factor adapted from McInnes (2020)

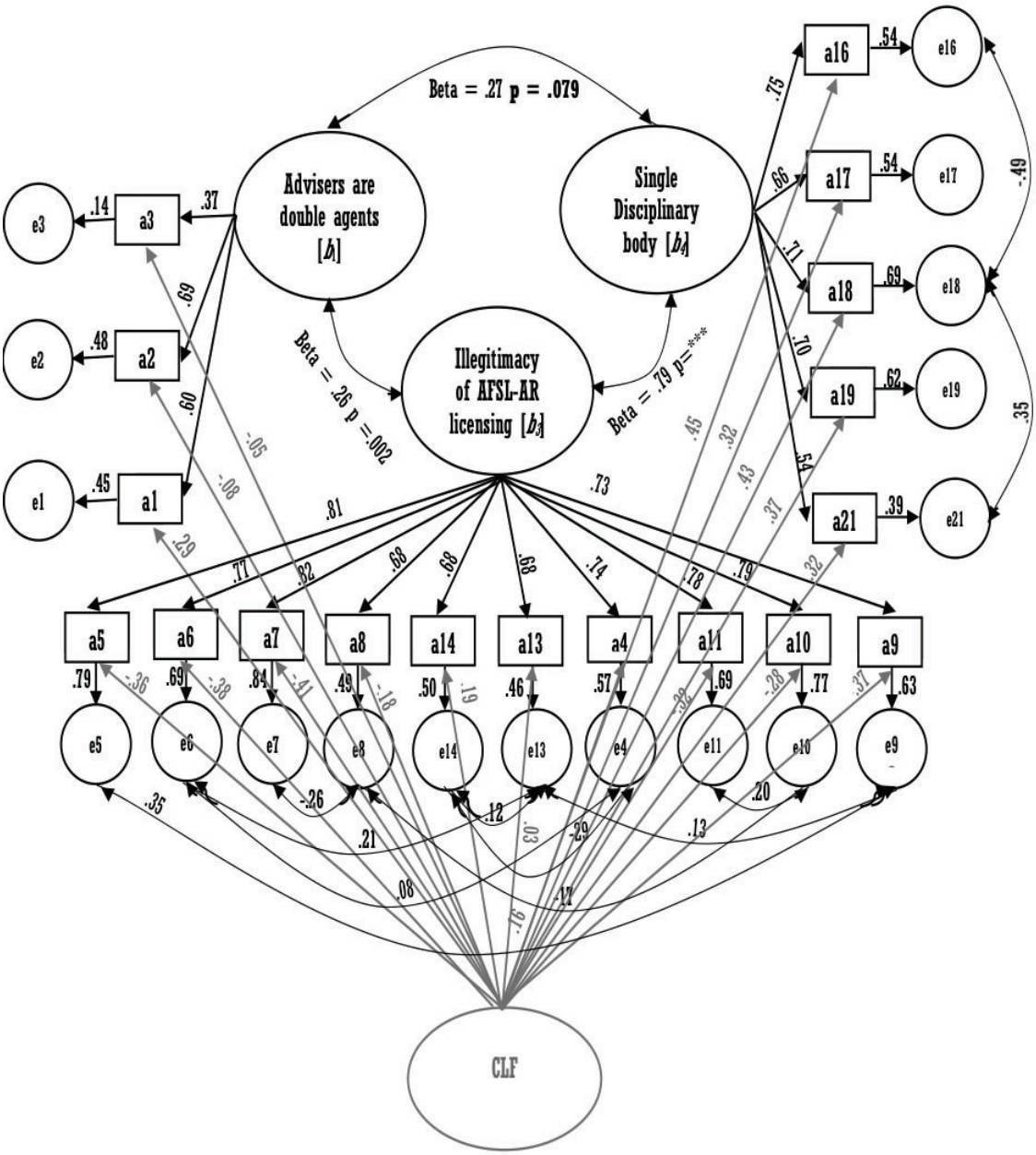


Table 2 results reveal, advisers felt licensing via third-party licensees turns them into double agents facing conflicts of interest by association. Moderate regression weight suggest respondents were uncertain about their responsibility as advisers when reflecting on the licensee-adviser-client agent role, which was reflected in the commentary they offered. For instance, advisers said that the adviser-licensee relationship is *'purely legal, compliance related'*. Contrary to s916A and s916B of the Corporations Act legislating advisers to *'provide a specified financial service or financial services on behalf of the licensee'*, advisers explained for *'almost all advisers . . . their responsibility is to their clients'. 'The real agency is with the client. The relationship with the third-party licensee is one of a service provided'. 'The client relationship is distinct from and trumps the Licensee relationship in all cases'. 'Best interests Duty overrides the dual agency relationship, as the adviser is left in no doubt about the fact his fiduciary duties are to the adviser-client relationship.'* Although, advisers are '...bound by the licensee rules and regulations, licensees are merely seen *'... as a servant/tool ...' '. . . supplying compliance, audit and PD training', '... relevant legislation; education'* and *'... assesses the products available in the market ...'*.

Table 2

Question 1: To what extend do financial advisers agree the current licensee-adviser licensing model makes advisers double agents creating conflicts of interest by association? Adopted from the works of McInnes (2020)

LITERATURE REVIEW **Advisers are double agents**	**SUB-HYPOTHESES**	**EVIDENCE** **RW CR p-value SMC** **M [95% CI] MSE CR p-value**
Licensee-adviser (Gor 2005; Smith & Walter 2001) & adviser-client relationship (Corones & Galloway 2013)	a1: Advisers are double agents	.604 2.676 p = .007 0.448 77 [73, 80] 1.912 40.266 p=0.10
Advisers serve the interests of licensees & clients, simultaneously (Kingston & Weng, 2014)	a2: Advisers serve clients' best interests & licensees' commercial interests simultaneously	.689 marker p = *** 0.47 0.481 62 [57, 66] 2.188 28.234 p=0.10
