



InterPrac Financial Planning Pty Ltd

Compliance Manual

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Version Number	Prepared By	Date
3.5	Michael Butler & Compliance Team	October 2018



Compliance Statement

Dear Adviser,

The InterPrac Compliance Manual is designed to assist you in understanding your compliance requirements.

This manual should be read in its entirety and understood so you operate your financial planning business under the InterPrac Financial Planning Australian Financial Services Licence (AFSL 246638) accordingly. You can use it to check requirements that will affect you on a day to day basis, solve problems which may occur from time to time or to get up to speed on additional information relating to issues which may arise within your practice. This document is a combination of Corporations Requirements imposed on both the licensee and its authorised representatives and the Business Rules of InterPrac Financial Planning

You must adhere to guidelines within this manual as well as use it as an aid in developing your processes and procedures. It is not legal advice, but has been developed by InterPrac Financial Planning to assist you in remaining compliant under Corporations Law, the Financial Services Reform Act, the Future of Financial Advice Act as well as ASIC Regulations.

As an Australian Financial Services Licensee, we appreciate our legal and ethical responsibilities and we are proud of our history and achievements. In a highly regulated environment, we are committed to 'best practice' compliance processes that address legal requirements and compliance risks.

We believe that by following our Compliance Manual, the protection of your reputation can be enhanced and you can have peace of mind with the knowledge that your dealings with clients have a competitive advantage, as you provide advice in a clear and efficient manner.

In addition, as our Authorised Representative, you need to be familiar with our organisational structure, our code of ethics and the policies and procedures that demonstrate our approach to providing professional services. Your conduct must be in accordance with all of the Corporations Act, our Business Rules and your clients' best interest and if you are in doubt, please contact us.

You represent our business and we rely on you to observe and maintain our obligations. We trust that you will follow the guidelines of this manual wholeheartedly.

Garry Crole

A handwritten signature in black ink, appearing to read "Garry Crole". The signature is fluid and cursive, with a distinct flourish at the end.

*Managing Director of InterPrac Financial Planning
AFSL No: 246638*

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1. Compliance Manual

1.1 Document Description

This manual covers:

- Compliance requirements to be aware of as an InterPrac Financial Planning Authorised Representative.
- Compliance within the financial planning process.
- Important compliance and best practice issues to be aware of.
- Tools and templates to be used when giving advice.
- Developments under the Future of Financial Advice Act (FoFA).

Additionally, definitions of common terms used can be found in Appendix 1.1A in this manual.

1.2 The Purpose of the Compliance Manual

You are reading this manual because we want to help you understand the regulatory environment in which you operate and understand:

- The requirements that apply to you when you give advice.
- How they specifically apply to you.
- When these requirements apply.
- Other areas/people that these requirements may involve.

The underlying focus of compliance should be 'value' driven - rather than 'rule' driven.

What this means is that the approach is not the 'black letter' application of the industry standards and the regulatory requirements, but instead, supporting your activities. The compliance functions should aim towards an application of both the technical requirements and the intent of legislation, industry requirements and standards in a way that can be used as a business tool to differentiate and support the services you provide to your clients.

1.3 Disclaimer

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1.4 InterPrac Financial Planning Contact Details

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2. Compliance & the Regulators

2.1 What is Compliance?

Regulatory compliance is the goal that we aspire to achieve in our efforts to ensure that personnel are aware of and take steps to comply with relevant laws and regulations.

InterPrac Financial Planning and its Authorised Representatives must comply with those laws governing or authorising our activity, those laws that ensure market efficiency and those laws directed to consumer protection including:

- Provisions in the Corporations Act regulating companies and licenced entities.
- The business conduct rules of the Corporations Act relating to financial product advice and dealing.
- The consumer protection provisions administered under the ASIC Act.
- Any relevant Commonwealth, State or Territory legislation dealing with financial services (such as those laws relating to financial transactions reporting, privacy, superannuation and insurance).

Due to the increasing number of regulations and need for operational transparency, organisations are increasingly adopting the use of consolidated and corresponding compliance controls. This approach is used to ensure that all necessary governance requirements can be met without unnecessary duplication of effort and activity.

Compliance with your obligations as an Authorised Representative of InterPrac Financial Planning is central to the protection of consumers and the promotion of market integrity. You need to do all things necessary to ensure your financial services are provided in a way that meets all of the elements of “*efficiently, honestly and fairly*” (Corporations Act 2001 – Section 912A *General Obligations*) servicing your clients and providing advice, in addition to complying with the financial services laws.

Having effective compliance measures are a way for you to ensure compliance with your obligations as a Financial Planner, including identifying and appropriately dealing with instances of non-compliance. Compliance measures also help to demonstrate to the regulators that you can comply and are complying with your obligations.

2.2 The Importance of Compliance

The effect of ‘productive’ regulation is the increase in the consumer confidence in the financial planning industry. In recent times consumer confidence in our industry had dropped due to a number of high profile investment failures and also the lack of compliance procedural support many advisers had undertaken became evident when files were reviewed to investigate these complaints.

The benefit of being compliant is not always obvious until there is a problem. There is, however, a big difference between the positive and the negative outcomes of meeting, or not meeting, the requirements. Interestingly, the majority of complaints dealt with by the Financial Ombudsman Service (FOS), centre around ‘inappropriate’ advice, knowing the client or knowing the product.

The benefits of keeping all file notes include:

- having complete and up-to-date disclosures in the Statement of Advice;
- having a complete and accurate Fact Find; and
- knowing the client, knowing the product and demonstrating that your advice is in the Clients Best Interest (the Safe Harbor Provisions).

File notes are vital to protect yourself should a complaint arise.

The level of new FOS complaints has now started to decrease from the highs of 2009-2012 however the occurrence of rulings against the adviser and insurer remains high. Compliant processes are your (and InterPrac’s) greatest protection.

2.3 Who are the Regulators?

Australian Securities and Investments Commission (ASIC) enforce the relevant sections of the Corporations Act 2001 and the Australian Securities and Investments Commission Act 2001 and associated regulations and the conditions on the Australian Financial Services Licence. With the introduction of the Future of Financial Advice Act (FoFA), ASIC powers to ban advisers have been enhanced. In the past, ASIC has needed to have reasons to believe an adviser will not comply with the financial services law to take action of this nature. Going forward, the bar is lowered slightly by requiring ASIC to believe a financial adviser is likely to contravene a financial services law. Furthermore, breaches of the best interest obligations under FoFA can give rise to civil penalty action against both the licensee and the representative.

However, the Corporations Act and Corporations Regulations are not the only sources of statutory obligations that apply to your business, and ASIC is not the only government regulator. An obvious example is the Anti-Money Laundering and Counter-Terrorism Financing Act 2006, which is regulated by AUSTRAC.

Changes to the Tax Agents Practitioners Board (TPB) regulations have also required the registration with the TPB as Tax (Financial) Advisers and means that Representatives will be required to comply with their Code requirements.

The law, more generally, also applies to you – as it does to other businesses. For example, you may owe contractual obligations to other parties, which can be enforced if another party takes a civil case against you. If you provide services to retail clients, the holder of an AFSL is required to be a member of an external dispute resolution scheme such as the **Financial Ombudsman Service (FOS)** or the Credit & Investments Ombudsman (CIO, previously Credit Ombudsman Service Limited or COSL). If a dispute is within their jurisdiction, you are being regulated by the scheme of which you are a member. They each have terms of reference. FOS's terms of reference, for example, specifically state that rules of evidence don't apply and that it can come to decisions based on what it thinks is fair.

As you are a representative of a licensee dealer group, then you need to satisfy the licensee's policies, which are enforced. Likewise, there is a likelihood that you are a member of an industry association. Industry associations have rules of conduct to which you must also adhere to.

Also included in this manual are Appendix 2.3A - Possible Regulatory Enquiries and Investigations and Appendix 2.3B - How to Avoid Ombudsman Action.

3. InterPrac Financial Planning AFSL

3.1 Responsible Managers

The Responsible Managers for InterPrac Financial Planning are Mr. Garry Crole (Managing Director of InterPrac Financial Planning) and Mr. Mark Phillips (who is an Authorised Representative of InterPrac Financial Planning and a paid external consultant with over 25 years of experience in the financial services industry). The Responsible Managers are the people who oversee the provision of the services provided under our AFS Licence. They are directly responsible for the significant day-to-day business decisions including the compliance arrangements. If you become aware of any possible breach of ethics or the Corporations Act, you are required to report this in confidentiality to one of the Responsible Managers noted above.

3.2 Adviser Agreement

You will be issued with an adviser agreement that states the terms and conditions of your authority with us. This agreement covers our legal relationship, your obligations to us, and what happens in the event of termination. This is an important document and both the adviser and InterPrac Financial Planning are required to retain a copy. As the laws change, InterPrac may update the adviser agreement on 30 days' notice to an adviser.

3.3 Authorised Representatives of InterPrac Financial Planning

It is important to understand what you, as our Authorised Representative of InterPrac Financial Planning, are allowed to advise on.

The InterPrac Licence provides an authorisation for you to 'carry on financial services as agents of the licensee'. The InterPrac licence allows representatives to deal in a financial product or provide financial product advice for the following classes of financial products:

- Deposit products.
- Debentures, stocks or bonds issued (or proposed to be issued) by a government.
- Life products including:
 - Investment life insurance products, as well as any products issued by a registered life insurance company that are backed by its statutory funds.
 - Life risk products, as well as any products issued by a registered life insurance company that are backed by its statutory funds.
- Interests in managed investment schemes including investor directed portfolio services.
- Retirement Savings Accounts.
- Securities.
- Standard margin lending facilities.
- Superannuation products.

Our licence does not cover the operation of any 'managed discretionary account'. This means that you cannot make decisions on a share account on behalf of a client. All recommended action must be accompanied by the appropriate Advice Document on each and every occasion prior to any transaction. An execution only form can be provided where this is appropriate. Other exclusions are covered in the Approved Product List section of this manual. For further information on this subject you should read and understand the ASIC Policy Statement on Managed Discretionary Accounts.

3.4 Professional Indemnity Insurance

We require all InterPrac advisers to have Professional Indemnity Insurance cover and we supply cover under our Policy for Financial Planning activities, with any other business activities requiring the adviser to provide their own cover.

A Professional Indemnity policy is designed to protect the personal assets of a professional against damages awarded against them by a court, or resulting from an approved negotiated settlement, in relation to an act, error or omission committed by the professional during the conduct of their professional business activities. It also covers the costs and expenses of defending claims through the courts but not through **Financial Ombudsman Service (FOS)** or the Credit & Investments Ombudsman (CIO).

No professional can ignore the real possibility that a claim may be brought against them by a disgruntled client during the course of their career. InterPrac Financial Planning holds its own cover as an AFSL. However, to ensure that you are personally covered as an adviser, there is additional cover that you must have should a claim arise that is made against both InterPrac Financial Planning as the AFSL licence holder, and you, as the Authorised Representative.

This additional cover for the individual Authorised Representative or Corporate Authorised Representative and the advisers sitting underneath the business, is sought out by InterPrac Financial Planning and paid from commissions around January each year. The payment is made as a lump sum or staggered across multiple payments, subject to the amount required.

The adviser is liable to pay any excess that relates to a claim against their advice and the share of the premiums we are charged that relates to adviser cover. The premium amount and excess amount varies each year and advisers are informed of this at induction and in January each year when the insurance is arranged.

InterPrac Financial Planning maintains a level of Professional Indemnity insurance that meets the requirements of RG 126 and RG 139.

3.5 Pre-vetting Statements of Advice (SoA)

Pre-vetting of the first FIVE (or more if required) Statements of Advice exists to assist advisers to deliver high quality SoAs for the benefit of the client, the practice (including the adviser producing the SoA) and InterPrac Financial Planning in our capacity as the licensee. The SoA produced must meet the requirements in this manual and the requirements of best interests.

The vetting of Statements of Advice produced by a new InterPrac Financial Planning Authorised Representative, who is new to financial planning, occurs to ensure the adviser is comfortable with and understands the requirements of completing SoAs.

The vetting of Statements of Advice produced by a new InterPrac Financial Planning Authorised Representative, who is experienced in financial planning and has joined InterPrac from another AFSL, occurs to ensure the adviser is comfortable with and understands the requirements of completing an InterPrac Financial Planning SoA.

The vetting of additional Statements of Advice may be required if the results of an audit or complaint require the adviser to be placed on pre-vet.

Once the pre-vet is completed, the National Compliance Manager is available to provide additional input and guidance on the SoA for both new and existing Authorised Representatives on request. We encourage you to contact the National Compliance Manager if you have any questions or require assistance.

3.6 InterPrac Financial Planning Compliance Audit Process

Regular compliance audits of InterPrac Financial Planning Authorised Representatives comprise office audits and desk audits.

The desk audit occurs each year for all advisers within a rolling twelve to eighteen month period. InterPrac Financial Planning selects client files to audit at our discretion. In the case of a Desk Audit we request that you provide the client files and their contents in electronic format or to be posted to us within a defined time frame. We will then review the client file including the initial SoA, additional SoA and Records of Advice (ROA), file notes and any other material or information relating to the client. We will then provide the Authorised Representative with audit feedback and supervisory requirements (if required) to complete the audit process.

The National Compliance Manager will conduct an Office Audit in a rolling 24 month period with the frequency being risk based. Prior to the audit, a Pre-Compliance checklist will be provided seeking copies of registers and work completed by the adviser. The Compliance Visit is an opportunity to discuss elements of your business arrangements and seek guidance and support, and is designed to be undertaken on a continuous improvement basis.

The purpose and value of the overall audit process is to ensure adequate supervision of all InterPrac Financial Planning's Authorised Representatives and to provide valuable guidance, input and support to ensure you have a successful and complying business operation and to assist you to achieve 'best practice' outcomes and potentially increase the value of the business for the future.

3.7 Adviser Education

Each adviser must complete a minimum of 30 hours of adviser education each financial year. As an adviser with InterPrac Financial Planning, your ongoing education must include time spent on each area that you are authorised to provide advice on.

An example of a training plan for advisers:

Knowledge Areas	Knowledge Target Hours (Mins)
Generic Knowledge	2 (120)
Financial Planning	2 (120)
Personal Taxation Issues (financial planning stream)	2 (120)
Securities	3 (180)
Managed Investments	3 (180)
Fixed Interest	1 (60)
Superannuation	3 (180)
Self Managed Superannuation Funds	4 (240)
Retirement Income Streams	3 (180)
Social Security/Department of Veteran Affairs	2 (120)
Life Insurance	1 (60)
Estate Planning	2 (120)
Skills	1 (60)
Ethics	1 (60)
Total Requirement	30 / (1800)

You can achieve these hours by attending seminars, completing further tertiary education, attending conferences, product provider presentations or through the online training provided by InterPrac Financial Planning with Kaplan Education.

As your licensee, InterPrac Financial Planning is responsible for monitoring your ongoing education. We are required at all times to be aware of your CPD status. To do this we utilise the Kaplan system to provide your training register. Additionally, you must keep your own record of training. Unless the records appear in the Kaplan system they cannot be verified by the licensee. For the purposes of a licensee audit it will be the Kaplan register that will be used to determine whether you are meeting your requirements.

If you attend any seminars or conferences related to the areas of financial planning it is imperative that you upload the details of completed training onto your Kaplan account. When you have uploaded these details to the Kaplan site at www.mykaplan.edu.au, you must forward the certificate provided for this training to the InterPrac Financial Planning Administration Support for verification and validation.

Once the certificate has been verified, the hours will be credited to your training register. We will accept a copy of your “certificate of attendance” of any external training you complete. Receipt of payment, agendas or copies of the invitation are not normally accepted as proof of your attendance and if unsure of or unable to provide a “certificate of attendance” then the decision of the National Compliance Manager will be final.

The training facility provided as part of your InterPrac Financial Planning fees is Kaplan’s Ontrack Trainer. This is their online training facility offering you flexibility to reach your points. It is designed to plan, deliver and monitor your continuing professional development. Training through Ontrack Trainer will be in the form of articles delivered online that contain information on a range of subject areas and often short case studies. Kaplan training is delivered on the 1st of each month for 12 months of the year. You will be prompted via email when new training material is available.

Current CPD requirements also assist you in maintaining up-to-date knowledge and information upon which to base your advice to clients. We will notify you if you require additional study to meet your CPD requirements. A training plan to address any shortfall will be required where needed.

It is important to maintain your CPD requirements as failure to do so can result in severe penalties, including suspension of Authorised Representative status.

An example of a Training Register is available in Appendix 3.7.

3.8 Limited Authorised Representatives

InterPrac Financial Planning Pty Ltd has always had the ability under its AFSL to limit the actual authorisations of some or all of its representatives.

As a response to the abolition of the Accountants Exemption (R7.1.29A) from 1 July 2016, InterPrac is offering a designation of Limited Authorised Representative (LAR) to Recognised Accountants who meet the minimum financial services training requirements and will provide advice on the set up and wind down of an interest in, in addition to the administration of a SMSFs.

InterPrac has decided to restrict the appointment of LARs to the following circumstances:

- Where the applicant works in an accounting practice that already has an InterPrac AR authorised to provide advice.
- Works in an accounting practice that is co-located with a Financial Planning practice with an Authorised Representative appointed to provide advice on behalf of InterPrac.
- Works in an Accounting Practice that provides referrals to InterPrac Services Pty Ltd adviser/s.

The requirements for appointment as an LAR:

- Be of good fame and character (as in s913(B)).
- Applicant is to be a qualified Accounting Practitioner.
- Complete the relevant SMSF specialist course to achieve the SMSF competency requirements under RG146:
 - If the course has not been completed in the past 12 months, then evidence of a commitment to continuing CPD is to be provided.
- Complete the Authorised Representative Application.
- Sign the Limited Authorised Representative Agreement.
- Operate under an InterPrac Corporate Authorised Representative (CAR) that has an existing Authorised Representative.
- If not already a Tax Practitioner, register as a Tax (Financial) Adviser.
- Pass a Police Check and Bankruptcy Check.

