

# InterPrac Wholesale Clients Policy

InterPrac Business Principle



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## Purpose of the InterPrac Wholesale Clients Policy

InterPrac promotes the delivery of financial services and advice in a way that respects and meets the needs and capabilities of the client. Depending on the client profile, some clients might be able to take part in various service offerings, including possibly taking part in some services as a wholesale client.

This policy's objective is to set forth the standards for identifying whether a client should be treated as a retail or wholesale client, as well as outlining your responsibilities when giving advice to wholesale clients.

## You must be approved by InterPrac to provide Wholesale Advice

Approval must be obtained from the InterPrac Compliance Team prior to providing advice to your first wholesale client. The approval process includes a discussion with a member of the InterPrac Compliance Team to ensure you understand your compliance requirements and obligations in relation to the wholesale advice process.

## Wholesale vs. Retail

The distinction between retail and wholesale clients was created to identify those considered in need of regulatory protection, as well as the desire to allow certain experienced clients to invest in more complex products not available to retail clients.

The compliance obligations and advice process differ significantly between retail and wholesale clients, as retail clients are considered less financially sophisticated than their wholesale counterparts. Accordingly, legislation requires retail clients to receive certain disclosure documents and consumer protections. Given the importance of the retail client consumer protections, it is critical that clients are categorised appropriately prior to providing advice. The Australian Securities and Investments Commission (ASIC) will take regulatory action where clients have been miscategorised.

Whilst lighter regulatory requirements apply when providing advice to wholesale clients, you still have a duty of care; and you must provide advice and services efficiently, fairly and honestly.

## Advice Restrictions – No Strategic or Retail Super Advice Permitted

When dealing with wholesale clients, you are only permitted to provide investment only advice. Strategic advice and all retail superannuation advice must be provided via an appropriate advice document (e.g., SOA or ROA), following the retail advice process.

## Wholesale Classification

Everyone is a retail client unless the following requirements have all been met:

- The client has satisfied one of the relevant wholesale tests.
- You are comfortable that the client has sufficient experience and investment knowledge to confidently make financial decisions.
- The client understands the risks and has elected to be treated as a wholesale client.

Please note your discussions with the client regarding the above criteria must be documented in a file note. Below are further details on each of the above requirements to provide further guidance.

## Wholesale Tests

There are various tests that can be used to classify a client as 'wholesale' under the *Corporations Act 2001* (Corporations Act). However, InterPrac allows four of the tests by which clients may be eligible to be classed as wholesale. These tests are detailed in the table below.

Wholesale Client Test	Criteria	Proof Required
<b>Wealth Test</b>	Where a person or entity: income of \$250,000 per annum or more last two financial years; or assets of \$2,500,000 or more.	Qualified Accountant's Certificate <i>Please note;</i> <ul style="list-style-type: none"> <li>The certificate must be completed by a qualified accountant as defined in Section 88B of the Corporations Act.</li> <li>The certificate must be no more than 6 months old at the time you provide advice.</li> <li>The certificate must be renewed every two years to remain current.</li> </ul>
<b>Professional Investor Test</b>	Where a person or entity: <ul style="list-style-type: none"> <li>Holds an Australian Financial Services Licence (AFSL); or</li> <li>Is a trustee of a superannuation fund, an approved deposit fund, pooled superannuation trust, or a public sector scheme and the trust or scheme has net assets of at least \$10 million; or</li> <li>Has or controls gross assets of at least \$10 million.</li> </ul> <i>Please note; The above list is not exhaustive, for a full list please refer to <a href="#">Section 9</a> of the Corporation Act.</i>	InterPrac's Professional Investor Declaration Form <i>Please note;</i> <ul style="list-style-type: none"> <li>The declaration form must be renewed every two years to remain current.</li> </ul>
<b>Business Test</b>	Where a business: <ul style="list-style-type: none"> <li>Employs 100 or more people if it is a manufacturing company; or</li> <li>Employs 20 or more people for any other type of company.</li> </ul> <i>Please note; The financial product must be for use in connection with the business.</i>	InterPrac's Business Test Declaration Form <i>Please note;</i> <i>The declaration form must be renewed every two years to remain current.</i>
<b>Product Value Test</b>	A person or an entity who invest at least \$500,000 in any one opportunity (e.g., one investment, not platform).	Evidence that the product being invested in has a value exceeding \$500,000.

## Sophisticated Investor Test is not permitted

InterPrac does not support the Sophisticated Investor Test as a method for treating clients as wholesale.

