

Detailed Table of Contents

About the Financial Adviser Manual	2
Financial Planning Process	4
1. Financial Planners and Advisers Code of Ethics	5
2. Client Contact	6
3. Client Meeting	7
3.1 Establish Rapport	7
3.2 Introductions	7
<i>Outline Your Services</i>	7
<i>Ensure You Can Meet the Client's Needs</i>	8
4. Collecting client information	9
4.1 Retail/Wholesale Client	9
4.2 Privacy	10
4.3 Financial Services Guide (FSG)	11
4.4 Needs Analysis	11
<i>Identify Client's Objectives and Goals</i>	11
<i>Subject Matter of the Advice</i>	12
<i>Scope of the Advice</i>	12
<i>Fact Find</i>	12
<i>Foreign Clients</i>	15
<i>Risk Tolerance</i>	15
<i>Client Education</i>	16
<i>Client Preferences</i>	17
4.5 Preliminary Advice	17
<i>General Advice</i>	17
<i>Fees and Charges</i>	17
4.6 Closing the Meeting	18
<i>Authority to Prepare Advice</i>	18
5. Advice Preparation	18
5.1 Confirm Scope of Advice	18
5.2 Preparing Your Advice	18

	<i>Analyse the Client's Situation</i>	18
	<i>Incomplete or Inaccurate Information</i>	21
	<i>Check Your Expertise</i>	21
	<i>Specialist Advice</i>	22
	<i>Evaluate Strategies</i>	23
	<i>Identify Products and Services</i>	23
	<i>Base Judgements on the Client's Circumstances</i>	25
	<i>Anything Else</i>	25
	<i>Appropriate Advice</i>	26
5.3	Statement of Advice	27
	<i>Scope of Advice</i>	28
	<i>Paraplanning</i>	28
	<i>Product Replacement/'Switching'</i>	28
	<i>Non-Approved Products</i>	29
	<i>Prioritise the Client's Interests</i>	29
5.4	Peer Review	30
6.	Presentation of Advice	31
6.1	Preparing for the Meeting	31
6.2	Presenting the SoA	31
6.3	Explain the Risks of Your Advice	32
6.4	Authority to Proceed	32
6.5	Product Disclosure Statements	33
6.6	Ongoing Services	33
7.	Implementation	34
7.1	Applications	34
7.2	Client Identification	34
	<i>When You Need to Identify</i>	34
	<i>When You Do Not Need to Identify or Verify</i>	35
	<i>What is a Beneficial Owner?</i>	35
	<i>What is a Politically Exposed Person (PEP)?</i>	36
	<i>Identification and Verification Process</i>	37
	<i>Standard Customer Identification Procedures</i>	37
	<i>Guidelines to Collecting Documentation</i>	37
	<i>Client Risk</i>	39
	<i>Enhanced Customer Due Diligence</i>	40

	<i>Suspicious Matters</i>	40
7.3	Arrange the Recommended Products	42
7.4	Cash Handling	42
7.5	Confirmation	42
7.6	File Management	43
8.	Execution only Services	44
8.1	Products	44
8.2	Strategies	45
9.	Ongoing Client Service	45
9.1	Reviews	45
9.2	Review Appointments	46
9.3	Fee Disclosure Statements	46
	<i>Ongoing Fee Arrangement</i>	46
9.4	Consent for Ongoing Fee Arrangements	47
9.5	Further Advice	47
	<i>Record of Advice</i>	47
	<i>Statement of Advice - Incorporate Information by Reference</i>	47
10.	Appendix A – Summary of Disclosure Requirements	48
11.	Appendix B – Identification and Verification Requirements	52
12.	Appendix C – Full list of individuals who may certify documents	73
	Detailed Table of Contents	76