Once appointed InterPrac will provide the LAR with:

- An induction meeting.
- A Welcome Pack, which includes.
- An SoA template specific to the establishment or of an SMSF.
- Access to tailored advice coaching through the InterPrac pre-vet program, reviewing at least the first 5 SoAs to ensure compliance within the requirements.
- Subscription to Kaplan Professional 'Ontrack' to assist with recording and meeting ongoing CPD hours.
- An invitation to attend InterPrac's Annual Conference and PD Days.
- Payment run in the middle and end of each month (subject to working days).
- Professional Indemnity Cover.

The InterPrac PI policy:

- A group policy covering all InterPrac Authorised Representatives.
- Operates on a calendar year with costs portioned across all advisers, dependent upon revenues, registered as at 1 January annually.
- LARs are not charged Pro Rata but will be covered from day one.
- Coverage under the policy only where, the advice is documented by SoA and invoiced under the InterPrac system. No Invoice=No Cover.

Once appointed the LAR will be required to:

- Follow all compliance requirements of ASIC and meet any obligations imposed by InterPrac as the AFSL holder.
- Accrue 20 hours CPD per annum.
- Provide initial SoAs to Interprac for Prevet.
- Refer to the AR appointed under the CAR for continuing advice or any advice that falls outside the LAR coverage.
- Ensure that advice provided is within the LAR authorisation and meets the Best Interests Duty.
- InterPrac has a "soft" minimum SMSF establishment amount of \$200k – lesser amounts require specific demonstration of how the recommendation of the SMSF satisfies the Best Interests Duty.

- Refer to the Authorised Representatives of InterPrac section of this Compliance Manual, for more information on continuing advice or any advice that falls outside the Limited Authorised Representative scope.
- Ensure that SoAs and client documents are stored securely and made available to InterPrac on request.
- Maintain the following registers:
 - Training
 - Complaints
 - Breach
 - Conflict of Interest
 - Do not Call

See the relevant sections in the Compliance Manual for more detail.
- Ensure compliance with the restricted terms Independent, Unbiased and Impartial.
- Ensure that each client is provided with an approved Financial Services Guide, Adviser Profile and that the approved InterPrac SoA and Fact Find documents are used as prescribed.
- Read InterPrac's Compliance Manual.
- Ensure that invoices for Financial Services are issued via the Authorised Representatives account through the InterPrac Adviser Intranet Payment Gateway system for EFT, Direct Debit, BPay & Credit Cards. Cheques payable to InterPrac to be posted to: InterPrac Financial Planning Pty Ltd.

Once appointed, an LAR will be able to:

As an InterPrac LAR you are able to provide advice on the establishment or wind up of an SMSF and certain other services in regard to administration, contribution and investments as well as areas that are covered under the Corporations Act.

The following Authorisation Guide will provide an outline of what falls outside licensing, what is covered under an exemption and what services are authorised under InterPrac's AFSL.

Many offences under Corporations Act are strict liability offences which are subject to prosecution and penalty units in addition to administrative penalties including Banning and Enforceable Undertakings.

These include breaches in regard to:

- Best Interests Duty
- Failure to provide an Advice Document

If in any doubt, contact InterPrac's National Compliance Manager.

LAR Authorisation Guide

SMSF Establishment	Can continue because it:		Requires licensing
	Falls outside licensing	Is covered by an exemption*	
Advice to establish or wind up SMSFs			✓
General advice comparing SMSFs with other super structures			✓
Prepare or arrange to have paperwork done (deeds, corporate trustee)		R7.1.29(3)(f)	
Recommend rollovers			✓
Prepare rollover paperwork		R7.1.29(3)(g)	
SMSF Administration	Falls outside licensing	Covered by an exemption*	Requires licensing
Maintenance of trustee and member records	✓		
Monitor compliance with trust deed	✓		
Monitor compliance with legislation	✓		
Capital gains tax maintenance	✓		
Track member account balances and investment valuations	✓		
Expense allocation	✓		
Prepare annual returns, tax returns, audit	✓		
Contributions	Falls outside licensing	Covered by an exemption*	Requires licensing
Contributions advice (concessional & non concessional, including salary sacrifice)			✓
Managing contribution limits	✓		
Pensions and withdrawals	Falls outside licensing	Covered by an exemption*	Requires licensing
Recommend a TTR strategy with the same take home pay - purely from a taxation perspective		R7.1.29(4)	
Recommend pensions and transition to retirement strategies			✓
Recommend pension amounts			✓
Recommend ad hoc lump sum withdrawals			✓
Pension limit monitoring	✓		
Prepare paperwork for commencing varying pensions		R7.1.29(3)(g)	
Investments	Falls outside licensing	Covered by an exemption*	Requires licensing
Document an investment strategy to ensure compliance with the SIS Act		R7.1.29(5)(c)	
In specie transfer		R7.1.29(3)(f)	
Investments sales		R7.1.29(3)(f)	
Recommend Limited Recourse Borrowing arrangements (LRBA)			✓
Implement a LRBA strategy for client*		R7.1.29(3)(f)	
Recommend basic deposit products and cash management accounts			✓
Implementation	Falls outside licensing	Covered by an exemption*	Requires licensing
Strategy implementation services		R7.1.29(3)(g)	
Product placement services (client directed)*		R7.1.29(3)(g)	

* exempt service defined in Corporations Regulations - R7.1.29

4. Future of Financial Advice (FoFA)

4.1 Future of Financial Advice (FoFA) – Important Changes

These changes became law from **1st July 2013**. Financial advisers have to implement changes to their business operations to meet these requirements. The four main aspects are:

- Provide Fee Disclosure Statement.
- Observe and demonstrate Best Interests Duty.
- Avoid Conflicted Remuneration.
- Assisting clients to 'Opt In'.

4.2 Fee Disclosure Statement (FDS)

From 1st July 2013 for any client with whom you have an ongoing fee arrangement, you are required to provide them annually with an FDS. This FDS must disclose information about the previous 12 months of their ongoing fee arrangement detailing:

- The amount of fees paid by the client.
- The services that they were entitled to receive.
- The services that they actually received.

It is important to note that the requirement to provide an FDS is for ALL clients with an ongoing fee arrangement, (including those clients that have been informed in the past that ongoing commissions pay for an ongoing review).

The Opt In provisions apply to new clients from 1st July 2013.

4.2.1 Disclosure of Fees

Essentially any fee that has been represented to the client as payable to the adviser for an ongoing fee arrangement must be disclosed in the FDS. Such fees may include:

- Ongoing Advice Fee.
- Contribution Fee.
- Member Advice Fee.
- Initial Advice Fee*.
- Plan Fee*.
- Implementation Fee*.
- One-off Advice Fee*.

** While these fees may relate to the initial advice given, where they are the basis for the ongoing arrangement and are charged within the twelve month period, they must be noted in the relevant years' FDS.*

Commissions – while commissions that are paid as part of the structural arrangement of a particular financial product are specifically identified as not being required for disclosure (such as commissions on personal insurance or payment from product Management Expense Ratios or administration amounts), if an adviser has represented to the client that such amounts are remuneration for an ongoing fee arrangement, they then must also be included in the FDS.

4.2.2 Disclosure of Services

The services included as part of your ongoing fee arrangement must be disclosed in full in the FDS. They must be identified in terms of what services were offered as part of the ongoing arrangement and what services were actually provided to the client.

An adviser must take care with the identification of what was or was not provided. For example, if an adviser offers four quarterly newsletters but in the last 12 months only provided three, then this service must be identified as a service that was not provided. However, if an adviser promising a regular newsletter has provided at least one in the previous 12 months, they will be able to identify this part of their ongoing arrangement as provided.

4.2.3 When to Provide the FDS

The FDS must be provided to the client within 60 days of the disclosure day. The disclosure day will generally be the anniversary of the commencement of the ongoing fee arrangement, in the absence of a formal fee agreement for existing clients this may also be:

- The date the Authority to Proceed was signed when the ongoing fee arrangement was first agreed to.
- The date a financial product was acquired by a client that included payment for an ongoing fee arrangement.

Whatever method is used by the adviser (the fee recipient) this must be used across the entire book of ongoing business.

For new clients, it is possible to assign a disclosure date earlier than 12 months if it is convenient for the practice to do so (e.g. if you wish to streamline disclosure day dates for processing purposes).

Advisers should be aware that by not providing the FDS, or by providing the FDS later than 60 days after the disclosure date, they may be liable for penalties of up to \$50,000 per adviser or \$250,000 per Corporate Authorised Representative **per breach** of these regulations.

4.2.4 Giving Clients the FDS

The requirement is to give the FDS to the client “in writing”, and is broadly defined as:

- In hard copy, on paper, personally.
- Sending a hard copy to the clients address by regular mail.
- Send the client a copy via email in either the body of the email or as an attachment.
- Provided through a secure online portal (such as DropBox).

The method should be to give the client the ability to access the FDS. For instance, those who may be unable to access an FDS electronically, should be provided with a hard copy as opposed to email or portal.

While it is a requirement to send the document to the client it is not a requirement for the client to sign it and return it to you. Because of this, it will be vital to keep a record of the manner in which the FDS was provided and the date that this was sent so keep a copy of the FDS provided to the client, including how it was provided and when this was provided.

4.2.5 Format of the FDS

There is no prescribed format for the FDS. A sample InterPrac FDS is provided in Appendix 4.2.2A in this manual and is available on the InterPrac Financial Planning Adviser Intranet site. A number of alternative versions including a Financial Planning Association of Australia version are also available on request.

4.2.6 Additional Information Covering the FDS

Additional practical considerations for the use of the FDS will be developed. Further information on the use of the FDS will be identified or developed including the use of technology (as well as software) to assist advisers in meeting their FDS obligations.

The InterPrac Financial Planning Adviser Intranet site contains a range of FDS support documents and samples including a more detailed FDS Guide and FAQ document for your consideration.

4.3 Best Interests Duty

Section 961B of the Corporations Act 2001 states, the provider must act in the best interest of the client in relation to giving advice. In order to demonstrate this, the Adviser must do **each** of the following:

1. Identify the financial situation, objectives and needs of the client.
2. Identify the subject matter of the advice sought by the client and the financial situation, objectives and needs of the client reasonably considered relevant to the advice sought.
3. Made reasonable enquiries where it is reasonably apparent that the information pertaining to the client's situation is incomplete or inaccurate.
4. Assess whether you have the expertise to provide the advice and decline to provide advice if you do not.
5. Where considering it reasonable to recommend a financial product, make reasonable enquiries as to what financial product might meet the objectives of the client based on all judgements.
6. Recommendations are based on the information gathered and the client's relevant circumstances.
7. Taking any other steps, which at the time the advice is provided, would reasonably be regarded as being in the best interests of the client, given the client's relevant circumstances.

To comply with these steps, ASIC suggest that planners may need to undertake the following, if they have not already done so:

- Explain clearly to the client the advice/service that *is* being provided.
- If the advice includes a product recommendation, provide related strategic recommendations that benefit the client.
- Depending on the subject matter of the advice, specify in the advice that the client should review any decision made about financial products within a certain time frame.
- Offer to provide advice (or refer the client to someone who can provide advice) on any other key issues identified by the Adviser within the subject matter of the advice sought by the client.

When recommending a financial product, the question of what is a "reasonable enquiry" is raised. According to section 961D, reasonable enquiry is defined as one that:

*"might achieve those of the objectives and meet those of the needs of the client that would reasonably be considered relevant to advice on the subject matter sought by the client, **it does not require an investigation into every financial product available**"*

In considering meeting this requirement, the InterPrac interpretation is that where an adviser has a preference for a particular solution there is no need (in each instance) to investigate all alternatives. However, an adviser must ensure they *are sufficiently aware of the range of alternatives available generally in the market place* to substantiate the use of the preferred product, and in particular be aware of what situations an alternative product might be more appropriate (lower account balances, occupation definitions, etc.).

It is ASIC's general interpretation that where a recommended product provides a conflicted remuneration through ownership or by commercial arrangement then particular scrutiny will need to be paid to ensure that the recommended product is in the clients' best interest.

The advantages of the product must be stated in the Statement of Advice (SoA) provided to the client and related in terms of why it is appropriate to the particular client, along with how it meets their needs, objectives and financial situation.

It should be noted that section 961D also states that where a client requests use of a particular financial product that reasonable investigation must still occur. Should that particular product be most appropriate to their needs and is NOT on the InterPrac Approved Product List (APL), contact should be made to determine whether:

1. It can be included on the InterPrac Approved Product List (APL).
2. It will be given special consideration in the single instance only and not included on the InterPrac Approved Product List (APL).
3. It may not be recommended for the client by the adviser, but may provide on an execution only service on behalf of the client.
4. It cannot be recommended and cannot be executed because it falls outside the scope of the InterPrac AFSL (this would include derivatives, CFD's and currency trading).

Ultimately, the true test of whether or not you have acted in the clients' best interest is whether or not the client is in a better position than they were in prior to the consultation. This does not necessarily mean that an adviser must give perfect advice, but any benefit to the client must be more than trivial to meet the requirements of this statute.

You should establish that the best interests' duty has been met based on your recommendations and that your advice will be of greater benefit to the client (including accounting for any costs associated with exiting their current position) and record the outcome as a part of your file notes to support your recommendation.

ASIC has acknowledged that placing a client in a better position does not necessarily mean the client being financially better off. For example, advice will be regarded as placing the client in a better position if it:

- Improves a clients' understanding of their financial position.
- Aligns the clients' financial position with their appetite for risk.
- Reassures the client that they do not need to change their strategy or product holding as a result of a review.
- Increases the clients' confidence to spend or donate their money.

The Best Interests Duty is a 'catch all' obligation for the financial planning industry because it covers the appropriate use of strategy and product for the client and therefore encompasses the 'know your product', 'know your client' and 'suitability rule', which are fundamental aspects for giving advice.

If you have any questions in relation to requirements under Best Interests Duty call the InterPrac National Compliance Manager.

4.4 Conflicted, Soft Dollar and Alternative Remuneration

Under FoFA, a ban will be placed on payments that could be reasonably expected to influence the choice of strategy, financial product recommended and used for clients by the Authorised Representative.

From 1st July 2013 there has been a ban on commission and volume based payments and incentives that may be seen to influence recommendations. Personal insurance and banking products will be exempt from this. There is also a ban on charging asset based fees on borrowed amounts which form part of an investment.

This ban on charging asset based fees on borrowed amounts which form part of an investment means (for example), a client who invests \$100,000 and borrows a further \$400,000 as part of a geared investment strategy **cannot** be charged an asset or percentage based fee on the total \$500,000 being invested.

In addition, any 'soft dollar' benefits over \$300 will be considered conflicted plus any benefits between \$100 and \$300, or recurring, must be recorded in a register. This includes lunches or non-educational events provided by product or service providers which may or are likely to influence or create the perception of influence on your strategic or product selections for clients. A sample version of a Soft Dollar Register can be found in Appendix 4.4A in this manual.

In consideration of this area there is crossover between conflicted remuneration and the best interests' duty for a client. Any remuneration of this sort will need to be considered under both elements of FoFA.

Currently regulations have been enacted confirming that current arrangements for both product commission and platform payments will continue to be honoured. Any new arrangements with product providers, directly or indirectly through InterPrac Financial Planning from 1st July 2013, will no longer allow for such payments.

Any financial payments received by the InterPrac Financial Planning Authorised Representative must now be recorded in an alternative remuneration register for any amounts. A sample version of an Alternative Remuneration Register can be found in Appendix 4.4B in this manual.

Conflict of Interest and its disclosure requirements are covered in more detail in Section 10 **Conflicts of Interest**, in this manual.

4.5 'Opt In'

Any ongoing fee arrangement with a client from 1st July 2013 will be subject to Opt In provisions. Clients in an ongoing fee arrangement prior to this time will not be part of this requirement.

This section of the FoFA provisions does not negate the need to provide a client annually with a Fee Disclosure Statement, but works alongside this requirement. While the FDS is required to be provided annually within 60 days of the 'disclosure day', the Opt In requires the client to sign an agreement every two years to continue to pay the fees charged for the ongoing service.

The view of InterPrac Financial Planning is that future ongoing arrangements should be formalised with your clients to demonstrate your professionalism and commitment to ongoing client service and should be part of a 'best practice' strategy for your business. This is often referred to as having and presenting clients with a defined client service offering. To assist in this area, we now provide as part of our standard business documents to use as the basis for your practice:

- A Financial Disclosure Statement.
- Alternative Financial Disclosure Statements.
- Terms of Engagement / Alternative Terms of Engagement.
- Terms of Engagement / Alternative Terms of Engagement – Ongoing Service.
- A selection of Client Service Packages (or Ongoing Service) templates and examples.

In addition, the review of our Statement of Advice considers what we see as the requirements to show how your advice meets the Best Interests Duty. Whilst the new format is strongly recommended rather than mandatory, the template is currently available on XPLAN, AdviserLogic and Midwinter.

Both the FDS and the Opt In requirements make for good marketing and practical business sense and should therefore be embraced as such plus Opt In should be done annually with every client for administrative efficiency – speak to you're the InterPrac National Practice Manager for more information.

5. Margin Lending / Investment Gearing Rules

5.1 Gearing Advice

Particular care must be taken by Authorised Representatives when implementing gearing; inclusive of lump sum or instalment gearing, Protected Equity Loans, Instalment Warrants, geared investments into alternative asset classes or as syndicated (or standalone) structures for Self-Managed Superannuation Funds.

The rules are based on industry 'best practice', ASIC 'safe harbour' guidelines and InterPrac Financial Planning's standards. The process outlined in the specific rules provides guidance for you when investigating and recommending the viability of gearing to your clients.

Any initial SoA from an Adviser recommending a:

- **Margin Lending strategy**

Or

- **Investment Gearing strategy**

must be provided to the Compliance Manager for vetting prior to issue.

Any recommendation for a geared Product – with an asset allocation or loan to value ratio - outside the rules (below) needs specific approval from the National Compliance Manager and the Investment / Research Committee.

5.2 Licensee Margin Lending / Investment Gearing Rules

5.2.1 Data Collection

1. A full Fact Find must be completed with relevance to associated gearing.
2. A conservative, worst case view must be taken of a client's gross income - particularly if a client's income fluctuates from year to year.