## Financial Literacy

A client should not automatically be classed as 'wholesale' simply because of their level of income or assets, as wealth is not a good proxy for financial literacy. Even if a client meets the relevant wholesale test, you must be comfortable that the wholesale classification is appropriate given the client's financial literacy. You must be satisfied that the client has the financial knowledge and investment experience to make a financial decision without the disclosure documents available to retail clients. Your assessment and client discussions must be documented on your client file. If in doubt you must treat them as a retail client.

## Client Consent

Separately, the client must elect to be treated as 'wholesale' after you have fully informed them of the associated risks. The client must understand and acknowledge that they are comfortable to receive advice without the consumer protection provisions available to retail clients. Your discussion with your client and their informed consent must be documented on file. The client's written prior consent must also be received before you can treat them as wholesale.

## Measuring Assets and Income for the Wealth Test

Care needs to be taken when considering assets that are owned jointly; or assets and income owned by entities associated with your client. Below we have provided guidance and examples to assist you in determining suitability when classifying your client as wholesale under the Wealth Test.

### Assets Owned as Joint Tenants

Assets that are owned as joint tenants is considered as each owner having an interest in the entire asset. This is common in domestic relationships with property investments.

InterPrac's position is **not** to double count the entire asset and to consider each client having half an interest in the investment. Where a certificate has been provided by a Qualified Accountant it is important to be aware and use your professional judgement to determine if this has occurred.

### Asset Owned as Tenants in Common

Where the asset is owned as tenants in common, you can only include the value of the client's interest.

### Assets and Income Owned by Entities

Legislation allows for assets and income of an entity (e.g., trust or company) controlled by the client to be included for the purposes of the Wealth Test. The test of 'control' has been defined under Corporation Act<sup>2</sup>, however can be difficult to apply when there is more than one person who potentially has control. Below are key considerations when applying the control test:

- What is the trustee structure?
- Is there more than one director of the corporate trustee or company?
- Who are the signatories of the trust or company?
- Who can determine the outcome of the company's or trust's financial and operating policies?
- Is the product or service you will be providing connected to a business?

The information you collect to make your assessment must be maintained on the client file.

## Wholesale Classification for Superannuation

All retail superannuation advice must be provided in an appropriate advice document (e.g., SOA or ROA), following the retail advice process and cannot be wholesale.

Only investment advice in relation to the existing benefits within an existing Self-Managed Superannuation Fund (SMSF) can be provided on a wholesale basis if one of the following wholesale tests have been satisfied at the time the advice is provided:

- The SMSF's trustees meet one of the wholesale tests as detailed or
- The value of the investment is at least \$500,000 into a single opportunity (Product Value Test); or
- The SMSF has net assets of at least \$10 million.

In addition to satisfying one of the applicable wholesale tests above, all trustees (where the SMSF has an individual trustee structure) or all directors of a corporate trustee must also satisfy the financial literacy requirement and elect for the SMSF to be treated as wholesale after all the associated risks have been explained.

### **Assets being acquired Jointly**

When dealing with joint clients, you must ensure that each client satisfies a wholesale test in their own right. Separate supporting documentation must be obtained as evidence and saved on file. Where only one client meets the wholesale test, you must only treat this client as wholesale.

The other client must be treated as retail, including any joint assets and the advice must be documented via a Statement of Advice (SOA).

For simplicity, you may decide to document your entire advice using an SOA. In this situation, you must follow the entire retail advice process for both clients.

Please note; where your clients have satisfied the Product Value Test and wish to acquire an investment jointly, the value of the initial investment must be at least \$1 million as both will individually need to satisfy the test.

### **Onboarding – Key Engagement Documents**

The documentation requirements for wholesale clients are less onerous than retail clients. You are not required to provide wholesale clients a Financial Services Guide, Statement of Advice/ Record of Advice, Product Disclosure Statements, Ongoing Service Agreement or Enhanced Fee Disclosure Statements.

The key engagement documents required to be provided to wholesale clients throughout the advice process are detailed below. These documents must be provided to new wholesale clients as well as existing clients whose status has change from retail to wholesale.

Please note; provision of retail disclosure documents to wholesale clients may result in an inadvertent reclassification of clients to retail.

### **Wholesale Letter of Engagement (LOE)**

The Wholesale LOE is a key engagement document that confirms the client's free, prior and informed consent for you to commence work; and the client's agreement to pay your initial fees. It is critical that you have explained to your client and acknowledge that they understand, what services you will provide, the terms on which they will be provided to them and the records that will be made, including privacy and confidentiality arrangements applicable to them.

A Wholesale LOE is required for every wholesale client irrespective of whether you are charging an initial fee. In cases where no upfront fee is being charged simply record the initial fee as \$0.