Detailed Table of Contents

About the Companion to the Financial Adviser Manual	2
Table of Contents	3
Financial Services Regulation	5
1. Retail/Wholesale Clients	5
1.1 Retail Clients	5
1.2 Wholesale Clients	6
<i>Assets/Income Test</i>	6
<i>Controlled Company/Trust Test</i>	6
<i>Product Value Test</i>	7
<i>Business Test</i>	7
<i>Related Bodies Corporate</i>	7
<i>Professional Investor Test</i>	7
<i>Sophisticated Investor Test</i>	8
1.3 SMSFs and the Wholesale Client Tests	8
<i>SMSF with Corporate Trustee - Sole Director</i>	9
<i>SMSF with Corporate Trustee – >1 Director</i>	9
<i>SMSF with Multiple Individual Trustees</i>	9
2. Advising	9
2.1 Financial Product Advice	9
2.2 What is not Advice	10
<i>Factual Information</i>	10
<i>'Disclosure' Documents</i>	11
<i>Passing on Prepared Documents</i>	11
<i>Information on the Cost of or Return on a Product</i>	12
<i>Asset Allocation Advice</i>	12
<i>Advice Given by Product Issuers</i>	12
<i>Advertising by Product Issuers</i>	12
<i>Advice about a Custodial or Depository Service</i>	13
<i>Accountancy and Business Advice</i>	13
<i>Generic Financial Calculators</i>	13
2.3 Personal Advice	14
2.4 General Advice	15
2.5 Class of Product Advice	17

3.	Dealing	17
3.1	What is Dealing?	17
3.2	What is not Dealing?	17
	<i>Clerk and Cashier Activities</i>	<i>18</i>
3.3	Arranging	18
4.	Tax Qualified Relevant Providers	20
4.1	What is a Tax (Financial) Advice Service?	20
5.	Professional Standards for Financial Adviser	20
5.1	Code of Ethics	21
	<i>Values</i>	<i>21</i>
	<i>Standards</i>	<i>21</i>
5.2	Provisional Financial Advisers	24
	<i>Supervision</i>	<i>25</i>
	<i>Education Requirements</i>	<i>25</i>
	<i>Examination Requirements</i>	<i>26</i>
	<i>Record Keeping</i>	<i>26</i>
5.3	Financial Advisers	27
	<i>Education Requirements</i>	<i>27</i>
	<i>Examination Requirements</i>	<i>27</i>
	<i>Continuing Professional Development (CPD)</i>	<i>28</i>
	<i>Record Keeping for Supervisors</i>	<i>28</i>
6.	Consumer Credit Services	29
6.1	Consumer Credit	29
6.2	Credit Activities	30
6.3	Credit Provider	30
6.4	Credit Services	30
7.	Financial Services and Credit Panel	33
8.	Adviser Registration	34
	Marketing	35
9.	Describing Your Business	35
9.1	Holding Out	35
9.2	Restricted Terms	36
	<i>Words that suggest you are a 'broker'</i>	<i>36</i>
	<i>Words that suggest you are 'independent'</i>	<i>36</i>
	<i>Words such as 'financial adviser' and 'financial planner'</i>	<i>37</i>

9.3	Business Documents	38
	<i>AFS Licence Number</i>	38
	<i>Australian Company Number and Australian Business Number</i>	39
9.4	Business Names	40
	<i>Registering a business name</i>	40
	<i>Using a business name</i>	40
10.	Advertising	41
10.1	Use of Words	41
10.2	Mass Media	45
11.	Direct Marketing	46
11.1	General Principles	46
	<i>Marketing Material</i>	46
	<i>Mailing Lists</i>	46
	<i>Australian Privacy Principles</i>	47
	<i>No Contact/No Call Register</i>	48
	<i>Federal Do Not Call Register</i>	48
	<i>Calling times</i>	49
11.2	Hawking	49
	<i>What is an Unsolicited Meeting/Call</i>	49
	<i>What is a solicited meeting/call</i>	50
	<i>Penalties</i>	50
11.3	Electronic Marketing/Spam	51
	<i>What is Spam?</i>	51
	<i>What is not Spam?</i>	52
	<i>What is Consent?</i>	52
	<i>Address Harvesting Lists</i>	53
11.4	Referrals	54
	<i>Limits on Activities</i>	54
	<i>Paying Fees to Referrers</i>	54
	<i>Monitoring Referrers</i>	54
	<i>Receiving Referral Fees</i>	55
12.	Consumer Protection Obligations	55
12.1	Misleading and Deceptive Conduct	56
12.2	False Representations	57
12.3	Unconscionable Conduct	58
12.4	Harassment or Coercion	58