Double role creates a conflict of interest (Kingston & Weng, 2014)	a3: Advisers generate revenue for their licensees, while serving clients best interests	.375 3.642 p = *** 0.143 78 [75, 82] 1.767 44.416 p=0.10
Bootstrapped standardised regression weight (**RW**) Critical ratio (**CR**) Square multiple correlation (**SMC**) Mean (**M**) 95% confidence interval (**CI**) Mean standard error (**MSE**)		

Interestingly, some respondents did suggest that *'bank'* or *'specific dealer group that does not have a wide authorised product list'* in an employer-adviser relationship created more of a double agent role, than if *'the licensee is independent'*. One respondent claimed, *'my experience is that there remains an expectation from employer/AFSLs for an internal product bias'*. The only low squared multiple correlation [SMC] value, indicating low reliability in the responses was a value of .143 for hypothesis *'Advisers generate revenue for their licensees, while serving clients best interests'* [Table 2 above]. Qualitative evidence to explain this low reliability points to advisers' discomfort when they were asked about licensees' revenue benefits: *'The majority of licensees though do expect their advisers to generate revenue through the products that they provide'.*

'Most licensees have preferred product lines that generate income for the licensee ...'; 'licensees are in the business of making money'; '... And that's the conflict'; 'Without the Planner the Dealer group gets no revenue'. Contrary comments from some informants suggested: *'The revenue of the licensee is never a consideration'; '... overall most licensees do not make a substantial profit, it is more to complement other services and other benefits of having distribution'*.

Table 3 proves regulative illegitimacy because advisers claimed with high reliability [SMC = 0.839] unintentional [often intentionally as well!] best interests duty contraventions is the key variable delegitimising the licensee-adviser licensing model. Advisers felt contravening the conflicts of interest's objective of the Corporations Act is unavoidable because of *'cultural pressure from the parent company'* on *'employee'* and *'Buyer of Last Resort'* ARs. Employee ARs are expected to be *'writing product not strategy/optimal product for the client'*, otherwise it is *'difficult to retain their job or obtain bonuses'*.