This is practically reflected in the SoA by including a projection (5-7 years; corresponding to a Growth/High Growth portfolio) showing affordability of loan repayments should interest rates rise by up to 3%.
3. Investment income should not be included in the calculation of regular income, unless future payments are assured (as in the case of long-term leases).
4. A realistic assessment of the client's financial and emotional ability to cope with leveraged gains and losses in their net worth as a result of market movements should be documented in the fact find or file notes.

5.2.2 Risk Tolerance & Portfolio Construction

Gearing a portfolio will increase the risk of that portfolio, particularly where borrowed funds are invested in growth assets like property and shares. Before recommending a gearing strategy for clients, assess whether the resulting outcomes will enable the client to achieve their desired goals relative to their defined risk tolerance.

Gearing can enhance the after-tax returns of a core investment and the taxation implications are quite complex. Gearing is not a reason for investing in its own right. An investment should only be entered into if there are sound investment reasons to do so. Gearing must only be entered into by investors who understand, have sufficient resources and can tolerate the risks.

The adviser is required to demonstrate through your data collection that the client has sufficient previous gearing experience or that they have a Growth/High Growth risk tolerance.

5.2.3 Ongoing Review Service

If Margin Lending or investment gearing is recommended, it is mandatory that the client have an Ongoing Service

arrangement that explicitly nominates at least an annual review of the client's relevant circumstances.

5.2.4 *Loan to Value (Equity) Ratio*

Not to exceed 70% when the loan is established.

5.3 Margin Lending Checklist

To assist InterPrac Financial Planning advisers in meeting these enhanced requirements, a Margin Lending Checklist has been developed for use with clients and signed by you before making a Margin Lending or gearing strategy / product recommendation.

When providing gearing or margin lending advice, you must complete and retain a Margin Loan Checklist on the file. This checklist can be found in Appendix 5.1.3A of this manual and is available on the InterPrac Financial Planning Adviser Resource Centre.

6. Client Communication

6.1 Presenting Yourself to Clients

The Corporations Act requires that you demonstrate to the client or prospective client, that you are an Authorised Representative of someone else - that is, that you are an Authorised Representative of your licensee, as the client needs to know who is ultimately responsible for the advice given.

If there is a problem about your service, the client needs to understand who to complain to. This means that there are restrictions on the way that you can present yourself to clients, so as not to confuse them. If you are a Corporate Authorised Representative, this includes being clear to the client about who the person is that is authorised to give advice under your Corporate Authorised Representative. Each Representative of a Corporate Authorised Representative must be approved by InterPrac Financial Planning, and InterPrac will apply to ASIC for them to have their own Authorised Representative number.

All InterPrac Financial Planning advisers are entered onto the ASIC Financial Advisers Record (FAR). If the information, including educational qualifications and memberships change, you are required to notify InterPrac who will update the register.

6.2 Use of Words 'Unbiased', 'Independent' or 'Impartial'

ASIC have banned advisers for the incorrect use of the words 'unbiased', 'independent', 'impartial' or similar words, when describing their practice, particularly in reference to the service provided.

In the case of InterPrac Financial Planning, whilst we have independent ownership, we are restricted to a recommended list of products that the Investment Committee approves. We do not have access to every product in the market place, we are remunerated in a variety of ways, and must not use 'Unbiased', 'Independent' or 'Impartial' when referring to ourselves or our advisers.

6.3 Disclaimers

There is a perception that having a disclaimer at the bottom of published material will provide all the protection that is needed. This is not the case and there is increasingly a mistaken reliance on using disclaimers in an attempt to avoid liability. The simple answer is that it may increase your protection by avoiding statements about the performance of a product, or whether it is 'less risky' for example, and then to effectively say that if you rely on this information you do so at your own peril.

Any assumptions or projections made must be specified as such and that the results or outcomes attached to any assumptions or projections may vary due to unforeseen or unknown circumstances at the time of making them.

Qualifications in small type footnotes do not offer very robust protection. If the qualification is that important, it could be conveyed in the main text where possible.

Finally, if you use statements of facts, figures or statistics, you should provide a reference of where any facts or figures used have been sourced.

6.4 Business Cards

The business card must show who the Authorised Representative and / or Corporate Authorised Representative is and the actual company name (not just a trading name). It must also clearly state that the Authorised Representative is acting under InterPrac Financial Planning Pty Ltd (AFSL 246638).

The business card should include:

- Your business logo (InterPrac Financial Planning logo is OPTIONAL).
- Your Business name and Trading name (if relevant).
- Your physical address details.
- *Your Name* is Authorised Representative No. XXXXXX of InterPrac Financial Planning Pty Ltd (AFSL 246638).

Please forward a copy of your proposed business card layout/artwork to InterPrac Marketing & Adviser Support for approval PRIOR to print.

6.5 Letters

Your letterhead should follow the basic Licensee rules to ensure that it indicates who the Corporate Authorised Representative / Authorised Representative is and who the licensee is. If you use a trading name then you should always show the company name and then say, for example, *“trading as ABC Consultants”*.

Therefore, the letterhead should include:

- Your business logo (InterPrac Financial Planning logo is OPTIONAL).
- Your business name (and accompanying ABN).
- Your trading name (if relevant).
- Your physical address details.
- *Your Company / Entity Name* is Corporate Authorised Representative No. XXXXXX of InterPrac Financial Planning Pty Ltd (AFSL 246638).

The signing clause for the letter should follow the format below:

Yours Sincerely

John Smith

Authorised Representative No. 123456 of InterPrac Financial Planning Pty. Ltd (AFSL 246638)

In all cases, please forward a copy of your proposed letterhead layout/artwork to InterPrac Marketing & Adviser Support for approval PRIOR to print or distribution to clients.

6.6 Unsolicited Correspondence and Privacy Principles

Privacy principles require that where unsolicited mail/email is being sent out, a person can ask for this to cease. If you intend to send out communications of this type, you must include a note in that communication, informing the person of their right to stop such mail being sent. The ‘opt out’ notice must also set out your business address and telephone number. If the communication has been made by email, then your email address for contact must be provided.

The requirement is that in each direct marketing communication with an individual, it is drawn to the person’s attention that he or she has the right to direct that no further marketing communications be sent. Therefore, you must give the business address and other contact details of how the person can notify you of that instruction.

An ‘Opt Out’ / No Contact Register, such as that in Appendix 6.6A of this manual, must be used to record details of clients whom have opted out.

6.7 Advertising and Promotional Material

Any material which you propose to publish should be reviewed by InterPrac before it is printed and circulated. This will enable an objective view to be given regarding what is actually being said.

The problem is that often we do not see an unintended meaning until it is too late. Therefore, a review by compliance staff will ensure that this does not occur. It is also important that whatever is published or circulated to the public complies with the less obvious requirements of the Corporations Act.

You can accidentally make a misleading statement, not by what is said, but by what is *not* said and even what may be technically correct or true statements can be misleading, if the statement does not give the *whole* picture.

InterPrac will review material to assess whether it may be construed as giving 'advice', and if it may be considered offensive, misleading or deceptive by the general public. **In all cases, please forward a copy to InterPrac Marketing & Adviser Support for approval PRIOR to print or distribution to clients.**

6.8 Website

The **home page** on your website should indicate that you are an Authorised Representative or that the company is a Corporate Authorised Representative of the licensee. The information within the website should be kept general in content to avoid any problems that may arise if it could be construed that it amounted to 'advice'.

Websites which make any reference to financial planning or advice services should therefore have:

- Your business logo (InterPrac Financial Planning logo is OPTIONAL).
- Business name (and accompanying ABN) and trading name (if relevant).
- *Your Name* is Authorised Representative No. XXXXXX of InterPrac Financial Planning Pty Ltd (AFSL 246638) **OR** *Your Company / Entity Name* is Corporate Authorised Representative No. XXXXXX of InterPrac Financial Planning Pty Ltd (AFSL 246638).
- A current version of your Financial Services Guide (FSG) (Part 1) REQUIRED and Adviser Profile (Part 2) OPTIONAL in a downloadable format.
- Link to InterPrac Financial Planning Privacy Policy.
- Must not use 'Unbiased', 'Independent' or 'Impartial' when referring to ourselves or our advisers (see Section 6.2 in this manual for details).

In all cases, please forward a copy to InterPrac Marketing & Adviser Support for approval PRIOR to uploading your website updates.

6.9 Front Desk / Window

The public reception area in your office must indicate, apart from the practice name, that the entity or individual is an Authorised Representative of InterPrac Financial Planning. If you display your own logo, it is recommended that the InterPrac Financial Planning logo is also displayed. In your "Welcome Kit", we provide a window sticker (stencil) version of this for you to use on your front glass door or front window. (see also Certificate/s of Authorisation below).

Beyond a 'best practice' compliance standard, it makes sense to communicate your service offering to prospective and existing clients as a basic marketing initiative.

6.10 Certificate/s of Authorisation

Your Certificate of Authorisation (Individual Authorised Representative and Corporate Authorised Representative, as appropriate) must be clearly displayed in your office for the public to see. We suggest that you frame this document and place it with your education certificates.

6.11 Presentations / Seminars

Occasionally you may arrange to do a public presentation through a seminar, or as a guest of some other group, business or client. In these situations, where your presentation is given in the capacity of a financial planner, there are certain legal requirements that need to be observed.

A Financial Services Guide is not required to be provided to all those attending, but you must convey the following information:

- Your name, contact details and the details of Authorised Representative status with InterPrac Financial Planning.
- Information about any remuneration in respect to your services.
- Information about any association or relationships between you, InterPrac Financial Planning and the issuer of any products that might be capable of influencing you in providing service.

You should state all of this at the *beginning* of the session, and also at the *end*, in case some persons attending have arrived late.

Generally, when giving a presentation at a public forum or seminar any statements you make are likely to fall within the definition of 'general advice'. However, when sending out the invitation to the event and at the beginning of the presentation you must give the following General Advice Warning:

"The information and any advice provided during the presentation has been prepared without taking into account any individuals objectives, financial situation or where you are referring to a particular product. You should also obtain a copy of and consider the PDS for any financial product mentioned before making any decision."

6.12 Security of Client Files and Documents

Security of files and documents is an important element of your compliance requirements. All hard copy client files and client specific information must be stored in a safe location under lock and key with access only available to appropriate staff of the business. This may be in a designated room which has a lock on the door and or in a filing cabinet which has a lock on it.

Any files stored in electronic format must be kept in a password protected environment and a secure and encrypted format off-site. An internal and suitably qualified staff member (and or external technology service provider) can assist you to ensure that you are meeting this requirement.

6.13 Client Privacy and Confidentiality

The client must be assured that their privacy and confidentiality are important. All information collected, held and used by the InterPrac Financial Planning Authorised Representative is retained in the strictest of confidence and pursuant to the InterPrac Statement of Privacy Policy detailed in the InterPrac Financial Planning Financial Services Guide (FSG), and available on the InterPrac website.

If you have a website, please ensure you have a link to the InterPrac Financial Planning Privacy Policy.

Please ensure you are aware and comfortable with the policy and do not stray from these requirements.

6.14 Referrals of Clients

Where there is a business arrangement between you and another business or person, and they have agreed to refer certain clients to you then *each of you must* disclose the terms of that arrangement. This only applies if the arrangement has a financial or other indirect benefit, such as cross referral of clients.

Referrals from your existing clients to their friends or family are excluded as there is no arrangement (it is usually done on request) and any reward for the referral (such as a bottle of wine or tickets to the movies) is not likely to influence the referral.

Irrespective of the arrangement that you have with another person or entity, when you are referred, there is an implied representation to the client that you are sufficiently skilled in the area of advice that is required. If the client who is referred to you requires advice in an area other than the areas of advice you are competent to provide advice in, then you should not provide advice to the client

As a common business practice, any referral arrangements must be fully documented. This will ensure that the intentions and expectations of each party are clear and understood by the other party from the start of the relationship.

InterPrac has a range of supporting tools and templates to assist with referrals from clients and other professional service providers, please contact the **National Practice Manager** for more details.

7. The Financial Planning Process

The difference between financial planners and other similarly situated financial advisory professionals is the process of financial planning itself, together with the resultant documents identifying the client's investment objectives, tolerance for risk and, most importantly, the meeting of the minds between professional and client.

InterPrac Financial Planning suggests that all Authorised Representatives follow a process when meeting and advising retail customers of the services you offer. InterPrac recommends that all representatives follow a step by step process in meeting with clients. The process presented here consists of 'best practice' and 'industry standard' steps which are used by many financial planners. The process you use will vary depending on your style and preferred approach, but there are a number of key steps which are driven by compliance and must be followed as a matter of ASIC requirement. The process is:

- Step 1:** Introduce your services and provide Financial Services Guide (FSG) (Part 1) and Adviser Profile (Part 2).
- Step 2:** Gather data and identify the clients' goals and any financial issues.
- Step 3:** Prepare and present the financial plan.
- Step 4:** Client to sign and date the 'Authority to Proceed', and implement the plan.
- Step 5:** Client Service Agreement - client consent for an ongoing service and review programme.

InterPrac Financial Planning Authorised Representatives should note that within each step there are important client engagement opportunities to keep in mind. Some of these opportunities are covered here while others may be considered with each individual practice as a tailored option based on the type of clients you have, the services you offer, your area of interest or expertise and your geographic location etc.

Often these steps will coincide, for example you may introduce your services and provide FSG Privacy Policy and Adviser Profile at the first client meeting.

7.1 Step 1: Introduce Your Services

The first part of the process is to identify your business, introduce who you are, who you represent and how you operate. The InterPrac Financial Services Guide (FSG) comprises two parts, the Financial Services Guide (Part 1) and Adviser Profile (Part 2), and assists in this purpose and providing it to every client when it is likely that a financial service is going to be provided is an ASIC requirement.

An FSG gives potential customers information on what to expect as a result of doing business with you. Providing a client with an FSG will help to ensure that they understand your capacity to provide advice before engaging your services.

The FSG must be provided to a client (whether a retail or wholesale client) when it is likely that a financial service is going to be provided, and before any 'financial service' is provided. If the client has telephoned or sent an e-mail enquiry, send them an FSG, making a note of the version and date sent in the clients file. This is to ensure the information contained within the FSG is put in front of the client before they engage you to provide advice. You can provide the FSG electronically to a client. Whatever way you provide the FSG you must have something on file to verify what version and when the FSG was provided. Standard acknowledgement such as the Authority to Proceed must be preceded by providing the client with the current FSG.

InterPrac Financial Planning will provide you with a current version of the FSG for your clients. The latest InterPrac version of the FSG includes a section for the client to sign to confirm they have received it. Client confirmation of receipt of the FSG offers robust protection to demonstrate client receipt, date of receipt and version received. This confirmation should be kept on file. When the contents of an FSG are updated, you should send a copy to all existing and new clients.

When providing the client with the FSG you should pay particular attention to the part of the content which refers to your fees. In the case of any dispute with a client over your fees or services, these will be the first documents that a client (and you) will seek to rely upon.

It is especially important that, even in this initial document, the information provided is very transparent as to what fees, commissions or other indirect benefits you may receive. Equally important is the disclosure of

commission or any other benefits that you may possibly receive as a result of providing a service to a client. You must ensure that all clients have a clear understanding about how you will receive remuneration as a result of the service provided and **who will pay it and when**.

In instances where the FSG is provided prior to the first meeting with a client, many advisers also provide the client with a document (or verbal instruction) which provides some information about what to expect and what the client should bring to the first meeting. In addition, this document may confirm the appointment time, what the client may like to discuss in the meeting and will ensure that the client has thought about relevant matters before the first consultation. This can make the first meeting far more time effective and productive, for both you and your client.

The first meeting or client engagement has a number of key steps to consider. Use this meeting to understand what the client needs. They need to leave the meeting with a clear understanding of what financial planning is and what happens next - this begins with them choosing you as their adviser, that they are happy to follow your service process, accept your advice and pay your fees.

The first meeting with new clients should explain what you do and how you help your clients (in general terms), educate them on financial planning, set their expectations and (most importantly) understand what they need will usually take one hour unless you already have a pre-existing relationship with the client.

It is also important to be mindful of when and how you see the client. You should ensure that you do see the client in a situation where you have their full attention. If you are going to see a client out of your office, schedule the meeting in an appropriate venue for full and frank discussion by the client, where they will not feel rushed.

InterPrac Financial Planning National Practice Manager is available to assist you with any questions.

7.2 Step 2: Gather Data, Identify Client Goals

Once you have provided the FSG and discussed your services, you need to understand and agree with the client what the initial scope of the engagement will be and this may be general at this stage such as “review superannuation and prepare for retirement”, you then proceed to collect the data to gain an understanding of the client’s goals and financial situation.

All advisers must use a document for the process for obtaining all relevant information from the client; this is called the Fact Find. Some circumstances may allow you to progress to the Fact Find step as part of the first meeting.

7.2.1 Fact Find

It is the financial planner who is responsible for the giving of advice which will, or should, improve the financial position of the client. In this context, the adviser is to know the client, know the product, how it works and what it provides, and then match the product to the needs of the client.

In addition to being a licensee requirement, the structured process of using a ‘Fact Find’ in the process of gathering client information ensures that you do not overlook asking relevant questions. Copies of the InterPrac Fact Find are in your adviser kit, and suggested guidelines for ‘Getting to know your client’ are in Appendix 7.2.1A in this manual.

Collection of factual data from a prospective client is one thing, but you also need to establish:

- Their level of literacy and ability to articulate their needs;
- What degree of ‘financial’ literacy that the client has;
- Ability to receive and accept your advice; and
- Ability to pay for your service.

In all cases your file must note that you made an assessment of:

- The person's ability to articulate their needs both long and short term;
- The level of understanding of investment markets and investment terms the person has; and
- The person's emotional condition and concerns with investing or accepting advice.

It is important to demonstrate that the client has understood and provided informed consent to continue with the advice process.

As an Authorised Representative of InterPrac Financial Planning you must complete a Fact Find.

The Corporations Act requires that you gather relevant client information, and completing the Fact Find is critical in this process. To give advice you must know the client and we do not accept this is possible if you do not know all of the information the Fact Find seeks to determine.

If the client refuses to complete a Fact Find, a warning must be provided on the risks associated with providing inaccurate or incomplete information, and that the client must ensure that any advice is appropriate for them. If you do not complete a Fact Find because the client does not want to provide this information, the only advice you are able to give is *limited scope* advice and your Statement of Advice (SoA) must disclose this.

