

Profile of the European Financial Planning Association

Building Credibility for a Developing Profession – Standard Setting for Financial Consultants in Europe

by Michael Fawcett



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The European Financial Planning Association (€FPA) has emerged as a European organisation that serves the manifold roles of advocate and engineer of the financial consultancy professions and as a protector of the public. With the growing complexity of society and our financial services sector, €FPA's public role on national and European levels has gained both emphasis and breadth.

€FPA is the European organization for the financial consultancy professions. Its members and partners are composed principally of practicing financial planners and financial advisors, insurance and banking corporations, education and examination providers, Universities, trade groups and various other stakeholders in the financial services sector. €FPA represents geographic interests such as those of national insurance and banking associations as well as trade and professional associations from a vast array of financial services adjunct occupations. €FPA's ties to Europe's leading professional, consumer, trade and policy making bodies ensures that it has a voice in all relevant discussions which affect the consultancy industry in Europe.

The financial consultancy profession in

Europe can be viewed as a multisectoral confederation, at the centre of which is the European Financial Planning Association. While €FPA does not have the legal power to discipline financial consultants (other than by suspending or terminating €FPA membership rights), it leads by developing professional standards and ethical guidelines. €FPA serves as the European voice of the profession: it is a designer of education and examination matrices, a codifier of ethical behaviour, a pioneer in financial consultancy education, and a moral force for consumers, working to make the financial consultancy system work better for all Europeans.

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€FPA's Genesis

The seminal concepts leading to the creation of the European Financial Planning Association derived from meetings which took place at the Erasmus University Rotterdam in the fall of 1998. To be certain, the original concept was not to build a standard setting, accrediting and certifying body for financial professionals in Europe, but rather, was to establish a think tank for academicians and educators that could allow them to further develop the body of theory and knowledge respecting financial consultancy and the related arts and sciences. This think tank, it was hoped, would also have the responsibility of improving educational programs, examination frameworks and academic networks across Europe.

By the winter of 1998 it became clear, through a growing number of cross-border correspondences, that there was gathering interest for an organisation that would go beyond the initial think tank concept towards an organisation which could provide not only research, academic and educational structures for an emerging profession in Europe, but one which could actually set professional standards for educational programs, examinations, ethics, and skills sets.

Formative years

€FPA was founded on December 18, 2000 in Rotterdam, the Netherlands, by nine affiliated countries in a ceremony at the Erasmus University Rotterdam. Representatives from 15 countries were present along with nearly a hundred guests and media representatives. The financial consultancy professions, as we understand them today, barely existed in Europe even those few years ago. Financial consultants were generally private bankers or insurance company practitioners who trained under a system of apprenticeship or through a patchwork of training programs offered in house or by banking or insurance institutes;

independent financial consultants represented large portions of markets in specific countries only but were, as a rule, not dominant in Europe as a whole. There was no established European code of ethics; there was no European organization to serve as a forum for discussion of the increasingly intricate issues involved in the practice of financial consultancy and there was little cross border discourse on developing the profession. The founding of €FPA changed all that.

The first €FPA Statutes, which are still substantially the guiding charter of the association, recognised the goals of €FPA as seeking to advance the profession of financial consultancy, to promote the administration of ethical behaviour, to act as an educator and guide to consumers of financial services advise and to ensure uniformity of all financial services standards throughout Europe.

Today, the stated mission of the €FPA is to be the European representative of the financial consultancy professions (including both tied and independent financial advisors), serving the public and the profession by promoting ethical behaviour, professional excellence and organisational transparency.

The objectives of the Association, published in the €FPA Articles of Association are:

- Developing universal educational, professional, ethical and examination standards for financial consultants in Europe,
- Developing financial planning and financial advising as full fledged professions across Europe,
- Increasing the academic and professional body of theory and knowledge concerning financial planning and financial advising,
- €FPA receiving from national and European regulatory bodies, official legal recognition for the oversight of financial planning and financial advising,

- Enhancing the standing of the European Financial Planner and European Financial Advisor marks as well that of the financial advising and financial planning professions in the eyes of consumers, the financial services sector, academic institutions and other stakeholders interested in the development of financial planning and financial advising as a whole,
- Advancing ethical behaviour as a hallmark of the financial planning and financial advising professions in Europe.