Table 3

Question 2: To what extend do financial advisers agree the current licensee-adviser licensing model achieves objectives of the Act 2001? Adopted from the works of McInnes (2020)

LITERATURE REVIEW **Objectives of *the Act***	**SUB-HYPOTHESES**	**EVIDENCE** **RW CR p-value SMC** **M [95% CI] MSE CR p-value**
Manage, control or avoid conflicts of interests (Tuch 2005; Schwarcz 2009, Valentine 2008; 2013)	a6: Unavoidable conflicts of interests is present	.773, 15.101.169 p = *** 0.688 65 [61, 69] 2.315 28.137 p=0.10
Ensure compliance of the statutory fiduciary duty (Banister et al. 2013)	a7: At risk of unintentionally breaching best interests' duty	.821, marker p = *** 0.839 59 [54, 63] 2.288 25.717 p=0.10
Bootstrapped standardised regression weight (**RW**) Critical ratio (**CR**) Square multiple correlation (**SMC**) Mean (**M**) 95% confidence interval (**CI**) Mean standard error (**MSE**)		

Table 4

Question 3: To what extend do financial advisers agree the current licensee-adviser licensing model is legitimate based on Suchman's theoretical legitimacy framework extended and applied to financial planning theory? Adopted from the works of McInnes (2020)

LITERATURE REVIEW **Illegitimacy of adviser licensing**	**SUB-HYPOTHESES**	**EVIDENCE** **RW CR p-value SMC** **M [95% CI] MSE CR p-value**
Regulative illegitimacy: Perception of activities/rules/laws operating within some socially acceptable system (Suchman 1995; Chen & Roberts 2010)	a9: Licensing increases risks of unintentional breaches of the Act (Bitektine 2011; Chelli, Durocher & Richard 2014)	.727 15.207 p = *** 0.628 48 [43, 52] 2.337 20.365 p= 0.10
Consequential normative [moral] illegitimacy: Perception of specific morals/values/ethics of socially value outputs/outcomes (Suchman 1995)	a10: Licensees' commercial interests compromise clients' best interests (Smith 2009; Moran 2014; Maclean & Behnam, 2010)	.794 19.416 p = *** 0.768 63 [59, 58] 2.264 28.111 p=0.10
Procedural normative [moral] illegitimacy: Perception of socially acceptable practices, standards & procedures (Suchman 1995)	a11: Licensees' sales policies window-dressed to comply with the Act (Valentine & Hollingworth 2015; Newnham 2012; Sampson 2010; West 2009; Valentine 2013)	.781 13.844 p = *** 0.687 61 [56, 66] 2.356 25.956 p=0.10
Structural normative [moral] illegitimacy: Perception of adopting formal structures acceptable to society (Suchman 1995)	a4: Conflicts of interests from association/affiliation/ownership exists (Steen, McGrath & Wong 2016; Smith 2009; Commonwealth of Australia 2009; Valentine 2013)	.740 9.073 p = ***0.574 75 [70, 78] 2.041 36.477 p=0.10
Personal normative [moral] Illegitimacy: Perception of leaders' roles to exert their personal influence to dismantle/create existing/new bodies (Suchman 1995; Carnegie & O'Connell 2012; Goretzki, Strauss & Weber 2013)	a13: Aligned leaders aim to protect their product distribution channels (Bird & Gilligan 2015; Sampson 2010)	.679 5.193 p = *** 0.463 78 [75, 82] 1.797 43.594 p=0.10
Cultural-cognitive illegitimacy: Shared understanding to perpetuate an institutional order based on cognition or awareness (Santana 2012; Meyer 2007; Suchman 1995; Kury 2007)	a14: Clients-advisers' shared understanding as to advisers' identity - independent/conflicted (Zimmerman & Zeitz 2002; Scott 2014). The public cannot clearly distinguish between s923A independent from product conflicted advisers (Morris 2013)	.682 3.817 p = *** 0.502 62 [58, 66] 2.268 27.401 p = 0.10
Bootstrapped standardised regression weight (**RW**) Critical ratio (**CR**) Square multiple correlation (**SMC**) Mean (**M**) 95% confidence interval (**CI**) Mean standard error (**MSE**)		