Completing a detailed Fact Find can take two hours or more unless you already have a pre-existing relationship with the client or have asked them to complete some of the Fact Find.

7.2.2 Risk Profile

Part of completing the Fact Find is an additional supporting document for assessing the client's 'risk profile', and tolerance for risk. It is important that you accurately understand and interpret your clients' attitudes to and capacity for risk. A financial planner needs to understand:

- A client's risk attitude (a psychological attribute).
- A client's risk capacity (a financial attribute).

Determining a client's risk profile is the process of understanding and qualifying a client's emotional (rather than their rational) feelings about possible scenarios and how they are prepared to risk for the chance to achieve specific outcomes.

In the InterPrac Financial Planning Fact Find there are three ways to determine the risk profile:

1. By asking qualitative questions to understand the client's perception and attitude to risk;
2. By a points based questionnaire; or
3. By going through the risk profiles and explaining and matching an appropriate one with the clients understanding of what their risk profile is.

This process provides you with a basis for discussion with the client, so that the results can be further discussed and confirmed, and file notes made. The risk profiling process needs to be completed for each individual as the partners may have different tolerances for risk and this will need to be addressed in any strategy considered, Statement of Advice (SoA) developed and product solution selected.

The InterPrac Financial Planning Risk Profile requires the client sign off on a choice of risk profiles which they have clearly identified. However, advisers may use a number of additional risk profiling tools which are available (Finmetrica, XPLAN, Proquest, AdviserLogic, Coin and Midwinter all provide software tools), each with a different basis for assessing the risk. Risk profiling will help you 'know your client' and understand a client's tolerance for risk, and this in turn will assist you in providing client appropriate advice. Whatever tool is chosen, it will provide evidence that the risk profile **was** appropriate, given the information that a client has conveyed.

An example of Client Risk Profiles is in Appendix 7.2.2A, and the current InterPrac Risk Profile is available on the InterPrac Financial Planning Adviser Intranet site, or contact the **National Practice Manager** or **Marketing & Adviser Support** for a copy.

The Fact Find document is where you should record file notes about any variations between the client's risk profile assessment and your own intuitive diagnosis about a client's tolerance for risk.

Following the completion of the Fact Find and Risk Profile you are in a position to agree with the client on the Scope of the Engagement which may be expanded from the original client engagement and details the areas of advice that you believe the client should receive advice upon to reach their Financial Goals and Objectives. This will likely involve the collection of further client information or product and strategy investigation which is the key requirement of Best Interest.

7.2.3 File Notes

They might sound unglamorous, but don't underestimate the power of file notes. They are a risk management tool, a bridge to a better client relationship, and could help increase the value of your business. Contact the National Compliance Manager if you have any questions.

Regulators have been clear that providing a record of the reasons for advice is imperative. While advisers work with templates, such as Statements of Advice, and Fact Finds, one component of record keeping that is less structured is the file note. With regulators insisting you make adequate enquiries concerning clients' personal circumstances and demonstrate regard for the information obtained through such enquiries, taking file notes becomes an important part of the smooth running of your business, and potentially the key to its continued existence.

In the event of a dispute, good file notes can be your best defence.

Effective management of client files makes managing your business much more efficient. There are 2 main reasons why you need to have good files:

1. **Internal** - It is easier to delegate work or manage client files if the information is accessible, complete and correctly filed.
2. **External** - It is easier to manage the client relationship and service if you maintain the client information.

Good file notes are part of this process and can be kept chronologically. They are also a form of managing risk. The most valuable file notes are:

- **Clear** - the notes can be read and understood by someone other than you.
- **Concise** - include relevant material only.
- **Comprehensive** - all important points are covered.

The file notes should record not just the client's personal circumstances, but include the consideration and investigation which you considered when formulating a strategy and the advice given. Please ensure you file note all meetings and conversations with your clients.

The file notes in regard to the advice provided continue through the process and include the implementation phase of the advice. Where electronic (paperless) files are utilised and handwritten notes are prepared at meetings off-site then in addition to summarising those notes electronically the actual handwritten note should be uploaded to the file as a contemporaneous recording.

7.3 Step 3: Prepare and Present the Plan (SoA)

Giving a client personal advice triggers the need to provide a Statement of Advice (SoA).

SoAs must be provided for all retail clients. Non-retail clients do not require SoAs. However, you MUST have signed by an Accountant, a declaration confirming the investors' status as a Wholesale Client or Professional Investor. Regulations commencing 1st July 2015 changed some aspects of how advisers can classify clients as non-retail clients. See *Appendix 1.1A for definitions*, and *Appendix 7.4 Wholesale Client / Professional Investor Declaration Form*.

For all retail clients it is vital that the SoA is consistent with the statements made in the FSG. The first component of preparing and presenting the advice is to ensure that the information you have relied upon to give the advice is accurate. This should be clearly identified in the Statement of Advice and is important in you complying with the 'know your client rule'.

However, before addressing the SoA, you need to ascertain the right strategy or strategies for the client based on the Fact Find process and what product solutions can assist you to deliver the desired outcome. Additional resources to assist in ascertaining the right strategies, are available through support services like technical help desks of product providers, software you may choose to use, or from InterPrac Financial Planning directly. Remember, if you are not sure, please ask.

When using a paraplanner, it is important you provide a copy of the Fact Find and the strategy / recommendation you are making. This is the first step to a compliant SoA. Having some idea of the product solutions which may be relevant for this client will also assist to get the SoA completed more quickly and in line with your requirements.

It is your responsibility to make sure the plan is exactly what you want and is clear in the recommendations. Remember, you are giving the advice, not the paraplanner, this applies whether the paraplanner is in-house or outsourced.

The SoA should always show your calculations and the thinking behind how you decided on a strategy in your notes, (as you would do when instructing a paraplanner). The key to good preparation in this regard is that if someone at a later date picks up the client file, it is clear how you came to provide the advice in the SoA.

If the client has specifically requested that the advice only covers specific areas of advice, ensure that the SoA clearly records this.

InterPrac Financial Planning provides you with a SoA template and Strategy and Appendix notes to accompany the SoA, to use in a Word format, which can be accessed through the InterPrac Financial Planning Adviser Intranet site. We also have AdviserLogic, XPLAN and Midwinter software template versions for advisers using software to help create the SoA. InterPrac will consider any requests to alter our existing templates but require that unless express consent has been provided, our templates are used in their current form.

A Statement of Advice (SoA) includes:

1. Front Cover with details of InterPrac AFSL, Adviser Representative Number and date.
2. Scope of advice.
3. Detail of the clients Financial Goals and Objectives.
4. Relevant Client Details and Risk Profile.
5. Recommended Strategy or Strategies to meet the clients' objectives.
6. All product and advice recommendations.
7. Outcomes of the advice including ongoing service recommendation and offering.
8. Why the product/s are appropriate, specifically for that client and where a replacement product has been recommended, a comparison between the existing and recommended products, why the existing product is no longer suitable, and the tangible benefits of replacing the product.
9. Risks of the advice.
10. The Appendices to the SoA should contain information about products, including the research you undertook and Product Disclosure Statement (or product brochure), together with further explanations about risk and the client data on which the advice is based.
11. Fees / charges / commission from the recommendations.
12. Disclaimer.
13. The Authority to Proceed (see Step 4 in Section 7.4).
14. Any projections or statistical information.
15. What to do next.

The SoA may also contain a cover letter, particularly relevant if the SoA is being posted or emailed in place of, or before or after the meeting.

Your SoA must demonstrate a clear understanding of your client, the recommended strategy and the products used to achieve the client's goals / objectives which meet the 'reasonable basis' guidelines.

7.3.1 'Advice must be in the client's best interests'

The Reasonable Basis requirements s945A of the Corporations Act have been replaced with a Best Interest test, which expands on the requirements of the advice to 'Know the Client and the Product' and places a particular focus on the client being in a better position by accepting the advice than they would otherwise have been.

It is important that your documentation and explanation to the client identifies how the advice will both meet the clients' objectives and be in the clients' best interest.

The SoA presentation meeting may take one to two hours (or more subject to plan scope, strategy complexity and client questions).

7.3.2 Statement of Advice (SoA) Review Checklist

The **SoA Review Checklist** has been created for your use to self-check each SoA you produce for your client to ensure it meets all key compliance, strategic and client best interest duties as directed by InterPrac Financial Planning and ASIC plus Corporation Law regulations. It is a requirement for all advisers to use this checklist tool for all Statement of Advice produced to meet best practice requirements.

The checklist will take less than ten minutes to complete (or substantially less once you are comfortable with its use and are also using the InterPrac provided SoA template). The use of the checklist will greatly enhance the quality of your SoA and also assist you in meeting future InterPrac Compliance Audits of your files.

A copy of the checklist is in Appendix 7.3.2A of this manual and is available on the InterPrac Financial Planning Adviser Intranet site. If you have any questions, please contact the InterPrac Financial Planning Practice Manager.

7.4 Step 4: Execute 'Authority to Proceed' and Implement the Plan

At the back of your SoA there is an 'Authority to Proceed'.

This page indicates that the client is ready to proceed with the adviser's recommendations.

It is important that this page is signed and dated by the client for both parties' records, and a copy of this signed page is kept in the client file.

Once the client has signed the Authority to Proceed, you can implement your recommendations.

Implementation of the recommendations as outlined in the SoA is another important process and can be done by administration or support staff. Implementation involves completing (in conjunction with the client) all necessary application and authority forms, lodging documents and engaging in communication with product provider administration or business support staff.

The time taken to complete the implementation process will vary from client to client and strategy to strategy. It is important to keep the client up to date with the progress and inform them of any unavoidable delays.

7.5 Step 5: Client Service Agreement

Once the implementation of the SoA has occurred, an additional, short meeting with the client can be held to confirm what has occurred. You can use this time to present them with your ongoing client service offering and if they wish to participate, to complete the agreement for this service on a fee for service basis. There are many options and a simple Client Service Package example is provided in Appendix 7.5A of this manual.

A financial plan is based on your clients' needs and circumstances at the time of the advice. If a plan is not reviewed regularly then the advice may become irrelevant to your clients changing situation.

Periodic review helps to ensure that you are aware of any changes in your clients' personal circumstances, and your clients are aware of the impact economic and/or legislative changes may have on achieving their goals. The review process helps to keep clients on target with their goals and grows stronger mutually beneficial

working relationships. While providing clients with an ongoing service program or service package is not a compulsory activity, it is highly recommended.

To assist you with the development and implementation of an ongoing service program, the InterPrac Financial Planning **National Practice Manager** is available to assist with any questions you may have.



Congratulations! You are half way through the Compliance Manual.

Time to take a break, enjoy a coffee or something stronger before you continue.

8. Records of Advice (RoA)

The option of using a Record of Advice (RoA) has been available to advisers for a number of years. A Record of Advice performs a function similar to a SoA (see section 7.3, from page 24), but is typically a shorter, more informal document, with fewer content requirements than a SoA. The Corporations Act 2001 and associated regulations set out various occasions on which a RoA may be used in place of a SoA.

8.1 When to Use RoAs

To make the decision in regard to using an RoA or SoA simpler, when in doubt use a SoA. The InterPrac SoA is able to be scaled according to the scope of the advice and the ability to incorporate previous documents by reference.

There are four occasions on which a RoA can be used. For this reason, it is easier to think about there being four different kinds of RoA. You need to decide as a business which kinds of RoA will be useful to you on an ongoing basis. This will then determine what procedures you put in place, what templates you develop, and how you train your staff.

8.2 Further Advice RoA

The most well-known kind of RoA is the one you may use when providing 'further advice'. The provisions which give rise to this kind of RoA are found in regulation 7.7.10AE of the Corporations Regulations 2001.

This regulation allows you to prepare a RoA instead of providing the client with a SoA, where:

- You have previously given the client a SoA setting out their relevant personal circumstances in relation to the advice set out in that SoA;
- The client's relevant personal circumstances in relation to the further advice (determined having regard to the client's objectives, financial situation and needs as currently known to the adviser) are not significantly different from the client's relevant personal circumstances in relation to the previous advice;
- So far as the basis on which the advice is given relates to other matters – the basis on which the further advice is given is not significantly different from the basis on which the previous advice was given.
- The RoA and file note must record that the above conditions have been met.

These are obviously quite broad requirements and applying them is subjective. We generally advise to develop a list of specific situations in which this kind of RoA might be used.

Factors you might consider when deciding whether this kind of RoA can be used are:

- Changes to the client's risk tolerance;
- Changes to the client's family situation;
- Significant changes to the client's income;
- Significant client illness or incapacity;
- Changes occurring to a product;
- Tax considerations;
- Risk (attached to the product);
- Economic environment;
- Regulatory environment;
- Significant local or world events.

Where you wish to take advantage of this further advice rule you must advise the client and the ROA must include:

- Brief particulars of the recommendations made and the basis on which the recommendations are made.
- Any remuneration that will be received by the licensee and / or the representative because of the further advice.

In addition:

- Where there is a recommendation to replace one product with another, the required information in respect of 'switching' products must also be given. (Refer s947D (2) and (3)).
 - i) Any charges the client will or may incur in respect of exiting the existing product.
 - ii) Any charges the client will or may incur in acquiring the recommended product.
 - iii) Any pecuniary or other benefits that the client will or may lose (temporarily or otherwise) as a result of taking the recommended action, such as insurance or shareholder discounts that form part of the existing product and where necessary a statement that these benefits will be lost or reduced with the recommended product.
 - iv) Information about any other significant consequences for the client of taking the recommended action, that the providing entity knows, or ought reasonably to know, is likely. Information about significant consequences include, but not limited to:
 - (a) An explanation of the differences in fees between the existing product and the recommended product.
 - (b) A comparison of the fees applicable for the existing product and the recommended product (this includes ongoing fees charged by the product issuers and commissions received).
 - (c) Details about any insurance that forms part of the existing product including associated costs.
 - (d) Bring attention to the impact of higher fees and costs on potential returns.

If, after research by the representative, any of the above information is unknown, the client must be informed of that fact.

How a representative ensures that there have been no significant changes to the client's circumstances is a matter for the representative, but evidence must be retained that indicates the enquiries were made.

Recommending a change of fund manager / asset class within a Wrap Account or, replacing one share with another, **would not necessarily be a significant change** in the basis because the class of product has not changed.

However, an RoA cannot be used for super switching advice.

In order to be satisfied that the clients' circumstances are not significantly different from when the SoA was given, an adviser needs to determine if there has been a significant change to the clients' circumstances since the SoA was provided. Further Advice RoAs work best when advisers using it are well-trained on when and how it is to be used.

Your RoA must provide a clear understanding of your client, the recommended strategy and the product/s used to achieve the client's goals/objectives which meet the "reasonable basis" guidelines. A copy of the RoA must be retained on the client file.

8.3 Deposit Products and Certain Other Product RoA

If you provide personal advice on any of the following financial products, you don't have to provide a SoA and can instead rely on a RoA:

- A basic deposit product;
- A non-cash payment facility for making non-cash payments that is related to a basic deposit product;
- Travellers' cheques;
- Cash management trust interest;

- Motor vehicle, home building, home contents, travel, personal and domestic property, and medical indemnity insurance products. Care needs to be taken when dealing with General Insurance products as InterPrac and its advisers are not authorised to provide advice on General Insurance and can simply make general remarks and recommend a referral to a General Insurance broker.

8.4 Hold (or no-change) RoA

Another kind of RoA is one which may be used where the adviser recommends that the client take no action in relation to their portfolio – sometimes known as a “hold” recommendation. There is no need for the adviser or licensee to have previously provided a SoA to the client.

The provisions relating to this kind of SoA are found in section 946B (7) of the Corporations Act 2001. These provisions state that a RoA may be used where:

- The advice does not recommend or state an opinion in respect of:
 - The acquisition or disposal of any specific financial product or the products of a specific issuer; nor
 - A modification to an investment strategy or a contribution level in relation to a financial product held by the client; and
 - The following people do not directly receive any remuneration (other than remuneration that is currently being received for an earlier acquisition of a product) or other benefit for, or in relation to, the advice:
 - The adviser;
 - The corporate authorised representative (if applicable);
 - The licensee;
 - An employee or director of the licensee;
 - A related entity to any of these.

The term “related entity” encompasses a broad array of people and entities – for example, a body corporate related to the adviser, corporate authorised representative or licensee.

8.5 Small Investment Financial Advice RoA

There is a fourth kind of ROA available for advice relating to small investment amounts.

Financial advisers may have heard the figure of \$15,000 being bandied about in this context however the key is whether the client would either expect to receive or be disadvantaged in not receiving an SoA, and in if this applies then regardless of the amount an RoA is not applicable.

The difficulty with this kind of RoA is that the provisions relating to its use are complex, when in doubt an enquiry should be made with the **National Compliance Manager**.

There are different rules for different product types, and these vary – particularly when it comes to working out what is and is not included in the threshold for each product type.

For this reason, many businesses find the complexity in working out if this kind of RoA can be used on any one occasion outweighs the benefit.

As mentioned earlier, **unlike other RoA documents** which only need to be provided if clients ask for them, **Small Investment Financial Advice RoAs need to be given to the client as soon as practicable after the financial advice is given and, in any case, before any other financial service which relates to the advice is provided.**

8.6 What Should RoAs Look Like?

There are no hard and fast rules as to what SoAs or RoAs should look like.

Whilst many SoA documents look similar to one another, this stems partly from the numerous prescribed content requirements pertaining to them – for example, the need to have the title “Statement of Advice”

on the cover or near the front of the SoA. It also stems from the fact that the SoA is a document prepared primarily to be read by the client.

RoAs generally, (except for Small Investment Financial Advice RoAs), are not mandated to be provided to clients. However, with the almost universal availability of email, “Best Practice” would be that RoAs be provided to all clients, and where applicable an acknowledgement of the Authority to Proceed be provided by the client. A client may ask for a copy of the RoA at any time up to seven years after the provision of the advice to which it relates. You must comply with any such request.

An example of a Record of Advice is in Appendix 8.6A of this manual. The role it plays becomes apparent once appropriate boxes are ticked by the financial adviser and appropriate content is filled in. It is completed by hand and filed on a physical file.