The Wholesale LOE enables consent to be captured in respect of:

- The authority for you to commence work;
- Acknowledgement and consent to the implications of being treated as a wholesale client rather than a retail client;
- The wholesale test your client has elected;
- Commitment to pay your initial advice fees;
- Understanding of your Privacy Statement;
- Permission for you to send marketing information; and
- Client preferences in respect of receiving information electronically.

You are responsible for asking the client to sign a Wholesale LOE in all instances where your client has made the decision to engage you to provide initial wholesale advice. In addition, the client will be required to sign a new Wholesale LOE where a new Qualified Accountant Certificate is required upon expiry.

### **Professional Investor or Business Test Declaration Form**

The client must complete the appropriate declaration form (e.g. Professional Investor Declaration Form or Business Test Declaration Form), where they have been classified as a wholesale client under the Professional Investor or Business Test. The information you collect to make your assessment must be maintained on the client file.

## Discovery

You are required to document your client's relevant circumstances when you provide wholesale advice.

## Tax File Number (TFN) Client Consent Form

You must obtain the client's consent to retain their TFN, by having your client complete the TFN Client Consent Form. Once consent has been received, you may only use the TFN for the purpose it was supplied.

## Investment Mandate

Advisers who provide wholesale advice are required to adhere to the retail Approved Product List (APL) for all investment recommendations. This policy ensures consistency and compliance across our advisory services.

Should an adviser wish to recommend an investment product that falls outside the retail APL, they must seek one-off approval prior to making the recommendation. This process involves submitting a detailed request outlining the rationale for the product choice and how it aligns with the client's investment objectives and risk profile. The request can be made to [compliance@interprac.com.au](mailto:compliance@interprac.com.au).

We believe these changes will streamline our processes, reduce risks, and ensure that our clients receive the best possible advice.

Where applicable, you need to maintain evidence on file of investment discussions noting the client's investment preferences (e.g., are there any particular investments your client wishes to avoid or include) and the agreed asset allocation.

## Summary of Advice

You must document your initial investment advice using a Summary of Advice document. This document must include key areas that must be addressed, however, can be amended to suit the wholesale advice. Best practice is to provide the document prior to providing investment advice. If this is not possible and you provide verbal advice, the following key areas must be discussed and recorded:

- Subject matter of the advice sort (e.g., why the client came to see you, the client's objectives and any limitations);
- Summary of the client's relevant circumstances (e.g., investment mandate);
- Details of the advice provided (e.g., details of product recommendations including platform and underlying investment recommendations) and reasons for your recommendations;
- Any relevant risks and consequences;
- Disclosure of any conflicts of interest; and
- Any fees associated with the advice (e.g., advice fee, product fees, brokerage etc).

## Client's Written Acceptance

The client's written acceptance is essential as it captures the client's consent for you to implement the recommendations. You may use the Authority to Proceed (ATP) within the Summary of Advice document to capture the client's consent.

## Wholesale Fee Contract

The ongoing relationship between the adviser and client should always be clear and transparent and enable both parties to have clear expectations on what services will be provided over the agreed period. It enables your practice to adequately resource and manage its service delivery, and it ensures that the client is aware of the important terms of the relationship and clarifies any fees in place.

Further to the above, most product providers will require evidence that the client is wholesale prior to deducting fees.

## Record Keeping Requirements

In order to comply with your record keeping obligations, the following must be maintained electronically and be available to InterPrac at all times:

- The authority for you to commence work;
- Acknowledgement and consent to the implications of being treated as a wholesale client rather than a retail client;
- File note discussions about the client having sufficient financial literacy to be treated as a wholesale client’;
- The wholesale test your client has elected;
- Commitment to pay your initial advice fees;
- Understanding of your Privacy Statement;
- Client preferences in respect of receiving information electronically
- Permission for you to send marketing information;
- File notes of all client or third party interactions relating to the advice provided;
- Any research completed to support your advice;
- Any approved product or advice waivers;
- Any documents which have been used to verify a client’s identity for the purposes of Anti- Money Laundering;
- All completed and signed application forms;
- Evidence that advice has been implemented correctly; and
- Any other relevant documentation.

## Further Advice

Further advice can be delivered verbally (must be documented via a file note), delivered in writing via an email or using a Summary of Advice document. The key areas detailed in the ‘Summary of Advice’ section must be discussed and recorded for all further advice.