Table 5

Question 4: To what extend do financial advisers agree the current licensee-adviser licensing model should be replaced with a single disciplinary body? Adopted from the works of McInnes (2020)

LITERATURE REVIEW **Professional individual licensing**	**SUB-HYPOTHESES**	**EVIDENCE** **RW CR p-value SMC** **M [95% CI] MSE CR p-value**
Lack of trust & confidence (Morgan & Levine 2015) prevents the public from seeking advice (Balasubramnian, Brisker & Gradisher 2014)	a16: Individual licensing will improve public trust & confidence	.745, marker p = *** 0.754 64 [60, 68] 2.327 27.386 p=0.10
Institutional commercial licensee favoured over individual professional adviser (Sanders & Roberts 2015), which leads to problems (O'Brien & Gilligan 2014). Individual licensing to disconnect advisers from product issuers may lead to a culture shift (Steen, McGrath & Wong 2016) to independence (North 2015; Kingsford Smith, Clarke & Rogers 2017)	a17: Individual license will promote independence from conflicted licensees	.662, 11.035 p = *** 0.541 65 [61, 69] 2.230 29.147 p=0.10
Financial advisers have been likened to other professionals (Ap 2011; Bruce 2012; Burke et al. 2015) Professional regulation evident in law/medicine is critical to the proper functioning of financial services industry (Omarova 2010)	a18: Individual license should be modelled on other professions [accounting, legal and medical]	.711, 11.211 p = *** 0.694 69 [64, 73] 2.244 30.618 p=0.10
Individual license (Hoyle 2017; Sanders & Roberts 2015; Commonwealth of Australia 2014; Commonwealth of Australia 2009) via single monopoly body = most effective way to regulate the future financial planning profession (Kingsford Smith 2014)	a19: Individual license regulated through a single independent registration, competency, education, conduct, standards, and disciplinary board preferred	.695, 12.075 p = *** 0.623 68 [63, 72] 2.198 30.969 p=0.10
Conflicts of interests by association due to licensees-advisers acting as co-workers (Money Management 2014) lead to institutional- professional conflicts (Smith 2009). Government's policy objective is to eliminate conflicts of interest (Millhouse 2019)	a21: Individual licensing will eliminate conflicts of interests from association	.536, 8.625 p = *** 0.39 52 [48, 57] 2.167 24.188 p=0.10
Bootstrapped standardised regression weight (**RW**) Critical ratio (**CR**) Square multiple correlation (**SMC**) Mean (**M**) 95% confidence interval (**CI**) Mean standard error (**MSE**)		

Consequential [moral] illegitimacy [Table 4] scored the third highest reliability [SMC = 0.768] and the third overall highest regression weight [0.794]. This suggests licensees' commercial interests do compromise advisers' best interests' duty. By combining the results of double agency role [Table 2] and consequential illegitimacy [Table 3] it is evident advisers acknowledge licensee revenues as a problem but find reflecting on the matter problematic.

Table 4 confirmed AFSL-AR licensing is normatively illegitimate. AFS licensees control advisers' professional ethics with key performance indicators, sales targets and threats of job and remuneration losses to promote a product sales culture, which validated the presence of conflicts of interests by association.

From the foregoing discussion, the licensing model failed all the legitimacy tests. Thus, current licensing is convincingly illegitimate.

As a possible solution, advisers reveal their support for individual licensing via a *'single body'* based on the empirical evidence in Table 5. They agree clients' trust and confidence would improve with individual licensing, while providing them with much-needed independence from product-conflicted licensees.

Furthermore, they are in favour of modelling adviser licensing on established professions. However, advisers expressed reservations of replacing licensees with a *'single body'* such as numerous unresolved issues comprising practicality, professional indemnity, approved product lists, *'economies of scale'* and problems of *'vertical integration'*. A major concern was where *'subsidised . . . research, compliance, marketing and training support'* is going to come from, because support services *'from aligned dealer groups are substantial'*. Others felt *'the cost of having back office staff. . . would be too expensive'* and the *'cost to end client would be much greater'*. However, some disagreed this would be a problem, particularly those advisers favouring individual licensing via a *'single body'* who felt *'... costs could be drastically reduced due to numbers'* and *'would also help reduce costs to an Adviser's practice'*.