ROAs are able to be stored electronically.

The requirements for what must be included are set out in regulation 7.7.10AE of the Corporations Regulations 2001 and section 946B (9) of the Corporations Act 2001.

In summary, a RoA must include:

- A record of the financial advice given or brief particulars of the recommendations made – for example, increase income protection cover by \$X in light of a recent salary increase;
- Brief particulars of the basis on which the recommendations are made – a reference to the client’s circumstances as set out in the SoA is acceptable here, according to ASIC Regulatory Guide 175 at paragraph 175.202;
- Remuneration and association disclosures usually required by a SoA;
- If the financial advice is to replace one product with another, brief particulars of the product replacement information usually required in a SoA.
- The remuneration and related entity disclosures are:
 - Relevant remuneration (including commissions) paid to the financial adviser, corporate authorised representative, licensee or related parties;
 - Information about interests, associations or relationships with product providers.

These things must be disclosed insofar as they might be expected (by an independent bystander – *not the financial adviser*) to be capable of influencing the advice given.

The replacement product information requirements are set out in sections 947D (2) and 947D (3) of the Corporations Act 2001. It is:

- Information about the following, to the extent that the information is known to, or could reasonably be found out by, the financial adviser:
 - Any charges the client will or may incur in respect of the disposal or reduction;
 - Any charges the client will or may incur in respect of the acquisition or increase;
 - Any pecuniary or other benefits that the client will or may lose (temporarily or otherwise) as a result of taking the recommended action;
- Information about any other significant consequences for the client of taking the recommended action that the financial adviser knows, or ought reasonably to know, are likely; and
- If the financial adviser knows or is reckless as to whether the client will incur such charges, lose such benefits or experience such consequences, but does not know and cannot reasonably find out what these will be – a statement to the effect that there will or may be such charges, losses and consequences, but the adviser does not know what they are.

8.7 Things to Remember

The RoA is a business tool designed for certain circumstances only. **When in doubt, use a SoA.**

The consideration will always be whether the client would be disadvantaged by the use of a RoA and in that case it must not be used.

8.8 The RoA and the FSG

If you are using a RoA, do not overlook your Financial Services Guide (FSG). A current version FSG must be provided prior to any new advice being provided to a client, and this includes continuing or no-change advice.

9. Recommended Product List (Approved Product List or APL)

InterPrac Financial Planning provides each adviser with the parameters of approved products that are available to use. In addition to the Approved Products List (APL), there is an Additional Approved Product List (AAPL), including additional products approved by the InterPrac Investment Committee. For a copy of the InterPrac Financial Planning APL and AAPL, or to apply to the Investment Committee to have a product approved for use, please contact the InterPrac Financial Planning **National Compliance Manager** or **National Practice Manager**.

9.1 Managed Funds (including Structured Products)

Morningstar is InterPrac Financial Planning's preferred and recommended research service provider. We chose Morningstar because they are independent with no product bias or institutional ownership / control, all the research services you will need are done in-house and they are very highly regarded in the industry. Morningstar have two rating systems, the "**Morningstar Rating**" and the "**Morningstar Analyst Rating**".

The "**Morningstar Rating**" is based on past performance over three, five and ten years, assessed using a ratings system which rewards consistency and penalises downside risks, recalculated with each monthly performance release. This system assesses past performance rather than indicating future results.

The "**Morningstar Analyst Rating**" is an analyst-driven qualitative opinion, based on interviews with management and assessment of people, processes and philosophy, analysing the capabilities of the strategy moving forward, reassessed every 12-15 months. It is not a short-term view and is expressed relative to other similar strategies.

Morningstar provides the foundation of the InterPrac Financial Planning Approved Product List. Morningstar ratings which are Gold, Silver or Bronze are all approved for your immediate use. Any managed funds with a rating below this are not approved unless specifically identified in the list below covering the current additional approved products.

Additional information covering the Morningstar Research ratings system is available on request or via Morningstar directly. It is a requirement for the adviser recommending a particular product to print out (or scan and save) and retain on file a copy of the report confirming the research rating at the time the advice is given. The research reports are available to you via the Morningstar Research website when you login into the Adviser Research Centre (ARC).

Lonsec Research is an alternative approved research provider where products do not have a Morningstar Research rating purely because they have not been reviewed by Morningstar at this time.

Morningstar Research supersedes Lonsec Research which means that if (by some chance) a product is reviewed by Morningstar and is not approved (with a Gold, Silver or Bronze rating by Morningstar) BUT does have a Lonsec Recommended or Highly Recommended, the product is **NOT APPROVED** for your use.

However, if a managed fund product is **NOT** researched by Morningstar BUT is researched by Lonsec AND has received a Lonsec Recommended or Highly Recommended, the product **IS APPROVED** for your use. Because we do not directly subscribe to Lonsec Research, you **MUST** obtain the research report from the respective BDM or product manufacturer / promoter before recommending it to a client and then attach the report with the Statement of Advice to give to the client, plus retain a copy on file for your own records.

PLEASE NOTE - If a fund is not rated Gold, Silver or Bronze with Morningstar Research or if it does not hold a Recommended or Highly Recommended rating by Lonsec Research then it is **NOT APPROVED** for your use and cannot be recommended to a client unless written approval is provided by the InterPrac Investment Committee.

9.2 Life Insurance Products

All APRA licensed insurers and their respective retail (or wholesale) products are approved for use.

APRA (Australian Prudential Regulatory Authority) licensed insurance companies cover all the major insurance companies operating in Australia and meet stringent liquidity plus regulatory guidelines providing comfort that they have the capacity to cover the claims of your clients.

Advisers need to undertake their own due diligence process when selecting which life insurer is to be recommended to a client. InterPrac approves the use of all life insurance comparison tools provided by software such as Midwinter, XPLAN or AdviserLogic. Advisers who do not use this software must use the online quotation tools available from the relevant insurance products being recommended. To meet your best interest duty, you need to have at least 3 different quotes from the insurers you have selected.

Each client's specific recommendation and the chosen product you believe best meets the needs of the client based on product features, benefits and price is then the one you must recommend.

InterPrac Financial Planning recommends advisers use the Risk Researcher Module (previously called the Insurance Quotation Module) tool found in Midwinter, XPLAN Software or the AdviserLogic Risk module as the starting point of any recommendation of an insurance product. Other options such as LifeRisk Online are a lower cost and highly effective alternative. InterPrac provides adviser with broad scope to recommend the risk product solution which they believe will best meet the clients need but strongly suggest that you consult InterPrac National Compliance Manager to ensure the viability of the provider and the product being considered until you are confident with the best options available.

If you have any questions relating to software solutions or becoming registered with any life insurance companies, we have access to for online quotations please contact the **InterPrac National Practice Manager**

9.3 ASX / Direct Shares

All ASX TOP 500 shares (including Exchange Traded Funds and Listed Investment Companies) can be used for client portfolios BUT any advice on direct shares needs to be underpinned by qualitative research obtained from a qualified source, such as a stock broker or analyst.

In relation to shares, InterPrac advisers are **NOT** permitted to provide advice in regard to the following:

- Derivatives.
- Contracts for Difference (CFD).
- Unlisted shares.

Desktop Broker through Bell Potter is the InterPrac Financial Planning preferred share trading platform (both buying and selling of direct equities) because it is easy to use and provides everything you will need to execute transactions for you clients. Other options include Macquarie Online, CommSec and ETrade. To assist you with the use of Desktop Broker, please call the InterPrac National Practice Manager.

Direct share research on most stocks within the ASX Top 300 can be obtained from Morningstar Research or through Desktop Broker by Bell Potter (our preferred on-line direct share trading system). You are also allowed to subscribe to the main stockbroking service providers in the marketplace such as Morgan Stanley, E-Trade and CommSec.

You **MUST** obtain the research report from the respective research or stock broking provider **before recommending** the direct share to your client and then attach the report with the Statement of Advice (SoA) to give to the client, plus retain a copy on file for your own records.

If you are using an approved Model Portfolio such as the Morningstar or InterPrac Model Portfolios, the underlying shares in the portfolio are automatically recommended.

For direct shareholdings within a SMSF or platform based superannuation account, stocks outside the ASX 300 are limited to a maximum exposure of 10% of the total direct share portfolio, to mitigate risk and increase diversification benefits.

Please note - any referral arrangements with stock brokers MUST have an agreement in place between the broker (and their respective company) and InterPrac Financial Planning. **You MUST refer them to speak with us PRIOR to engaging their services.**

9.4 Investment Platforms (including Master Funds and Wrap Accounts)

As a general rule, we approve the use of all master funds and wrap account structures and provide discretion for advisers to use the solution which best meets your (and your clients') needs based on price, technology, reporting, service, support and other factors you believe are most important.

We apply this general rule to give you maximum choice and flexibility to meet the needs of your clients and your business. Most importantly, we do not wish to encourage unnecessary movement of client funds between platforms which in turn creates significant work for you with possible minimum benefit for the client.

Simply put – you should have a **clear reason why** you are choosing to use a particular platform solution over others and **how this will benefit your client.**

When providing switching advice which involves changing a platform the SoA under s961B is required to disclose why a Platform provides a benefit to the client compared to the use of a direct or retail investment.

However, we do believe you should be giving clients the lowest cost solution for aggregated investments on a platform from a “best interest” perspective and therefore endorse:

1. Investor1st (our own white label version through HUB24) as our preferred platform for accounts with balances over \$100,000 (or expected to reach such a balance level within a one year time frame).
2. netwealth as our preferred platform for accounts with balances under \$100,000 and unlikely to exceed this amount in the coming year.

9.5 Banking

All term deposits and cash management accounts of any banking institution holding an Australian Banking Licence are approved for use. It is often best to use the banking products of the bank the current already uses and is comfortable.

9.6 Industry Super Funds

We approve the use of industry super funds operating under the Industry Funds Association of Australia. The main providers used by InterPrac Financial Planning clients include Host Plus, AustralianSuper and HESTA. The lack of retail research available does not absolve the adviser from needing to ensure that the Industry Fund is a suitable option for the client and the file should evidence either website or telephone contact being made with the fund to determine its suitability.

9.7 Property Funds

There are too many small and time sensitive property funds which are regularly being opened to appease the interests of SMSF investors by property spruikers which offer investment appeal but have questionable risk management criteria. As such we only approve property funds which hold **SQM Research status of Recommended+ or Lonsec Recommended or Highly Recommended status**. Property funds without any independent research are strictly restricted from use and will not be considered by the InterPrac Investment Committee. Property funds with independent research from other research providers may be considered by the InterPrac Investment Committee on a case by case basis. If you have any questions, please contact the InterPrac Financial Planning **National Practice Manager**.

9.8 Managed Investment Schemes (MIS)

Currently InterPrac Financial Planning does not approve the use of any MIS products or projects (other than Morningstar rated Managed Funds as covered earlier) due to their underlying risks and the potential increase in costs to our Professional Indemnity Insurance premiums. Should this position change, we will notify you immediately.

9.9 Gearing and Margin Lending

Please note that whilst a list of approved gearing products is provided on the Approved Products List (APL), margin lending gearing rules have been introduced for InterPrac Financial Planning Authorised Representatives.

Please refer to Section 5 - Margin Lending Gearing Rules in this manual.

Any gearing recommendation outside these rules needs specific approval from both the Compliance and the Research Committees.

9.10 Adviser Product Research

Whilst we conduct significant research to determine an approved product listing for the APL and subsequent use by InterPrac Financial Planning Authorised Representatives, you must also undertake a process to recommend products from within this list. We recommend you have a file dedicated to research any fund, life insurance, gearing products, bonds, etc. that you have included in all client recommendations.

The adviser is able to rely upon the licensee's research for the overall suitability of the products on the APL and are not required to replicate that research. However, the onus remains on the individual adviser to ensure that the particular product is suitable for the client.

As such, any products recommended to clients in their SoA or RoA should be accompanied with a due diligence process to ensure the viability and suitability of the product for that client in that instance. Therefore, the SoA or RoA must provide a clear understanding of your client, the recommended strategy and the product/s used to achieve the clients' goals/objectives, which meet the "reasonable basis" guideline for the advice given.

This research can be retained in the clients file and may also be attached to the SoA or RoA document. An example of such a document is in Appendix 9.6A of this manual and is available on the InterPrac Financial Planning Adviser Intranet site.

9.11 Disclosure of Interests

Please note that your Statement of Advice (SoA) for clients must disclose if you hold any interests or specific holdings in any of the investments you are recommending.

9.12 Specific Exclusions

Please note the terms and conditions of the InterPrac Financial Planning AFS Licence **specifically excludes:**

- The use of currency trading / speculation and advice or the provision of education services relating to foreign exchange activities.
- The use of Contracts for Difference (CFD's) and advice relating to such instruments.
- Derivatives (including put and call options) on direct shares and advice relating to such instruments.

Additionally, as they are not covered under our PI Insurance policy, you are **not** to provide advice relating to:

- Agribusiness MIS (Managed Investment Schemes).
- Unlisted shares.

You are not to recommend or use these products under any circumstance in your capacity as an Interprac Financial Planning authorised representative.

If you have any questions regarding the above information, please contact the InterPrac Financial Planning **National Practice Manager, National Compliance Manager** or **Managing Director**.

10. Conflicts of Interest

10.1 Managing conflicts of interest

10.1.1 Responsibility

The **National Compliance Manager** is responsible for overseeing this area ('Responsible Person'). The Responsible Person is someone who has access to all necessary resources and personnel to carry out this procedure properly.

InterPrac Financial Planning understands that it is responsible for its own conduct and that of its representatives. Representatives (including employees, directors and Authorised Representatives) are free at any time to contact the Responsible Person to discuss matters which relate to conflicts of interest.

This procedure is reviewed every quarter by the Responsible Person. In addition, if there is a major compliance breach in this area, the **National Compliance Manager** shall review the relevant procedure, or an external compliance consultant is engaged to review the procedure.

10.1.2 Overview

This procedure aims to ensure that InterPrac Financial Planning's conflicts of interests are adequately managed, as required by the *Corporations Act 2001*, s912A(1)(aa). The procedure also is modelled on ASIC's Regulatory Guide 181 and assists in providing financial services honestly and fairly as required by s912A(1)(a).

'Conflicts of interest' are circumstances where some or all of the interests of InterPrac Financial Planning's clients are inconsistent with, or diverge from, some or all of the interests of InterPrac Financial Planning's business and any other businesses under the licence. This includes actual, apparent or potential conflicts of interest (RG181.15).

Reference to clients includes both retail and wholesale clients.

InterPrac Financial Planning recognises that conflicts of interest may be managed by:

- controlling conflicts;
- avoiding conflicts; and
- disclosing conflicts.

Records of conflicts of interest will be kept for at least 7 years. This includes:

- reports given to senior management;
- scripted oral disclosure;
- records of online disclosure (e.g. on website);
- the conflicts of interest register below; and
- any other documentation relating to disclosure.

Note: These documents can be stored electronically.

10.1.3 How to use this Procedure

Copies of file notes, compliance review feedback and any other documentation which relates to conflicts of interests are to be kept together with the Conflicts of Interest Register.

The Responsible Person will provide regular reports to the Compliance Committee.

10.1.4 How Conflicts of Interest are Controlled

The Responsible Person:

- identifies the conflicts of interest;
- assesses and evaluates those conflicts; and
- implements an appropriate action (e.g. disclosing or avoiding the conflict).

Identification of a conflict occurs by quarterly review of business operations by the Responsible Person, and annual review by the Compliance Manager and/or an external Compliance Auditor.

The Responsible Person must ensure that conflicts of interest records are up to date, and that conflicts of interest are disclosed in the necessary documentation (e.g. FSGs and SoAs).

10.1.5 Updating SoAs

SoAs must comply with the disclosure requirements of the *Corporations Act 2001* (the Act). When a new conflict of interest arises that could be seen as being capable of influencing the advice given, this must be included in the SoA. If there is any doubt as to whether an interest is a conflict of interest under the Act, legal advice shall be sought.

In addition to including relevant conflicts in SoAs, all conflicts of interest should be set out in the register (an example of which appears in Appendix 10.1.5 of this manual). Some of the above conflicts must also be disclosed elsewhere, in documents such as FSGs and PDSs.

10.1.6 Retail vs. Wholesale Clients

In many instances, InterPrac Financial Planning expects that disclosure of the particular conflict will adequately manage the conflict and enable InterPrac Financial Planning to provide the financial services honestly and fairly. **Accordingly, InterPrac requires its Representatives to provide all clients, whether retail or wholesale, with an FSG.**

10.1.7 Updating an FSG

An FSG must comply with the disclosure requirements of the Act. When a new conflict of interest arises, this must be included in the FSG to the extent it could be considered to be capable of influencing the providing entity in providing the services. If there is any doubt as to whether an interest is a conflict of interest under the Act, legal advice shall be sought.

10.1.7 Conflicts of Interest Register

All conflicts of interest relevant to InterPrac Financial Planning's business are to be included in the Conflicts of Interest Register (see example of Conflicts of Interest Register in Appendix).

- Conflicts which pose a substantial risk to InterPrac Financial Planning's AFSL obligations should also be included in InterPrac Financial Planning's Risk Management procedure.
- Conflicts which have not been adequately managed should also be included in InterPrac Financial Planning's Breach Reporting procedure.

Conflict of interest & the service to which it relates	Impact of conflict on client	Type of remedy or appropriate response*	Implementation date
E.g. Increased commission for investment product X in circumstance Y	Depends on client's aversion to risk. Product X is a high-risk product	Ensure exact disclosure of commission is clear on SoA and FSG. Notify client Z of commission.	
This register was last updated on [insert date] by [insert name].			

*There are 3 types of remedy or appropriate response:

1. Control.

2. Avoid.
3. Disclose.

For example, an appropriate entry in the register may include some of the following:

- Requiring a representative to undertake further training or remedial action in relation to providing appropriate advice (**control**).
- Declining to provide services to the particular client or group of clients (**avoid**).
- Disclosing the conflict of interest to a client or group of clients (**disclose**).

In addition, entries can also include other procedural responses, for example:

- Following the breach procedure, if it is discovered that a conflict existed and has not been adequately managed (procedural).
- Notifying senior management (procedural).