€FPA's Organisational Structure

As a European Non Governmental Organisation (NGO), €FPA confronts many of the same challenges faced by European policy making entities, in that €FPA promulgates and oversees standards and establishes Association policy across many boundaries. Cultural variations have a profound impact on the decisions, approaches, and actions of the Association. Knowing that wisdom and leadership is not confined to the borders of countries with large populations, €FPA follows the philosophy that each country possesses one vote, regardless the numbers of national members or the population of the country represented.

The €FPA Board of Directors is responsible for setting the strategic plan for the Association. The Chief Executive Officer carries out the strategic plan. Other obligations remain in the hands of the National Affiliates and all Affiliates have wide latitude in pursuing the development of the profession to meet the needs of their national markets and ensure the sustainable and ethical growth of the profession into the distant future.

€FPA operates similarly to many international standard setting and certifying organisations charged with like responsibilities. €FPA does, however, have several special provisions built into its statutes, which distinguish it from these other financial services NGOs. These

provisions direct the National Affiliates in their behaviour and define the character of the Association through both word and deed.

Openness

Building a National €FPA Affiliate demands input from a vast array of specialists from various financial services professions. €FPA understands that financial consultancy is a hybrid of many professions holistically fused to create a single occupation. Leaders and innovators from the many trade and professional groups which operate in the fields that link to financial consultancy are thus very helpful in defining national boundaries for specific knowledge requirements and skills in the several disciplines of financial consultancy. €FPA thus requires of its National Affiliates that they remain open to all relevant and qualified organisations and allow them to participate in the development of the National Association. Beyond the requirement of general openness, €FPA expects that all Affiliates have, within a reasonable time, Board Members representing the insurance, banking, educational and policy making sectors from their respective countries. This provision ensures that each National Affiliates will have input from a wide variety of influences and sectors and will ensure that National Affiliates bring a balanced approach to the market in each country.

Independence

The integrity of any NGO relies on its ability to demonstrate that it is independent from external influences which could affect its ability to remain fair and impartial. From the outset, €FPA was determined to be able, unlike many other financial services certifying bodies, to demonstrate that it had no conflicts of interest deriving from the system it employed to certify its Members. To ensure €FPA's interest were untainted, €FPA structured its educational system in a way that guaranteed that no party in the educational chain had

a direct interest in the success or failure of another party in the chain. €FPA National Affiliates thus do not provide educational programs themselves but rather accredit educational program providers which offer students courses in financial consultancy. €FPA Italia, for example, accredits a wide range of training and education entities: to date over forty programs are accredited in Italy. With the exception of governmentally accredited Universities, no educational program providers can examine their own students. Thus €FPA accredited examination providers have no private interest in the success or failure of the students taking their examinations, since they do not also train them. Importantly, no €FPA National Affiliate then has a vested interest in any educational programs provided. The sole role of €FPA is to accredit programs and examinations, to ensure that the providers meet the €FPA standards and to provide professional oversight for €FPA Members. €FPA thus has no conflict of interest deriving from the system which results in €FPA certification.

Practitioner Advisory Committee

Every system of standards has a series of checks and balances to ensure that the standards are current, rational and possess real world significance. €FPA established the Practitioner Advisory Committee (PAC) in the spring of 2002 to provide the Board with wide ranging advice reflecting the needs of professionals who operate as financial consultants, in the trenches, day in and day out. The PAC's tasks have included advising the €FPA Board on the European Financial Planner and European Financial Advisor curricula, to better hone the skills sections and provide real world insight into the job knowledge requirements. In the future, in addition to their ongoing evaluation of the €FPA educational programs, PAC will also be advising the Board on examinations matrices, conference themes, Member services and publications.