There was lack of consensus regarding whether individual licensing will eliminate conflicts of interest. Responses included: *'I don't know that it will eliminate, but it will resolve possibly the biggest issue standing in the way of clients' best interests being satisfied (all of the time)'*; *'Might not eradicate conflicts but will reduce them a lot'*, because *'product providers will continue to try and influence advisers.* Contrary responses included: *'No we will still have BDM's providing incentives etc and our personal bias'; 'Nothing will stop bank and union super fund licensees from finding ways to influence advisers they employ'* and *'all product providers focus on large writers of business and incentivise them to use their products—this will continue'*.

Discussion, implications, recommendations and contributions

Since the best interests duty was legislated, advisers' double agency identity and role have been problematic for their effective performance. The current structure of licensing advisers displays inconsistencies with the best interests duty [s961B] and conflicts of interest [s961J]. Empirically confirmed, the current licensing's illegitimacy tendencies have changed advisers' perceptions and practice despite their legal obligations to their licensees. Licensees' commercial interests are compromising the best interests duty by the attitudes set by top management of these intermediaries which has led to class action post-FSRC. The existing licensing model threatens advisers' independence and integrity, shapes adviser culture and ethical behaviour—some of the key characteristics of a profession. The culture of licensees is blind to conflicts of interest (Hooper, D'Souza & Braddon 2018), a key variable identified to result in unethical behaviour (Murray, Manrai & Manrai 2017). Conflicts of interest by association remains inappropriate when elimination of conflicts is vital for a professional.

A strict focus on legal standards for education, ethics, experience, and examination to professionalise financial advisers is insufficient. For a profession to develop, a body is required to oversee and administer professional entry, standards, and the public's compliance expectations. Therefore, Government should be commended for committing to provide advisers with a single disciplinary body to self-regulate, while assisting in disconnecting them from licensees with vested interests to control them which has led to unethical behaviours. Thus, there is empirical evidence supporting Hayne's recommendations and Government's action to set up a single disciplinary body to better protect the public. This disciplinary body is a critical element to turn advisers into recognised accredited professionals like the established professionals. Advisers can draw on years of experience and practices of lawyers (Rogers, Smith & Chellew 2017) and accountants, notwithstanding doctors, to address the concerns around, for instance, professional indemnity and its role in professional relationships (Morgan & Hanrahan 2017) together with issues around 'large organisations or professional service firms' (Rogers, Smith & Chellew 2017, p. 218).

Although the public is likely to benefit with access to independent advice, change will not be pain-free. Redundancies among small, single adviser self-licensed adviser businesses and financial collapse for some advisers presently financially and contractually tied to licensees or struggling with the 'regulatory overload' (Adviser Ratings 2020, p. 3) may be hastened by the single disciplinary body combined with COVID-19 repercussions. Therefore, legislators will have to carefully consider changes to the legislation to minimise the negative outcomes of advisers locked in with some licensees. Another major concern for advisers is the cost implications of individual licensing, economies of scale and practicality. However, Susskind (2017) is of the view that the Internet of Things (IoT), AI and machine learning is transforming the way professions work and live. Flood (2017) suggested AI and big data should improve the capabilities of professionals. He also maintains professional commercial and business models will constantly undergo evolutionary change where large organisations will use power and influence (Flood, 2017). However, if the cost of service does not reduce with technological innovations and reduced compliance, then clients' demands of value for money advice may not be met, especially given Greenleaf's (2017) argument that the impact of digitization is difficult to determine with certainty. However, living with uncertainty seem to have become a way of life now.