Note: The Responsible Person should communicate these remedies by the most appropriate and speedy method in the circumstances.

If the Responsible Person, when deciding what appropriate action to take where a conflict of interest arises, is significantly affected by the conflict, he/she will refer the task to InterPrac Financial Planning Pty Ltd Managing Director / Board Chairman.

11. Client Complaints

11.1 Dispute resolution

11.1.1 Responsibility

This procedure is reviewed every year by **National Compliance Manager**. In addition, if there is a major compliance breach in this area, the **National Compliance Manager** shall review the relevant procedure, or engage an external compliance consultant to review the procedure.

InterPrac Financial Planning acknowledges the importance of having an effective and efficient complaints handling framework. InterPrac Financial Planning adopts a customer-focused approach, is open to feedback, and demonstrates its commitment in its actions and the resources it makes available to dispute resolution.

All complaints or disputes should be referred immediately to the **National Compliance Manager**, who is the “Responsible Person” for this area. The Responsible Person has sufficient training and competence to deal with complaints or disputes. They also have the authority to settle complaints. Accordingly, the Responsible Person will ensure that the following system is in place to handle complaints genuinely, promptly, fairly and consistently.

The Responsible Person also ensures that all staff and Authorised Representatives who deal with customers have an understanding of the complaints handling procedure and are familiar with the dispute resolution procedure. Policies and procedures are available to all of these staff and training will be conducted at least annually (with records of this training maintained in InterPrac Financial Planning’s training register) to ensure that all staff are familiar with these procedures.

The Responsible Person will introduce, where necessary, procedural changes, disciplinary action or training that may be required as a result of the complaint.

11.1.2 Overview

InterPrac Financial Planning defines a complaint as an expression of dissatisfaction made to us, related to our products or services, or the complaints handling process itself, where a response or resolution is explicitly or implicitly expected.

This definition and this procedure have been developed with reference to the Essential Elements of Australian Standard 10002-2006 and the minimum requirements of ASIC’s RG 165.

There is no charge payable by a complainant for making a complaint to InterPrac Financial Planning.

A complaint may also involve a breach of the financial services laws or a condition of InterPrac Financial Planning’s licence. (See Section 12 in this manual).

11.2 Dispute Resolution Procedure

This procedure is available to retail clients and is referred to in the licensee’s relevant disclosure documents. A summary of this procedure is provided to a client when they make a complaint. Where necessary the information in this procedure will be made available in alternative formats.

The Responsible Person will be responsible for notifying the professional indemnity insurer of any complaint, if this is required by the professional indemnity insurance policy.

11.2.1 Internal procedure

All complaints (or potential complaints) should firstly be referred to the Responsible Person. Wherever possible, a complaint should be investigated by someone who is not involved in the subject matter of the dispute.

InterPrac advisers are encouraged to resolve potential complaints before they escalate and under advice from the Responsible Person they will be given the opportunity to resolve the matter prior to it being handled by the licensee. Initial reports are received on a “no-blame” basis with support provided to InterPrac advisers in their efforts to resolve the matters.

InterPrac Financial Planning ensures that it has simple and accessible arrangements for making complaints. Accordingly, complaints do not need to be in writing. They can be made by phone, email or in person. Also, at the time a complaint is made, the Responsible Person will offer the complainant some assistance with making their complaint if required. For example, where a complainant’s literacy skills are limited or they have legitimate special needs, assistance will be given with filling in forms or expressing their complaint.

Where the complaint is resolved to the complainant’s satisfaction within one business day from when the complaint was received, this full process need not be applied in its entirety and the complaint does not need to be added to the complaints register.

11.2.2 Oral complaints

The following procedure must be followed when a complaint is received orally:

1. Identify yourself, listen, record details and determine what the complainant wants.
2. Confirm the details received.
3. Empathise with the complainant in a courteous manner.
4. Explain the courses of action available.
5. Do not attempt to lay blame or be defensive.
6. Resolve the complaint if possible or commit to doing something immediately, irrespective of who will ultimately handle the complaint.
7. Don’t create false expectations.
8. Inform the complainant of the name and contact details of the person who will be formally dealing with the complaint (i.e. the Complaints Officer or Responsible Person).
9. Refer the matter immediately to the Responsible Person (even if you resolved the matter).
10. Record the date and time of complaint/enquiry into the Complaints Register (see example Complaints Register in the Appendix of this manual).

11.2.3 Written Complaints and Follow on from Oral Complaints

Where a complaint is received, it must be date stamped and registered in the Complaints Register by the Responsible Person or other authorised person. Details that need to be recorded on the Complaints Register include the following:

- Client name.
- Date received.
- Financial product or service complained about (where relevant).
- Brief details of complaint.
- Action taken and decisions made (remedy, determination and result).
- Responsible Person notified.

Following the registration of the complaint, a written acknowledgement of receipt will be sent to the complainant immediately or as soon as practicable. The letter will inform the complainant that the complaint will attempt to be resolved within 45 days. The letter will outline the dispute resolution process and the availability of Financial Ombudsman Service, including relevant contact and membership details, should the matter not be resolved to the person’s satisfaction. The letter will include documentation from Financial Ombudsman Service outlining their complaints handling process.

The Responsible Person will then consider the complaint and seek appropriate supporting information and advice, where necessary, within 7 calendar days.

The request for additional information or clarification from the complainant must clearly state that the complainant's response is required within 14 calendar days to comply with the stipulated response times.

The Responsible Person will ask the client to sign file notes where possible of relevant conversations to confirm they contain a complete and accurate record of the complaint and subsequent negotiations. During this period the Responsible Person will check all correspondence addressed to the complainant prior to it being sent.

Until a complaint is finalised, the Responsible Person will remain responsible for:

- maintaining contact with the complainant to ensure that they are informed of the progress of their complaint;
- ensuring that the complaint is continued until either a final decision is made, or the complaint is dropped by the complainant;
- maintaining the Complaints Files, including copies of all enquiries, information, documentation, investigations and decisions; and
- liaising with InterPrac Financial Planning's professional indemnity insurer.

11.2.4 Remedies

Within 45 days of receiving the complaint, the Responsible Person will provide the complainant with a final written response. This will consist of one of the following:

- accept the complaint and, where appropriate, offer redress;
- offer redress without accepting the complaint; or
- reject the complaint, giving reasons.

The final written response must state the complainant's right to take their complaint to InterPrac Financial Planning's external dispute resolution scheme and provide the external dispute resolution scheme's contact details. You do not need to provide a final written response if the complaint is resolved to the complainant's complete satisfaction by the end of the fifth business day after the complaint was received and the complainant did not request a response in writing (but your records should clearly record these facts).

When determining InterPrac Financial Planning's response, the Responsible Person must consider the complaint in an objective and fair manner. When considering the appropriate remedy, the Responsible Person will consider:

- relevant legal principles;
- relevant codes of conduct;
- fairness; and
- relevant industry best practice.

Where appropriate, the Responsible Person will provide the client with a remedy, which may include:

- rectification;
- apology;
- refund;
- compensation;
- replacement; and/or
- action to ensure that other clients have not or will not be affected

The sooner a complaint is responded to, the greater the chance of resolving it internally. Complaints should be resolved internally as soon as practicable or in any case within 45 days of lodgement of the complaint by the customer. Complaints will be addressed in accordance with its urgency. This may require complaints being prioritised.

Where there are special circumstances relating to the complaint such that it is not reasonable for it to have been resolved in that period, the Responsible Person must inform the complainant of the reasons for the delay and that the complainant may refer it to the Financial Ombudsman Service.

When responding to a complaint, the Responsible Person should give written reasons for their decision on the complaint, and adequately address the issues that were raised in the initial complaint. Where appropriate, the written reasons should refer to applicable provisions in legislation, codes, standards or procedures.

The Responsible Person will obtain legal advice if necessary.

11.2.5 Monitoring

The Responsible Person will be responsible for monitoring the Complaints Register from time to time, depending on the existence or frequency of complaints. The Responsible Person will ask the following questions:

- Are there systemic problems, trends, patterns, issues or conduct?
- Are they being addressed?
- Are problems being reported to the Responsible Person in a timely manner?
- Are the complaints being handled efficiently and fairly?

The Responsible Person ensures that all staff who deal with customers have an understanding of the complaints handling procedure.

The Responsible Person is responsible for both maintaining all complaints handling data and also for analysing the data according to various categories such as:

- type of complainant;
- subject of complaint;
- breaches of law, such as:
 - failure to provide relevant disclosure documentation;
 - failure to disclose remuneration;
 - failure to provide adequate advice;
 - misleading conduct;
 - inappropriate advice;
 - failure to meet consumer protection standards or codes of conduct; and/or
 - fraud.
- outcome of complaint;
- timeliness of response; and

The Responsible Person will report complaints handling data, including details of decisions made and actions taken in respect to complaints, at the Compliance Committee Meetings.

11.2.6 External Procedure

The licensee is required to be a member of an external dispute resolution organisation.

InterPrac Financial Planning has membership with the Financial Ombudsman Service, membership number 10416. If membership with this scheme is changed or cancelled, the Responsible Person will notify ASIC within 3 days of becoming aware of the alteration, pursuant to this manual (Section 12).

The Responsible Person will diarise when the membership is due for renewal. The Responsible Person will liaise with the Financial Ombudsman Service and ensure full cooperation with it.

12. Incident Reporting – Notifying ASIC of Breaches and Events

12.1 Notifying ASIC of Breaches and Events

12.1.1 Responsibility

This procedure is reviewed every year by the **National Compliance Manager**. In addition, if there is a major compliance breach in this area, the **National Compliance Manager** shall review the relevant procedure, or an external compliance consultant is engaged to review the procedure.

12.1.2 Overview

A licensee has an obligation to notify ASIC of certain types of events and breaches.

This procedure contains 2 sections.

- **Notifying ASIC of Breaches.**
This involves identifying, assessing and recording breaches internally, as well as reporting breaches deemed “significant” to ASIC; and
- **Notifying ASIC of Events.**
This involves reporting other necessary information (e.g. change of business address) to ASIC.

12.2 Notifying ASIC of Breaches

This procedure is separate and in addition to any breach reporting procedures imposed on the licensee by other licensees or principals under any binder or other agreement.

Section 912D of the *Corporations Act* provides that:

1. if we breach (or are likely to breach) any of the specified obligations; and
2. that breach or likely breach is ‘significant’ having regard to a number of prescribed factors,
3. then we must give a written report to ASIC as soon as practicable, and in any case within 10 business days of becoming aware of the breach or likely breach.

Sometimes, representatives of InterPrac Financial Planning report issues which may not constitute a breach of the financial services laws, but are still a breach of InterPrac Financial Planning policies or processes. In this event, the issue is called an “incident”. The **National Compliance Manager** will determine whether or not this constitutes a breach of the financial services laws.

12.2.1 Training and Communication

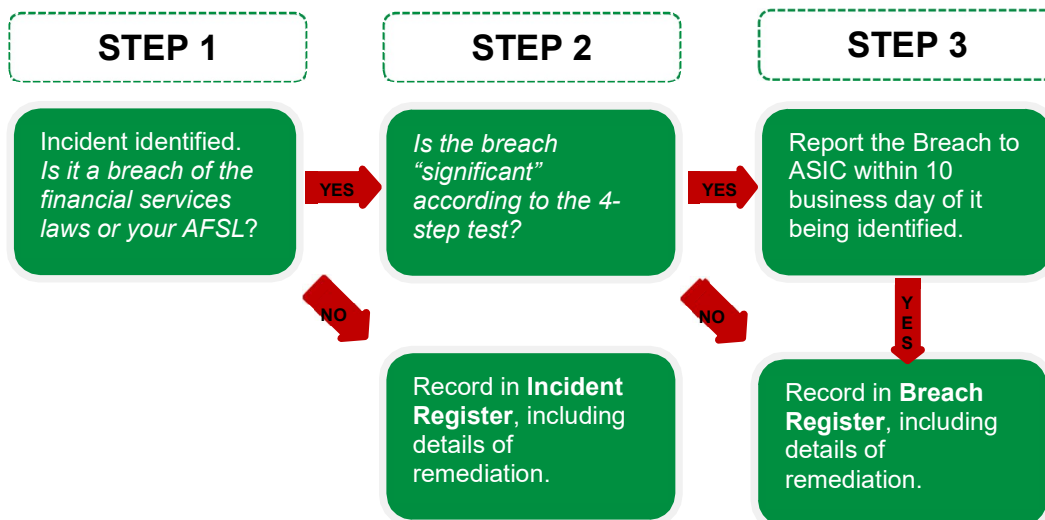
All employees are trained in compliance obligations and are required to report any possible breach of any obligation under the financial services laws to the **National Compliance Manager**. All employees have access to this Compliance Manual.

If employees become aware of a breach or a likely breach, they must immediately discuss it with the **National Compliance Manager**, who will complete the breach register. Potential breaches are discussed immediately as identified, with the **Managing Director**.

InterPrac Financial Planning and all representatives/employees understand that failing to report a significant breach to ASIC within 10 business days of the licensee becoming aware of it constitutes a separate breach of InterPrac Financial Planning’s licence.

12.2.2 The Breach Reporting Process

The **National Compliance Manager** ensures that breaches and incidents are reported and follow the process as illustrated below.



Step 1: An incident has been identified. Is it a breach of the financial services laws or InterPrac Financial Planning’s AFSL?

The financial services laws include:

- doing all things necessary to ensure that the financial services covered by our AFS licence are provided efficiently, honestly and fairly;
- complying with the conditions on our licence;
- managing conflicts of interest;
- having adequate resources to provide the financial services covered by our licence and to carry out supervisory arrangements;
- being competent to provide the financial services covered by our licence;
- having trained and competent representatives;
- taking reasonable steps to ensure that our representatives comply with the financial services laws;
- having a dispute resolution system for retail clients;
- having adequate risk management systems; and
- having compensation arrangements for retail clients.

The financial services laws also include the following legislation:

- Chapter 5C of the *Corporations Act* (Managed investment schemes);
- Chapter 6 of the *Corporations Act* (Takeovers);
- Chapter 6A of the *Corporations Act* (Compulsory acquisitions and buy-outs);
- Chapter 6B of the *Corporations Act* (Rights and liabilities in relation to Chapter 6 and 6A matters);
- Chapter 6C of the *Corporations Act* (Information about ownership of listed companies and managed investment schemes);
- Chapter 6D of the *Corporations Act* (Fundraising);
- Chapter 7 of the *Corporations Act* (Financial services and markets);
- Chapter 9 of the *Corporations Act* (Miscellaneous), but only as it applies in relation to the Chapters of the *Corporations Act* listed above;
- Division 2 of Part 2 of the *ASIC Act* (Unconscionable conduct and consumer protections in relation to financial services); and

- other *Commonwealth Acts* specified in regulation 7.6.02A in so far as they cover conduct relating to the provision of financial services. These include:
 - *Australian National Registry of Emissions Units Act 2011*
 - *Banking Act 1959*
 - *Carbon Credits (Carbon Farming Initiative) Act 2011*
 - *Clean Energy Act 2011*
 - *Financial Sector (Collection of Data) Act 2001*
 - *Financial Sector (Shareholdings) Act 1998*
 - *Financial Sector (Transfer of Business) Act 1999*
 - *Insurance Acquisitions and Takeovers Act 1991*
 - *Insurance Act 1973*
 - *Insurance Contracts Act 1984*
 - *Life Insurance Act 1995*
 - *Retirement Savings Accounts Act 1997*
 - *Superannuation Industry (Supervision) Act 1993*
 - *Superannuation (Resolution of Complaints) Act 1993*

InterPrac Financial Planning's AFSL conditions can be found at Level 3, 29-33 Palmerston Crescent, South Melbourne Victoria 3205.

If a breach of the financial services laws or InterPrac Financial Planning's AFS licence has been identified, proceed to Step 2.

If there has been a breach of internal procedure or policy only, then this is an incident (not a breach) and should be recorded on the Incidents Register at 2.3.6.

Step 2: Record the breach.

It is the responsibility of National Compliance Manager to record all breaches and likely* breaches in the Breach Register.

* The licensee is *likely* to breach an obligation if InterPrac Financial Planning knows or suspects that it is not going to be able to comply with an obligation in the future.

It is also the responsibility of National Compliance Manager to record and file all correspondence and information which relates to any particular breach.

If the breach is a *significant* breach (or likely breach), then proceed to Step 3.

Using the breach register will assist to determine if the breach (or likely breach) is significant. An example of an **Incidents Register**, and **Breach Register** are in the Appendix of this manual. The **Breach Register** should include the following information:

- ☐ **Date of actual or likely breach**
- ☐ **Date the breach was detected**
- ☐ **How the breach was detected** - Explaining the compliance arrangements, client complaint, etc.
- ☐ **Details of the breach** - Describing the nature of the breach, the obligation that was breached, the client/s involved, etc.
- ☐ **Assess the breach for significance** against:
 - a. Frequency of similar previous breaches – the greater the number and frequency of the similar previous breach, the more likely the new breach will be significant, as this indicates a systemic problem.
 - b. Impact on the ability to provide financial services – this is where a breach reduces the ability or capacity of the licensee to provide the financial services; and
 - c. Extent to which the breach indicates that the compliance arrangements are inadequate – if the breach reflects broader compliance inadequacies, then it is probably significant; and
 - d. Actual/possible financial loss to client/licensee – any breach that causes actual or potential financial loss to clients is likely to be a significant breach, unless it is an isolated incident concerning a minimal or immaterial amount.

- ☐ **For significant breaches (as assessed against the factors outlined above)** you must inform ASIC of the breach within 10 business days of becoming aware of the breach. Use a cover letter and form FS80.
- ☐ **Action required and person responsible** - Actions include ASIC to be notified, clients to be notified, procedures to be amended, representatives to be advised, and any training required, and determining the person/s responsible for implementing these actions.

Please note, details of each breach should be retained for the statutory period of seven years.

Step 3: Reporting to ASIC

It is the responsibility of the National Compliance Manager to report *significant* breaches and other necessary information to ASIC.

National Compliance Manager will:

- ☐ check the ASIC reporting table to confirm that a breach must still be reported within 10 business days of becoming aware of the breach;
- contact InterPrac Financial Planning’s external compliance service providers or its lawyers for advice (if it is decided that this is necessary); and
- ☐ prepare a written report to ASIC, using FS 80.