The €FPA Institute

True to one of €FPA's core objectives of increasing the academic and professional body of theory and knowledge for financial consultancy and the related arts and sciences, €FPA is moving forward with this aspirational concept in planning for the establishment of the €FPA Institute. The Institute, though not fully formed yet, it is hoped, will become the European think tank for academic research in the financial services sector. The €FPA Institute will be composed of educational program providers and leaders in financial services training from a network of more than 50 European Universities and professional training institutes. The Institute will undertake many meaningful tasks. It is expected that the Institute will assist in the proposed €FPA EU Leonardo Project as its first and most important task. The Institute will help to undertake an analysis of the European Examination Framework in Financial Services, the objective being to establish a single examination framework for €FPA accredited examination providers in the various countries in which €FPA has Affiliates. The Institute will also be charged with the tasks of evaluating candidate educational program provider applications to determine whether or not they meet €FPA's standards. €FPA also hopes that the Institute will initiate student and teacher exchange programs among the various Universities and Alumni Associations. The Institute will also be responsible for creating a database of Master and Graduate thesis in financial planning to help to provide relevant and up to date research materials for future generations of students. Finally, the €FPA Institute will be expected to generate their own high-level research material in the form of the European Journal of Financial Planning. It is hoped that within the next five years, the Journal can become the academic, research and educational source for financial consultancy in Europe.

Corporate Membership

To date, no European standard setting and certification organisation has directly engaged financial services providers as possible Members that could derive benefits from and play an active role in the evolution of the Association. Indeed, until €FPA introduce the corporate membership option, €FPA membership had been drawn solely from individual applications. The common wisdom is that a link to the corporate as well as the individual is essential.

The objectives of the corporate membership option are:

- To extend the disciplines of €FPA membership into the corporate sector,
- To increase the rate of membership growth,
- To ensure that corporate objectives align as far as possible with €FPA objectives, and
- To enable input from the corporate member on the objectives and strategy of €FPA.

€FPA has seen the Corporate Membership option achieve unexpected levels of success and explosive growth. Corporate Membership has been most obviously embraced in Spain where €FPA España has signed 11 of the top 20 financial services providers as Corporate Members. €FPA hopes to close several Europe-wide Corporate Membership agreements within the next year as well as a large number of national Memberships that are already near to consummation.

Achievements to date

European Financial Planner Program

Programs accredited by €FPA Affiliates provide a financial consultancy education which meets a minimum set of standards as promulgated by €FPA. Every Affiliated country in Europe has determined that graduates of €FPA accredited programs are able to sit for the €FA or €FP examination in their respec-

tive countries. The role that €FPA plays as an accrediting body has enabled accreditation to become unified and European in scope rather than fragmented, with the potential for inconsistency, among the countries of Europe.

The standards and rules are adopted by the €FPA Board of Directors. They state the requirements that must be satisfied for an educational program provider to be approved by €FPA and the processes that are followed for approval and periodic review. The standards establish the minimum requirements for a sound program of financial consultancy education. Universities and training institutes may have their own requirements for graduation, rules and procedures that go beyond the standards, and many such institutions do. The standards encourage financial consultancy educational program providers to adopt rules and requirements beyond what the standards require that further the school's own mission and aspirations.

The European Financial Planner program was developed by University program coordinators and national bank and insurance institute program developers from more than ten countries. It represents an educational program developed by Europeans for the European market place. The program is utilised by all €FPA National Affiliates.

Financial planning is a multidisciplinary occupation integrating a variety of financial services, legal, and consultancy disciplines into a single unique profession.