Despite all these concerns, if advisers want to have greater autonomy, power, authority, and independence to build an ethical culture they must oversee the single disciplinary body like other established professionals are collectively in charge of the entrance, exit and conduct of their professionals within their profession via their professional body/ies. Rather than leaving it all to Government, academics, ethicists, lawyers, and the old guard of Financial Services leaders, advisers should heed Flood's (2017) advice and consider universal models of professionalism by clearly defining the profession, professional, and professionalisation. For him, the differences between various established professions, including their national jurisdictions, justifications, and regulations are important concerns. This new body is important, because empirically, independently licensed advisers promote improvement in public trust. It will provide university graduates a clear professional career pathway—important considering Adviser Ratings (2020) reports that financial planning students are demotivated from completing their degrees. Thus, there is no better time than now for advisers to actively participate in the disconnection from AFS licensees via a single disciplinary body. Getting involved is especially important given valued experienced advisers are considering exiting the industry by 1 January 2026 when the FASEA educational standard must be met (Adviser Ratings 2020).

Like most empirical studies, research validating a new licensing model confronted several limitations. Although the small sample size was more than sufficient to produce research data that passed all the tests for validity, reliability, representativeness and generalisability (McInnes 2020), the response rate limited the study and might suggest that at the time of the study advisers did not think adviser licensing an important issue. There was limited scholarly attention prior to the FSRC, which restricted reliance on negative unsubstantiated claims from non-peer reviewed secondary data. Thus, the examination of the current licensing models' illegitimacy occurred at the strategic level to develop the conceptualised theoretical model. However, this research advances financial planning theory with a more impartial peer review, in addition to providing a scholarly platform to raise other central topics around licensing advisers. Furthermore, the low response rate and lack of data availability among other stakeholders limited deeper analytical interpretation of the findings. Therefore, future research should survey other stakeholders and use methods to encourage more participation in research of this nature. Suchman's (1995) criteria could be extended in time as researchers delve deeper into this topic. The study also focused on a single jurisdiction, namely Australia. Including research considering other countries' adviser licensing legitimacies would further contribute to the international issue of regulating advisers as true accredited professionals. Finally, the research was constrained by its timing as it occurred during major and ongoing Future of Financial Advice, FSRC and FASEA (soon to be wound up) reforms which remain ongoing and not all fully implemented.

Conclusion

Critically integrating several relevant theories contributed to establishing the illegitimacy of the licensee-authorised representative licensing model. This arms the Government with empirical evidence to push for major structural change in the process of professionalising advisers as soon as possible—that being, commercial institutional licensing replaced by professional individual licensing. However, this provocatively delicate and complex topic is being addressed by the stakeholders of the financial advisory sector as this paper goes to print. Once Government has formed the single disciplinary body, advisers must be the major active participants in the legislative advocacy and governance, internal and organisational governance, the external governance, and public accountability, and shape their responsibilities and functions. With a single disciplinary body, advisers will no longer be paddling in two canoes. A major obstacle to professionalising advisers would be removed, namely conflicts of interest by association. This would provide well-behaved, ethical advisers with an opportunity to position and differentiate themselves from some of the aspects of product-based practices. Moreover, the application of the FASEA guidelines would be more easily policed, along with any additional conventions developed within the single disciplinary body. At the same time, the need for unnecessary and/or impractical compliance regulations would be removed. The cost of service would be thus reduced with the assistance of digital technologies and reduced legal compliance obligations, making advice more accessible to a greater number of Australians. Although all stakeholders have been involved consulting with the Government to drive change to date, advisers should really be in the driver's seat as other professionals are at the helm of their professions. Experienced advisers can conceive a profession that offers young, emerging, newly qualified entrants a sustainable professional financial planning career. Well-behaved advisers can improve culture, ethics, integrity, and decision-making structures within the financial advisory sector to restore trust and confidence in the services it provides. Advisers made personally accountable for protecting the public from misconduct in the same way established professionals attempt to protect the public from any misconducts within their professions should lead to better advisory outcomes for the public. However, before launching into any new regime, further consideration must be given to the perceived challenges. In closing, once the new disciplinary body is established and settles into its task of regulating advisers, then it would be prudent for its legitimacy to also be tested empirically.

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