Much of the information which has been recorded in Step 2 of this procedure should be included in or attached to FS 80. The written report must be sent to PO Box 4000 Gippsland Mail Centre VIC 3841.

See ASIC’s Regulatory Guide *78 Breach Reporting by Licensees* for more explanation and detail on breach reporting.

12.2.3 Ongoing Analysis of Breaches

An analysis of the existing breach reports, including tracking their progress, is important in ascertaining the spread, depth and trends of any similar breaches. From the analysis, systemic issues, representative behaviours or inappropriate misconduct can be identified, reported (if significant) and corrected. The **National Compliance Manager** will ensure ongoing analysis of past breaches on a quarterly basis.

12.3 Notifying ASIC of events

Representatives are trained in compliance obligations and are required to report any relevant event listed below to the **National Compliance Manager**.

ASIC must be notified of any of the following events:

- any event that may make a material adverse change to the licensee’s financial position;
- change in control of the licensee;
- change in licensee’s name, principal business address or ABN;
- changing Responsible Managers, dispute resolution or compensation details;
- change in “key person” if named on the licence;
- variation to authorisations and other conditions of an AFS licence;
- authorising or revoking an authorised representative;
- changing an authorised representative’s name, principal business address, directors (if a company) or ABN;
- annual profit and loss statement and balance sheet;
- auditor report on the profit and loss statement and balance sheet;
- appointment of auditor (unless public company);
- consent to remove auditor; or
- change of auditor.

These events are set out in the ASIC reporting table. Some types of events and breaches must be reported to ASIC within a particular timeframe. Different periods of time and different fees and forms are associated with each event or breach. ASIC has compiled these requirements into a 'reporting table'. The table's contents change from time-to-time as the law and ASIC policy changes. That is why the table must be regularly updated.

The National Compliance Manager and Managing Director will:

- be familiar with which events must be reported to ASIC;
- contact the external compliance service providers for advice (if it is decided that this is necessary);
and
- check the ASIC reporting table to determine when and how the information must be provided to ASIC.

A copy of ASIC's Regulatory Guide 78 'Breach reporting by AFS licensees' is found in the following location T Drive/InterPrac/Financial Planning. Every 12 months, a copy is downloaded via the ASIC website www.asic.gov.au / The Financial Advice and Services / Compliance / Changes you must tell us about / Regulatory Guide 78.

13. Anti-Money Laundering & Counter-Terrorism Finance Act

InterPrac Financial Planning is obliged to comply with the requirements of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006. The legislation is aimed at preventing money laundering, terrorism financing and other illegal activities. The objectives of the AML / CTF Act strongly focus on Australia's commitment to fulfil its international obligations. As part of AML / CTF obligations, InterPrac Financial Planning and its Authorised Representatives are required to collect and verify identification documents from the clients they deal with and in some instances there may be an obligation to report matters to AUSTRAC.

13.1 Obligations Under the AML/CTF Legislation

A reporting entity is an individual, company or other entity that provides a 'designated service' as defined in the AML/CTF Act. Reporting entities include banks and other financial institutions, non-bank financial service providers, remittance service providers, bullion dealers and gambling service providers.

Under AML/CTF legislation, reporting entities are required to:

- verify the identity of their customers, monitor their customers' behaviour, and keep appropriate records;
- conduct risk assessments to understand and manage the money laundering and terrorism financing risks to which they are exposed;
- implement systems and governance arrangements to manage their money laundering and terrorism financing risks (including vetting and training staff, and regularly reviewing the effectiveness of their systems and their compliance with AML/CTF obligations);
- advise AUSTRAC if they have obligations under the AML/CTF Act, either through registration or the submission of a compliance report; and
- report to AUSTRAC on cash transactions, international movements of funds and suspicious matters.

Under the AML/CTF Act, a reporting entity must make and retain a record of its applicable customer identification procedures. The record must be retained for seven years after the end of the reporting entity's relationship with the relevant customer.

13.2 Verifying Identities

InterPrac Financial Planning and its Authorised Representatives are required to verify the identity of their customers when certain activities are undertaken (see Appendix 13.2A):

- Arranging for the Customer to obtain or be issued with new or additional interests/units in a managed investment scheme
- Arranging for the Customer to open or make a deposit in a cash management trust
- Arranging for the Customer to buy/sell shares/options in a listed company or trust
- Arranging for the Customer to pay a premium or be issued with an investment life insurance policy
- Arranging for the Customer to obtain or be issued with an annuity
- Arranging for the Customer to obtain or be issued with a pension
- Arranging for the Customer to obtain an interest in or have the ability to transact through a wrap/platform/IDPS
- Arranging for the Customer to cash out all or part of a superannuation interest

The level of documentation required will depend on whether they are an individual, company, trust or partnership. These requirements apply to all new applications where appropriate identification has not been previously supplied or is not held on record.

In most cases an existing ('pre-commencement') customer is not required to be identified, unless a suspicious matter reporting obligation arises regarding that customer. Certain 'know your customer' (KYC) information may need to be collected and/or verified regarding a customer who has previously been

identified, if the reporting entity later suspects on reasonable grounds that the customer is not the person they claim to be.

A customer's identity must be verified before providing a 'designated service' to the customer. Designated services are listed in Section 6 of the AML/CTF Act. Representatives must maintain all information collected from investors in a secure manner in accordance with the Act and any relevant privacy principles.

Representatives must only disclose information to government, law enforcement agencies or other parties where it is required to do so by the laws of Australia.

The appropriate AML/CTF proforma required will depend on whether they are an individual, company, trust or partnership. These requirements apply to all new applications where appropriate identification has not been previously supplied or is not held on record.

Representatives must maintain all information collected from investors in a secure manner in accordance with the Act and any relevant privacy principles. Representatives must only disclose information to government, law enforcement agencies or other parties where it is required to do so by the laws of Australia.

The InterPrac Financial Planning identification process comprises of the following components:

- A flowchart to assist advisers in working through the process of collecting client identification (Appendix 13.2A in this manual).
- A risk assessment matrix that is designed to assist in determining when additional action or information may be required (Appendix 13.2B in this manual).

This risk assessment is actioned confidentially; not in the presence of the Client.

- Completion of the relevant 'Identification Form' by Advisers (see below)
- To support the Identification process, a list of supplementary documents required for each entity type (Appendix 13.2C in this manual), including a sample of AML/CTF certification wording (Appendix 13.2D in this manual).

Relevant 'Identification Forms' for completion by Adviser:

- [FPA AML ID FORM - INDIVIDUALS.pdf](#)
- [FPA AML ID FORM - AUSTRALIAN COMPANIES .pdf](#)
- [FPA AML ID FORM - PARTNERSHIPS.PDF](#)
- [FPA AML ID FORM - AUSTRALIAN REGULATED TRUSTS.PDF](#)
- [FPA AML ID FORM - VERIFYING OFFICER.pdf](#)
- [FPA AML ID FORM - ASSOCIATIONS.PDF](#)
- [FPA AML ID FORM - REGISTERED CO-OPERATIVES.PDF](#)
- [FPA AML ID FORM - FOREIGN COMPANIES.PDF](#)
- [FPA AML ID FORM - AUSTRALIAN UNREGULATED TRUSTS- FOREIGN TRUSTS.pdf](#)
- [FPA AML ID FORM - FOREIGN INDIVIDUALS.pdf](#)
- [FPA AML ID FORM - FOREIGN ENTITIES.pdf](#)
- [FPA AML ID FORM- TAXPAYER IN USA.pdf](#)

13.3 Suspicious Matter Reporting

In addition to collecting and verifying identification, we are also required to be alerted for suspicious activities. If you form a suspicion at any time while dealing with a customer (from enquiry stage to the actual provision of the service or later) on a matter that may be related to an offence, tax evasion or from proceeds of crime, you must notify InterPrac Financial Planning IMMEDIATELY to ensure we meet our reporting obligations.

The types of 'suspicious matters' to be reported include:

1. money laundering
2. terrorism financing
3. laundering criminal proceeds
4. tax evasion
5. using a false identity
6. or any other offence under Commonwealth, State or Territory legislation.

Apart from meeting the legal obligation of the AML/CTF Act, the information provided in a suspicious matter report contributes to combating crime and making Australia more secure.

Reports need to be lodged accurately and in a timely manner and are to be treated as an 'in confidence' document. It is an offence to let another person, including the person of which the suspicious matter is formed or another organisation knows that a suspicion has been formed regarding a particular matter. Therefore you are not required to cease providing services unless Interprac requires this.

If you have reasonable grounds to form a suspicion about any client or potential client, or you are directed to report a matter to InterPrac Financial Planning. You must comply with the following steps:

1. Immediately ^[1] report the matter to the National Compliance Manager at michael.butler@interprac.com.au

[1] Interprac must forward an electronic report to Austrac within 24 hours (terrorism financing) or 3 days (all other matters) of the Adviser forming his/her suspicion.

The relevant information required by Interprac will be:

- a. which type of service has been requested to be 'arranged' (section 13.2)
 - b. which of the six types of suspicious matter are the concern (section 13.3)
 - c. what are the 'reasonable grounds' for the concern
 - d. most recent 'AML-CTF Risk Assessment' page at the back of the Fact Find (section 13.2)
 - e. most recent AML-CTF Identification Form (section 13.2)
2. If you do not receive confirmation of your report within 6 hours (terrorism financing) or 24 hours (all other matters), you must follow up urgently.

If our InterPrac National Compliance Manager is unavailable, please refer your report to the Manager Advice Compliance shane.miller@interprac.com.au , Compliance Manager Richard.Pollock@interprac.com.au and Managing Director garry.crole@interprac.com.au.

3. InterPrac may seek additional information from you.
4. Once the matter has been considered by InterPrac you will be advised of any additional action to take.

Appendices

The following are examples of registers and or documents referred to throughout the InterPrac Financial Planning Compliance Manual which are presented here for your use.

You can use the registers as they are or you are free to create your own. The important thing is not the format or structure of the document but rather the contents (or information they record) and their correct (appropriate and timely) use.

Contact the InterPrac Financial Planning Practice Manager with any questions you may have or if you require assistance on (03) 9209 9777.

Section 1 - Compliance Manual

Appendix 1.1A - Definitions

Definitions of common terms used in this manual.

Statement of Advice (SoA)	The document that outlines your recommendations to a retail client that places them in a position to be able to act on your advice as an Authorised Representative.
Retail client	A client who is not a Professional Investor or Wholesale Client. The definition is important for understanding who is to receive a Statement of Advice.
Wholesale Client	Typically, a wholesale client (an individual, trust or partnership) has either: <ul style="list-style-type: none"> ▪ Net assets exceeding \$2.5 million, including net assets of any companies or trusts the client controls, (excluding family home and borrowed amounts) OR ▪ Earned more than \$250,000 gross income per year for the past 2 years (including the companies or trusts that the client controls). You MUST have a signed declaration confirming the investor's status as a Wholesale Client, provided by a qualified accountant confirming the client meets the definition of a wholesale client. If you have treated a client as a wholesale client because they met the net assets or gross income tests, you can treat all related companies of the client as wholesale as well, by relying upon the same accountants' certificate relied upon to treat the individual as a wholesale client.
Professional Investor	A client will be considered to be a Professional Investor if the person has, or is in control of, gross assets of at least \$10 million (including any assets held by an associate or under a trust that the person manages). You MUST have a signed declaration confirming the investor's status as a Professional Investor, provided by a qualified accountant confirming the client meets the definition of a Professional Investor.
Product provider / Product issuer	The company that issues the product such as a life company issuing policies, or a fund manager.
Financial product	The facility through which a person: <ul style="list-style-type: none"> ▪ Makes a financial investment (e.g. securities, superannuation, managed funds) ▪ Manages a financial risk (e.g. risk insurance) ▪ Makes a non-cash payment (e.g. cheque facilities, EFTPOS)
Financial product advice	A recommendation, statement of opinion or a report on any of the financial products which; <ul style="list-style-type: none"> ▪ Is intended to influence a person in making a decision in relation to a particular financial product or class of financial products; or ▪ Could reasonably be regarded as being intended to have such influence. It is important to note financial product advice can be oral, if the consumer perceives it to be such. You should document / file note all conversations. It is important to remember when talking to customers or the public, to be aware of your stature in the market as a financial planner.
Financial Services Guide (FSG)	The FSG is the document you are required to give a client BEFORE providing a financial service.

Section 2 - Compliance & the Regulators

Appendix 2A – Possible Regulatory Enquiries & Investigations

Informal enquiries

Most regulatory activity is informal and consists of responses to complaints, submissions and covert enquiries where it is important to either quickly assess and dismiss allegations or deal with them more thoroughly. Allegations may come from disgruntled employees, clients, competitors or concerned insiders. At this stage most regulators can voluntarily obtain information for analysis. They can share this information with other regulatory agencies and formulate investigation strategies where the information appears to be beginning to look like evidence of serious contraventions of the law.

Surveillance and reviews

Regulators such as ASIC have established surveillance programs for the industries they regulate. Regular or spot inspections are undertaken to supplement regulatory self-reporting requirements or to target areas of particular concern to the regulator. For example, ASIC surveillance or filed inspections cover licence conditions; promotional documents, referrals, procedures and compliance manuals; professional indemnity insurance; financial records and trust accounts; training and monitoring of representatives; and financial capability of the dealer. Regulators usually have formal powers granted to them to require information and assistance during such surveillance operations.

Full investigations to enforcement

For some regulators, the mere suspicion of a contravention of the law they administer is enough to ground a formal investigation. Once this threshold has been reached there is a significant escalation in the arsenal of powers available to regulators. Compulsive powers backed by criminal sanctions for non-compliance which can now be used by regulatory staff include:

- Statutory notices to compulsorily provide information, reports or books and records and to explain them to investigators (this extends to software and data records).
- Execution of search warrants and powers of entry (extending to software download).
- Statutory notices to compulsorily attend for oral examination.

These types of investigatory information-gathering powers expose you and your business to a potentially high level of scrutiny, possible enforcement action and civil litigation from claimants piggy-backing on regulatory actions and adverse publicity. Before we briefly describe these impacts (i.e. just in case you're not convinced) you should understand some of the complexity that surrounds managing this.

Information gathering powers and due process

Regulators are not entitled to go on a frolic and demand or do anything they want. Given the intrusive nature of their powers they must observe principles of due process when undertaking surveillances or investigations where they are making use of their statutory powers. The investigatory powers and rights of each regulator are governed by different laws, sets of expectations, practices and circumstances.

It is also important that you understand the risk of non-compliance with the reasonable directions of regulators or failure to comply with their information gathering orders can lead to criminal prosecution both of our company and also individual staff, proper authorities and our clients.

Section 2 - Compliance & the Regulators

Appendix 2B – How to Avoid Ombudsman Action

Wealth Professional, 28th November 2012 (FOS Circular, Issue 10 - Winter 2012)

Financial advisers were the fourth-most disputed financial services provider with the Financial Ombudsman Service (FOS) last financial year. Thankfully, FOS has provided the following top 10 tips for financial advisers to keep their backs covered.

1. Take detailed file notes.

FOS relies on evidence provided by the parties to a dispute. Documents created at the same time as the activity or advice in question are usually given more weight than later recollections of what was said or done. This means contemporaneous file notes of conversations and actions are *solid gold* when a dispute comes to FOS. Whenever possible, confirm verbal instructions from a client in writing (e.g. send them an email after a telephone conversation confirming what was said).

2. Use a client's own words

FOS does not consider client objectives and instructions written in industry terms that few clients would understand to be a reliable record. Write down a client's objectives in the words the client has used in answering your questions about their objectives and how to quantify those objectives. This demonstrates that you have heard and understood the client's goals in seeking advice – e.g. 'to retire at age 65 with an income of \$50,000 per year'.

3. Turn clients away when appropriate

If your services are not suited to a particular client (e.g. they are seeking advice about direct shares and you don't provide that service), you must tell them so and send them away. Don't try to shape the client to your offering. If a client is seeking a return which does not match their risk profile and you can't convince them to change their expectations, either send them away or see Tip 4.

4. Explain the risks to clients who choose to act against your advice

You must be very clear in explaining the risks and documenting that the course of action is against your advice. Explain the risks in language the client understands make a contemporaneous file note and have the client sign it.

5. Explain what types of service you are providing

Clients don't know the difference between information, general advice, personal advice and execution-only services. If you don't give the appropriate explanations and warnings or you are unclear, then you could be found liable for advice or activities that you had not intended to provide.

6. Use template forms and documents carefully

Make sure template forms and documents about strategies, products and risks are appropriate to the client you are advising. It is very difficult to convince us that you have selected the right strategies and financial products for a client if the documents contain errors, are missing information or contain copious amounts of irrelevant material. You will also have some trouble convincing us that the client understood your documents if they contain pro-forma jargon or complex concepts. Tailor documents to your client's financial literacy. Statements of Advice (SoAs), for example, must be clear, concise and effective.

7. Use risk profiling tools carefully

Make sure that the strategy and asset allocation you recommend to a client is consistent with risk profile generated by the risk profiling tool you use. If there are inconsistencies, you must clearly explain them. Remember, risk profiling tools are only tools. They all have inherent flaws that must be recognised and addressed by the adviser.

8. Don't give cookie cutter advice

This is really a reiteration of tips 6 and 7. You should not put all or most of your clients into the same strategy and products, especially not gearing strategies. For example, FOS saw a SoA for a client with taxable income of \$42,000 that stated: 'Your reasonable level of surplus income and high tax rate should make gearing an appropriate option for you.'

9. Understand and explain the products

Understand any products you are recommending. Don't advise on products you don't understand. Don't just hand over a product disclosure statement (PDS) – you must explain the PDS to your client and record your discussion in the SoA. Don't cut and paste PDS disclosures into your SoAs. Show you understand the products by using the same words you use to verbally explain the products to your clients.

10. Be clear about the advice relationship with clients you know

If you are giving advice to a friend, relative, colleague or employee, it is critical to formalise and document the process as you would for any other client. In addition; declare any conflicts of interest as you would for any other client.