Please note; prior to providing any further advice, you must:

- Check that the Qualified Account Certificate or the applicable Declaration Form on file is current, as they are valid for two years from the date of issue. Unless a new certificate or declaration has been provided prior to expiry, the client will need to be treated as retail from that point forward.
- Re-test the client’s wholesale classification where there has been a change in their circumstances which may impact the suitability of being treated as a wholesale client (e.g., the client has sold a significant portion of their assets or has retired and no longer has an income).

## Wholesale classifications for different types of clients

Type of Investor	Wholesale Test and Requirements
<b>Individual</b>	<p><b>Wealth Test</b> Must have a Qualified Accountant Certificate in the name of the individual.</p> <p><i>OR</i></p> <p><b>Professional Investor Test</b> Must have a Professional Investor Declaration Form in the name of the individual.</p> <p><b>Notes</b></p> <ul style="list-style-type: none"> <li>• <i>Joint assets – both must meet the Wealth or Professional Investor Test for advice to be provided as wholesale. If not, you must provide retail advice to any joint assets.</i></li> </ul>
<b>Trust (Individual trustee – including sole or multiple trustees)</b>	<p><b>Wealth Test</b> Must have a Qualified Accountant Certificate in the name of each individual.</p> <p><i>OR</i></p> <p><b>Professional Investor Test</b> Must have a Professional Investor Declaration Form in the name of each individual.</p> <p><b>Notes</b></p> <ul style="list-style-type: none"> <li>• <i>All individuals (all trustees) must meet the Wealth or Professional Investor Test in order to provide investment advice to the trust's assets as wholesale. If not, you must provide retail advice.</i></li> <li>• <i>Trust assets – trust assets may be able to count towards the trustee's personal wealth under the Wealth Test where the trustee has a beneficial interest in the assets of the trust. The client's accountant will need to verify and confirm via a Qualified Accountant Certificate.</i></li> </ul>
<b>Trust (Corporate trustee not operating a business)</b>	<p><b>Wealth Test</b> Must have a Qualified Accountant Certificate in the name of:</p> <ul style="list-style-type: none"> <li>• The company as trustee for the trust;</li> <li>• Each director of the company*; or</li> <li>• The individual who has control of the company. In addition to the Qualified Accountant Certificate, you will need written confirmation from the Board (signed by all directors) that the individual has control as defined under Corporation Act<sup>3</sup></li> </ul> <p>* <i>This test is not available if a non-director has control of a company. OR</i></p> <p><b>Professional Investor Test</b> Must have a Professional Investor Declaration Form in the name of the company as trustee for the trust.</p>

<p><b>SMSF – Investment Advice Only</b> <b>(Individual Trustee)</b></p>	<p><b>Wealth Test</b> Must have a Qualified Accountant Certificate in the name of each individual. <i>OR</i> <b>Professional Investor Test</b> Must have a Professional Investor Declaration Form in the name of each individual.</p> <p><b>Notes</b></p> <ul style="list-style-type: none"> <li>• <i>All individuals (all trustees) must meet the Wealth or Professional Investor Test in order to provide investment advice to the SMSF assets as wholesale. If not, you must provide retail advice.</i></li> </ul>
<p><b>SMSF – Investment Advice Only</b> <b>(Corporate Trustee not operating a business)</b></p>	<p><b>Wealth Test</b> Must have a Qualified Accountant Certificate in the name of:</p> <ul style="list-style-type: none"> <li>• The company as trustee for the SMSF;</li> <li>• Each director of the company*; or</li> <li>• The individual who has control of the company. In addition to the Qualified Accountant Certificate, you will need written confirmation from the Board (signed by all directors) that the individual has control as defined under Corporation Act<sup>4</sup></li> </ul> <p><i>* This test is not available if a non-director has control of a company. OR</i></p> <p><b>Professional Investor Test</b> Must have a Professional Investor Declaration Form in the name of the company as trustee for the SMSF.</p>
<p><b>Company</b> <b>(Not operating a business)</b></p>	<p><b>Wealth Test</b> Must have a Qualified Accountant Certificate in the name of:</p> <ul style="list-style-type: none"> <li>• The company;</li> <li>• Each director of the company*; or</li> <li>• The individual who has control of the company. In addition to the Qualified Accountant Certificate, you will need written confirmation from the Board (signed by all directors) that the individual has control as defined under Corporation Act<sup>4</sup>.</li> </ul> <p><i>* This test is not available if a non-director has control of a company. OR</i></p> <p><b>Professional Investor Test</b> Must have a Professional Investor Declaration Form in the name of the company.</p>

Please note; the Product Value Test can also apply under each entity. You must have evidence that the product being invested in has a value exceeding \$500,000 (e.g., one investment and not platform). Where the investment will be owned as a joint asset, the value of the joint investment must be \$1,000,000.