Financial planners must therefore master a variety of specialised subjects, from investment planning, to insurance planning, to tax planning, to estate planning, and many other disciplines running the gamut of private finance. The financial planner must at the same time utilise specific skills, which afford her the ability to communicate ideas and complex concepts to clients in a simple and direct manner. The European Financial Planner Program is therefore designed to provide future

practitioners with the knowledge and key skills and skill assessment methods to ensure that graduates not only have the knowledge needed to perform their professional duties but the skills to effectively communicate their acquired knowledge to clients, while performing the specific functions of the job.

The client lifecycle method plays an important role in the European Financial Planner program and as a result the curriculum also highlights the effects of changes in the client's life; the effects of marriage, separation and divorce, childbirth, career changes, inheritance, health difficulties, retirement, and many more. The student is provided the knowledge, skills, and process information to plan effectively and comprehensively for each of these lifecycle eventualities and others.

The coursework and at home work also illustrate actual uses of financial planning tools and technologies in the development of segmented and comprehensive plans to help refine students' research, communication and decision making skills.

The European Financial Planning Association stands at the vanguard of ethics in the financial planning sector in Europe and as such has included a module designed specifically to address the needs of financial planning practitioners working in Europe's evolving financial services sector.

The European Financial Planner Program is designed as the follow up to the European Financial Advisor (€FA) program or as a stand along program for individuals intending to enter into the financial planning profession as a European Financial Planner (€FP). Each of the modules explores the complex issues involved in planning for the specialised interests of a variety of client types; from high net worth private clients, to entrepreneurs, to Small and Medium Enterprise (SME) owners, to majority shareholders and everything in between.

European Financial Advisor Program:

The research undertaken in the preparation of the European Financial Advisor program included, among others, a cross border analysis of financial topics and pedagogical theory derived from various training methodologies prevalent in the European financial services sector. Additional research included what we at €FPA believe is the first ever cross border comparative analysis of skills competences for financial advisors. The resulting syllabus and program therefore is the most current and comprehensive available with respect to learning outcomes and skills in Europe.

The curriculum is designed to raise standards across the financial services sector in Europe and to improve client protection by ensuring that those involved in financial consultancy have a sound understanding of key principles.

In co-ordinating the various structures, the following was identified:

- The current examination matrices of various examinations structures are confusing and inflexible'
- There are inconsistencies and differences in standards between qualifications for the same activity'
- The examination structure and numerous associated designations are confusing'
- There is a cost to firms when staff moves between activities if they must be repeatedly examined on similar content'
- There are gaps and inconsistencies in examination provisions'
- Some syllabuses cover content areas in greater depth than others'
- There is a requirement to ensure that practitioners remain up to date via regular assessment of competence.

The current incarnation of the €FA program is expected to be completed by the end of 2004 when it can be used in the planned EU Leonardo project.

€FPA Agent (under development)

In recognition of the need of many countries to develop an educational program for practitioners just entering into the financial consultancy professions, €FPA is exploring the development of an agent level educational program. It is hoped, following the initial exploration that the first educational programs could begin by the start of 2005.

Ethics

€FPA has published a code of ethics that was written specifically for financial consultancy practitioners in Europe. It represents the ethical ideology of more than 20 financial services institutes and providers. The €FPA Code of Ethics is best understood through its motto: “The €FPA licensee is not honourable because she acts ethically, the €FPA licensee acts ethically because she is honourable.” More than 2,000 persons certified by €FPA agree to be bound by the €FPA Code of ethics.

Countries represented

The European Financial Planning Association, Europe’s largest and most respected financial consultancy certification and standard setting entity, has full and observing members from: Belgium, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Luxembourg, The Netherlands, Norway, Poland, Portugal, Russia, Slovenia, Spain, Sweden, and The United Kingdom.

International aspirations

A new and potentially significant development is the planned establishment of an International Financial Standards Association (IFSA). €FPA, representing Europe, is in discussions with regional representatives from Asia-Pacific, North America and South America, to establish a global organisation which will join under the auspices of a single umbrella organization. The Association could include 32 countries, making the conceived IFSA the largest financial standards setting body for financial consultants in the world: by far.