12.5	Third Line Forcing	58
12.6	Implied Warranties	59
12.7	Unfair Contracts	59
12.8	Penalties	60
	Advisers' Obligations to Clients	62
13.	Provision of Services	62
13.1	Efficient, Honest and Fair	62
13.2	Best Interests duty	63
13.3	The Safe Harbour	65
	<i>What is the Safe Harbour?</i>	65
	<i>Identifying Relevant Circumstances</i>	65
	<i>The Subject Matter of Advice Sought</i>	66
	<i>Scope of Advice</i>	66
	<i>Incomplete or Inaccurate Information</i>	67
	<i>Assessing your Expertise</i>	67
	<i>Recommending a Financial Product</i>	68
	<i>Basing all Judgments on Relevant Circumstances</i>	69
	<i>Other Reasonable Steps</i>	70
13.4	Common Law Duty of Care	70
	<i>What is the Duty?</i>	70
	<i>The Standard of an Adviser's Duty?</i>	70
	<i>To Whom is the Duty Owed</i>	71
	<i>Duration of Duty</i>	71
	<i>Duty of Care when Using Agents</i>	71
13.5	Compensation for Breach of the Duty	71
14.	Remuneration	72
14.1	General Principles	72
14.2	Conflicted Remuneration – Investment products	73
	<i>What Is Conflicted Remuneration?</i>	73
	<i>Influence Benefits</i>	74
14.3	Conflicted Remuneration - Life Risk Insurance	74
	<i>Acceptable Life Risk Benefits</i>	79
14.4	Banned Non-Monetary Benefits	81
14.5	Allowable Remuneration	81
	<i>Execution only services</i>	81
	<i>Certain products</i>	81

	<i>Benefits paid by clients</i>	81
	<i>Small Amounts</i>	82
14.6	Allowable Non-Monetary Benefits	82
	<i>Education and Business Support Benefits</i>	82
	<i>Non-Monetary Benefits Register</i>	83
14.7	Employee Remuneration	83
	<i>Salary and other Employment Benefits</i>	83
	<i>Acceptable Performance Criteria</i>	84
14.8	Penalties	85
15.	Privacy and Confidentiality	86
15.1	Personal Information	86
15.2	Open and Transparent Management of Personal Information	86
15.3	Privacy Procedures	87
	<i>Collection of Personal Information</i>	87
	<i>Unsolicited Collection</i>	88
	<i>Use and Disclosure of Personal Information</i>	88
	<i>Direct Marketing</i>	89
	<i>Openness</i>	89
	<i>Quality, Security and Destruction of Information</i>	90
	<i>Correcting Personal Information</i>	90
	<i>Access</i>	90
	<i>Timeframe for Access and Correction</i>	91
	<i>Charges for Access and Correction</i>	91
	<i>Refusing Access</i>	91
	<i>Giving Reasons</i>	92
	<i>Complaints</i>	92
	<i>Tax File Numbers and Other Identifiers</i>	92
	<i>Data Breach Reporting</i>	93
16.	Conflicts of Interest	93
16.1	What is a Conflict of Interest?	93
16.2	Managing Conflicts of Interest	94
	<i>General Principles</i>	94
	<i>The 'Conflicts Priority Rule'</i>	94
	<i>Disclosing Conflicts</i>	94
	<i>Code of Ethics – Standard 3</i>	95
16.3	Types of conflicts	95
16.4	Remuneration conflicts	96

<i>Retail Clients</i>	96
<i>Wholesale Clients</i>	96
16.5 Related Entity Conflicts	96
Advising and Dealing	99
17. Financial Services Guide	99
17.1 Who Must Give the FSG	99
17.2 When the FSG should be Given	99
17.3 How the FSG should be given?	99
17.4 When No FSG is Required	101
17.5 Record Keeping	102
17.6 Failure to give an FSG	103
17.7 Content of a Financial Services Guide	103
18. Engagement	110
18.1 Scope of Advice	110
18.2 Terms of Engagement	110
<i>Content of Letter of Engagement</i>	111
<i>Scaled Advice</i>	112
<i>Execution Only</i>	112
18.3 Code of Ethics	113
19. Identification and Verification	113
19.1 AML/CTF Identification	113
<i>When Identification is Not Required</i>	114
<i>Identification and Verification Process</i>	114
<i>Standard Customer Identification Procedures</i>	114
<i>Customer Risk</i>	116
<i>Management Approval</i>	116
<i>Information for Product Providers</i>	116
<i>Re-Identification</i>	116
<i>Record Keeping</i>	117
19.2 Foreign Account Tax Compliance Act (FATCA)	117
<i>Individual Clients</i>	118
<i>Companies, Partnerships and Trusts</i>	118
<i>Record Keeping</i>	120
19.3 Restrictions on Dealing with Certain Foreign Clients	120
20. Appropriate Advice	122

20.1	What is Appropriate Advice	122
20.2	Fact Finding/Needs Analysis	123
20.3	Risk Tolerance	124
	<i>Risk Profiling</i>	124
	<i>Problems with Risk Profiling</i>	125
	<i>Use of Risk Profiling</i>	126
20.4	Analysis	126
20.5	Asset Allocation	128
	<i>Commonly used Investor Profiles</i>	128
	<i>Diversification</i>	129
20.6	Product Research	129
20.7	Appropriate Advice	131
20.8	Prioritise the Client's Interests	132
21.	Advice Policies	133
21.1	Cooling-Off Periods	133
21.2	Product Replacement	134
21.3	Gearing/Margin Lending	135
	<i>Risks of Gearing</i>	136
	<i>Responsible Lending</i>	136
	<i>Margin Calls</i>	137
	<i>Managing the Risk of Gearing</i>	138
22.	General Advice Warning	138
23.	SoAs and RoAs	139
23.1	What is a Statement of Advice	139
	<i>Coverage of an SoA</i>	139
	<i>Incorporation by Reference</i>	141
23.2	Who must give the SoA/RoA	141
23.3	When must an SoA be Provided	142
	<i>Ordinary Transactions</i>	142
	<i>Scaled Advice</i>	143
	<i>Time Critical Transactions</i>	143
23.4	Delivering the SoA	143
23.5	When No SoA is Required	144
	<i>Wholesale Clients</i>	144
	<i>Basic Deposit Products</i>	144
	<i>Client Outside Australia</i>	144

23.6	SoA Content Guide	144
	<i>Guidance on Preparing an SoA</i>	150
23.7	Records of Advice	155
	<i>Small Investments</i>	155
	<i>Personal Advice with No 'Purchase' Recommendation</i>	157
	<i>Further Advice</i>	157
	<i>Required Information When No SoA is Required</i>	158
23.8	Record Keeping	159
	<i>SoAs, RoAs and Best Interests Duty</i>	159
	<i>Client Files</i>	159
23.9	Failing to give an SoA	160
24.	Product Disclosure Statement	160
24.1	What is a PDS	160
24.2	When must the PDS be Provided	160
	<i>Time Critical Cases</i>	161
24.3	When a PDS is not Required	162
	<i>Client does not Require Financial Product</i>	162
	<i>Basic Deposit Products and Other Simple Products</i>	162
	<i>Client Outside Australia</i>	162
24.4	Record Keeping	163
24.5	Failing to Give a PDS	163
25.	Fee Disclosure Statements & Fee Consent	163
25.1	Fee Disclosure Statements	163
	<i>Content of Fee Disclosure Statements</i>	163
	<i>When the FDS must be Provided</i>	165
	<i>Who Should Give the FDS</i>	165
25.2	Ongoing Fee Arrangements	165
	<i>Consent for Ongoing Fee Arrangements</i>	165
	<i>Termination of Ongoing Fee Arrangements</i>	166
	Complaints, Claims and Communication	167
26.	Complaints and Disputes	167
26.1	Why have a Complaints Policy and Procedures?	167
26.2	What is a Complaint or a Dispute?	167
26.3	Complaints and Disputes Policy	167
26.4	Complaints handling Guidelines	168
	<i>Access to Information</i>	169

	<i>Potential Negligence Claims</i>	170
	<i>Threats of Legal Action or Media Publicity</i>	170
27.	Claims	170
27.1	The Importance of Good Claims Service	170
27.2	Your Obligations	171
27.3	Privacy	172
27.4	Dealing with Others	172
	<i>Insurers</i>	172
27.5	Claims Process	172
	<i>Initial Notification</i>	172
	<i>Assessment</i>	173
	<i>Disputes and Denials</i>	174
	<i>Settlement</i>	174
28.	Communications	174
28.1	Write, Read and Respond	174
	<i>Write</i>	174
	<i>Read</i>	174
	<i>Respond</i>	174
28.2	Telephone/Messages/Calls	175
	<i>Telephone Messages</i>	175
	<i>Telephone Calls</i>	175
28.3	Written Communications	175
	<i>Correspondence</i>	175
28.4	Information required in E-mails	175
	<i>Usage Guidelines</i>	176
	<i>Checking E-mails</i>	176
	<i>Retention</i>	177
	<i>Viruses</i>	177
29.	Glossary	177
	Detailed Table of Contents	179