Section 4 - FoFA – Important Changes

Appendix 4.2.2A – InterPrac Fee Disclosure Statement (FDS) Sample

Client Name
 Client Address 1
 Client Address 2

Dear Client Name

This document is to outline to you all fees received by my practice in relation to your ongoing fee arrangement with us. This statement covers those amounts received in the twelve months up to {INSERT DATE}.

Income Received	Sub Amount	Total
Initial Advice Fee	\$	
Plan Fee	\$	
Implementation Fee	\$	
One-off Advice Fee	\$	
Ongoing Advice Fee	\$	
Contribution Fee	\$	
Member Advice Fee	\$	
Trailing Commission – Investment	\$	
Trailing Commission – Superannuation	\$	
Trailing Commission – Personal Risk	\$	
Other	\$	
Total		

Services Provided

As part of our ongoing fee arrangement, the following is a list of services included.

Service	Provided	Not Provided
Annual/Bi-annual written plan review	✓	•
Annual/Quarterly/Monthly/Regular Newsletter	✓	•
Seminar Invitations	✓	•
Investment balance updates	✓	•
Review of contributions	✓	•
Review of personal insurance: cover and premiums	✓	•
Updates on topical issues	✓	•
Notification of legislative changes that affect strategy	✓	•
Meetings with investment and other finance professionals	✓	•
Personal phone contact	✓	•
Collection and collation of financial statements and notices	✓	•
Administration assistance with financial products and their providers	✓	•
Birthday card	✓	•
Christmas card	✓	•

Kind Regards,

Adviser Name,
 Authorised Representative No. *Adviser Number*
 of InterPrac Financial Planning Pty Ltd (AFSL 246638)

Section 5 - Margin Lending Gearing Rules

Appendix 5.1.3A – Margin Lending Checklist

Client Name: _____

Address _____

Client's Marginal Tax Rate: _____ %

Circle Response

- 1) Has this client had a previous experience with gearing? Yes / No
- 2) Have the risks involved in gearing been fully explained? Yes / No
- 3) Has the client demonstrated their understanding of these risks? (record in file notes) Yes / No
- 4) Has this client previously invested in shares or managed funds? Yes / No
- 5) Is the client prepared to accept the volatility in the price of the investment?
(record in file notes) Yes / No
- 6) Was the client's investment risk tolerance mutually assessed as Growth/Hi Growth by both client and adviser? Yes / No
- 7) Is the client's investment time frame 5 years or more? Yes / No
- 8) Does the client have sufficient excess disposable income to cope with an increase in repayments if interest rates increase by 3%? (investment income is not to be factored into meeting loan repayments.) Yes / No
- 9) Does the client have adequate financial resources, including existing investment capital, that the client is willing to drawdown to meet a margin call if the value in the investment falls in value? Yes / No
- 10) Has the client demonstrated that the effect of fixed and variable interest rates is understood? (recorded in file notes) Yes / No
- 11) Does the client have income protection insurance in place? Yes / No
- 12) What is the amount (\$ value or percentage of income) of cover this income protection insurance policy provides for? _____
- 13) In consideration of the client's overall debt situation, have any other necessary lump sum insurances been explicitly considered? (recorded in file notes) Yes / No
What is the amount (\$) of cover ?

Life: \$ _____

Trauma: \$ _____

TPD: \$ _____

Is this cover being recommended or already in place and has the adviser assessed suitability in light of the client's relevant circumstances. _____

- 14) Does the client understand that at the proposed level of gearing, the market would have to fall by _____% to trigger a margin call situation? (recorded in file notes?) Yes / No
- 15) Does the client want to preserve the level of gearing (loan to value ratio) by:
 - A. Re-investing investment income? Yes / No
 - B. Making loan repayments from own cash flow? Yes / No
- 16) Does the client want to increase the level of gearing (loan to value ratio) by:
 - A. Not re-investing investment income? Yes / No
 - B. Capitalising interest on loan repayments? Yes / No

Does the client understand /or has been advised on how the arrangement will operate and how this may increase portfolio risk and repayment costs. Yes / No

I have conducted this assessment based upon the responses provided to me by the client and believe that a Margin Loan / Gearing strategy is suitable / unsuitable (Circle the correct outcome for this client.)

Adviser Signature

Date

Section 6 - Client Communication

Appendix 6.6A – ‘Opt Out’ / No Contact Register

Signature of Compliance Manager														
Auth Rep Telephone														
Authorised Rep Name & Code														
Date														
Reason for No Contact?														
Client Address if Applicable														
Client Contact Number														
Client Surname & Name														

As an AFS Licensee, we are required to keep a “NO CONTACT REGISTER” and also our Authorised Representatives also need to keep a “NO CONTACT REGISTER”. This register is for the keeping of person’s names and details that do not wish to have any further contact with either the Authorised Representative or the Dealer. Please keep your listing up to date and send InterPrac Financial Planning a copy upon our request on a quarterly basis unless you have an urgent request from a client.

Section 7 - The Financial Planning Process

Appendix 7.2.1A – The Fact Find - Getting to Know Your Client Example

Before you finish the Fact Find ask this final question to the client... *Is there anything else I need to know about you and your situation that we have not already discussed?*

Personal Details	Name Residential address Postal address Employer Names of children or dependants Estate Planning issues Contact details Date of Birth Marital status	Investment Details	Managed funds Fixed interest Trusts Property Shares Other Ownership of investments
Financial Commitments	Children's private school education Pregnancy Informal spending Commitments such as school camp or major cash purchase	Current Assets	Ownership of investments Renting or owner occupied home House contents Cars Boats Collectibles Valuation history
Future Commitments	School fees Paying family member a lump sum Purchase new car/replace existing car Family holiday Planning on having 1st child/more children	Debt Commitments	Mortgages Deductible and non deductible debt Credit cards Leases Formal or informal debt Tax bills, overdrafts, business loan etc
Employment Details	Position held Is the job secure? Potential for promotion/increase in income Likely changes to employment Full time, part time, casual	Financial Goals	Why has the client come to see the adviser? How much wealth by retirement? Pay off debt? Increase cash flow Pay for university By new cars etc.
Other Income Sources	Investment Income Centrelink Future payout Deceased estate income	Personal Goals & Future Plans	Upsize/downsize property Retire? When? Change jobs Start Family Anything else relevant such as spendthrift child or taking care of a parent
Health Conditions	Family health Individual health Smoking status	Insurance Details	Insurer Includes personal and general insurance Type of policy Policy holder Cost of premium Super/non super

Section 7 - The Financial Planning Process

Appendix 7.2.2A – Risk Profile Example

	CONSERVATIVE	MODERATELY CONSERVATIVE	BALANCED	GROWTH	HIGH GROWTH
Investment Objective	To provide income from cash and similar securities without risking capital	To provide a relatively stable investment by investing primarily in cash and fixed interest with a moderate exposure to growth assets	Provides a balanced return of income and growth by investing equally in cash, fixed interest, shares and property	Provides a potentially higher overall return by investing predominantly in shares and property with a smaller exposure to cash and fixed interest	To provide higher long term returns predominantly through capital growth in shares and property.
Suitability	Ideally suited for short term investments or for investors that do not want to risk capital loss, and are prepared to accept a lower return.	Suited to investors who need income, or are risk averse. There is an increased risk of capital loss compared to cash investments.	Suited to investors who are seeking moderately higher returns over the medium to long term and are prepared to accept some short term volatility.	Suited to long term investors who are seeking higher returns through capital growth. Investors should be prepared for volatility in returns from year to year	Suited to long term investors who are prepared to accept higher risk in pursuit of higher returns. Investors should be prepared for the possibility of capital loss from time to time.
Potential Short Term Volatility	Very Low	Low	Medium	Medium-High	High
Potential Long Term Return	Very Low	Low	Medium	Medium-High	High
Minimum Investment Term	No minimum	1 – 3 years	3 – 5 years	5 – 7 years	7 years +
Typical Asset Allocation Ranges					
• Cash	0% – 100%	0% – 70%	0% – 50%	0% – 30%	0% – 5%
• Fixed Interest	0% – 100%	0% – 70%	0% – 50%	0% – 30%	0% – 10%
• Aust. Shares	0%	0% – 30%	0% – 50%	0% – 70%	0% – 100%
• Int. Shares	0%	0% – 30%	0% – 50%	0% – 70%	0% – 100%
• Property	0%	0% – 30%	0% – 50%	0% – 70%	0% – 100%

Your Risk Profile has been determined as _____.

Section 7 - The Financial Planning Process

Appendix 7.3.2A – Statement of Advice - Review Checklist

Statement of Advice – Review Checklist

Instructions

This checklist aims to assist you with the InterPrac Statement of Advice (SoA) preparation process and help you to ensure that the document is compliant with the Corporations Act. This checklist must be used for each SoA prepared from 1 January 2014, and should take no more than ten minutes. If you are unsure of any part of your SoA or would like a second opinion, send your draft SoA (with your completed Fact Finder and this completed checklist) to the **National Compliance Manager** InterPrac, BEFORE it is sent to your client.

We will review the SoA and respond back to you as soon as possible. Please remember that it is your obligation to retain all SoA documents (and Fact Finds) provided to clients as specified under section 912A of the Corporations Law.

Client name:	
Adviser name:	
Date of SoA:	Date of SoA Review:

Please respond to each question below in the space provided	Yes or No
Have you identified the objectives, financial situation and needs of the client through the fact find process and their instructions to you?	
Have you identified that the subject matter of the advice that has been sought by the client is relevant to their needs, objectives and financial situation?	
If the information relating to the client's relevant personal circumstances was incomplete or inaccurate have you made reasonable enquiries to complete it? If it is incomplete or inaccurate you should only provide a "limited scope" Statement of Advice and you must advise the client of this, and include an incomplete information warning.	
Do you have sufficient expertise to provide advice on the subject matter, (as supported by your knowledge, training and current CPD training hours and if not have you declined to provide the advice?	
In light of the client's current situation and personal circumstances, is it reasonable to recommend the strategy, financial solution or product/s?	
Have you made reasonable investigations and conducted research into the recommended strategies and or financial product solutions that will achieve the objectives and needs of the client AND have you given reasonable consideration to the relevant financial issues impacting on the advice provided?	
Is the advice based on the client's relevant personal circumstances and are the recommended products (or advice solutions) consistent with the client's risk profile?	
Have you taken reasonable steps to ensure that the client is in a better position if they followed your advice?	
Is the advice appropriate and in the best interest of the client?	
Have you adequately considered the age, income, wealth, education, training, work background, prior investment experience and similar subjective characteristics of the client?	
Has the SoA been provided reasonably soon after the advice has been given?	
Is the advice short and simple and easy to understand?	
Is the SoA presented in a clear, concise and effective manner?	

Have extraneous material (such as projections and cash flows) been excluded from the body of the SoA and provided separately as an appendix item?	
Are the client's financial circumstances (income and assets) described competently?	
Does the SoA include a generic description of the class of financial products recommended?	
Is the advice summarised in an executive summary if the SoA is over ten pages in length?	
Does the SoA state the reasons why the advice / recommendation is appropriate, including the alternatives considered as well as the advantages and disadvantages for the client if the advice is acted on?	
Is enough detail provided to allow the client to make a decision to acquire the financial products recommended in the SoA?	
Has tax been considered and has this been stated in the SoA?	
Has the risk connected to the product recommended been disclosed for that product and generally for that class of products?	
If a product switch or a replacement product has been recommended, have the switching rules been provided? AND Have additional statements been provided regarding the clients' existing products, the cost of changes considered, any potential benefits that may be lost or any other significant consequences included?	
If a product switch or a replacement product has been recommended and involves superannuation (such as a superannuation rollover) - does the SoA, make it clear that the new fund is expected to provide a better after tax net return than the old fund?	
If a SMSF has been recommended has the dollar benefits now and the expected future dollar benefits including the related costs of the SMSF been considered?	
If a borrowing strategy in relation to SMSF is being recommended, has the time order been followed (covering preparation of the SoA, then the set-up of the SMSF followed by the set-up of the bare trust and then signing the land contract)?	
Has the issue of conflicted remuneration been considered and disclosed appropriately?	
Is the "Statement of Advice" title on the front page or near front page?	
Are the InterPrac Financial Planning name, address and AFSL number on the front page or near front page of the SoA?	
Is there a clear statement that the adviser is an InterPrac Authorised Representative including the AR number?	
Is there a statement setting out the advice including information on which the advice is based and information about remuneration, commissions and other benefits payable to InterPrac or the adviser as well as all benefits in dollar terms (and or percentage terms) and tables used for comparisons, where required? Also, is information about any referral arrangements and any relationships that may influence the advice included?	
Is there a statement included providing an incomplete information warning?	
Have you ensured the words "independent" or "unbiased" have not been used?	
Have you ensured that all possible false or misleading statements, particularly about future performance been excluded from the SoA?	

If you have answered "YES" to every question - your SoA should meet current InterPrac, ASIC and Corporation Law requirements. You can now present the SoA to the client and ensure they sign the Authority to Proceed before beginning the implementation of your advice.

If you have answered "NO" to any questions, you MUST consider the possible deficiencies identified and their impact on the advice being provided to the client as well as the impact on your adherence to your compliance requirements.

Please retain this document with your SoA as evidence that you have undertaken the SoA review for the benefit of your clients and your business (as well as the InterPrac Financial Planning AFSL).

Section 7 - The Financial Planning Process

Appendix 7.4A – Wholesale Client / Sophisticated Investor Declaration Form

Wholesale Client / Sophisticated Investor Declaration

I hereby confirm that I, _____, am and can be classified as a 'Wholesale Client' / 'Sophisticated Investor', being an investor who is deemed to have sufficient investing experience and knowledge to weigh the risks and merits of an investment opportunity.

My net worth can be demonstrated to be classified as a **Sophisticated Investor** because:

- **My net worth** (including net assets of any companies or trusts I control) **exceeds \$10 million of assets** (excluding the family home and any borrowed amount).

My net worth and income restrictions can be demonstrated to be classified as a **Wholesale Client** because:

- **My net worth** (including net assets of any companies or trusts I control) **exceeds \$2.5 million of assets** (excluding the family home and any borrowed amount) **and / or**
- **I have earned more than \$250,000 per year for the past two years** (including income from companies or trusts I control).

Therefore, I qualify for the exemption.

Name of investor: _____

Signature of investor: _____

Date: ____/____/____

Name of accountant: _____

Signature of accountant: _____

Date: ____/____/____

Section 7 - The Financial Planning Process

Appendix 7.5A – Ongoing Client Service Program Example

Package	Ongoing Service Provided	Ongoing Annual Fee
A	<ul style="list-style-type: none"> Regular monitoring of and (where appropriate) rebalancing of your investment and or insurance portfolio's. Open availability for information and balances from staff. Two formal reviews per year held in our office. Monthly email with your portfolio valuations. Periodic client newsletters. Special update letters or offers. Invitations to seminars where deemed appropriate. Priority access to your financial planner usually within 4 working hours of contact and when the office is open. Availability to external technical specialists, if required. 	0.6%pa with a minimum fee of \$4,200 per annum. This is based on your portfolio valuation at the time and excludes borrowed funds. Based on a minimum of 20 hours work.
B	<ul style="list-style-type: none"> Two formal reviews per year held in our office. Quarterly email with your portfolio valuations. Periodic client newsletters. Special update letters or offers. Invitations to seminars where deemed appropriate. Priority access to your financial planner usually within 12 working hours of contact and when the office is open. 	0.6%pa with a minimum fee of \$3,600 per annum. This is based on your portfolio valuation at the time and excludes borrowed funds. Based on a minimum of 16 hours work.
C	<ul style="list-style-type: none"> Annual formal review per year held in our office. Quarterly email with your portfolio valuations. Periodic client newsletters. Special update letters or offers. Access to your financial planner usually within 24 working hours of contact and when the office is open. 	0.6%pa with a minimum fee of \$2,100 per annum. This is based on your portfolio valuation at the time and excludes borrowed funds. Based on a minimum of 10 hours work.
D	<ul style="list-style-type: none"> Annual formal review Bi-annual email with your portfolio valuations Access to your financial planner usually within 48 hours of contact and when the office is open. 	0.6%pa with a minimum fee of \$1,050 per annum. This is based on your portfolio valuation at the time and excludes borrowed funds. Based on a minimum of 5 hours work.
No Ongoing Service	Any services provided, including time on the phone or response required via email or other form of communication will be charged out at \$300 per hour pro-rated (minimum \$50 per contact)	No Ongoing service provided

- Please note – all fees are exclusive of GST. GST will be added to your invoice or payment plan.

In reference to access to your financial planner, please be advised that we will endeavour to return your call or query whenever possible but we do take occasional holidays, we are not open on weekends or public holidays. In addition, we attend training conferences and training days which is why our office is closed and may limit our capacity to respond to your query. If this is the case, we will inform you beforehand and will attend to your needs on our return.

Section 8 - Records of Advice (RoA)

Appendix 8.6A – Record of Advice Checklist

Client name: _____

Was the advice given by: Telephone / Meeting / Writing (Circle the correct response)

Date of this advice: _____

Date of previous SoA or Record of Advice (the 'previous advice'): _____

Has there been any significant change in the client's personal circumstances since the previous advice (you must make enquires of the client):

NO (Circle if No) or YES (Circle if Yes and produce a new Statement of Advice)

What checks did you undertake to determine that there have been no significant changes in the client's circumstances?

Has there been any significant change to the basis of the advice since the previous advice? (Such as the class of product which is the subject of this RoA different to the previous advice) (Circle appropriate response)

NO or YES (If Yes produce a new Statement of Advice)

Your advice (If written advice was provided to the client, attach it to this Record of Advice)

State the reasons why your advice is appropriate for this client.

Did you recommend that the client switch from one financial product to another? (Circle appropriate response)

NO or YES

If YES – did you disclose (and state what was disclosed):

That the clients existing product had been considered _____

Any exit fees and current MER for the existing product _____

Entry fees and MER for new product _____

Any benefits that the client will lose because of your recommendation _____

Any other consequences for the client because of the recommendation (are to be noted below)

Does this recommendation result in any fees or commissions to the licensee or adviser? (Circle appropriate response)

NO or YES

If YES, you must disclose this remuneration to the client. What did you disclose to the client?

Signed (Adviser): _____

Name (Adviser): _____ Date: ____/____/____

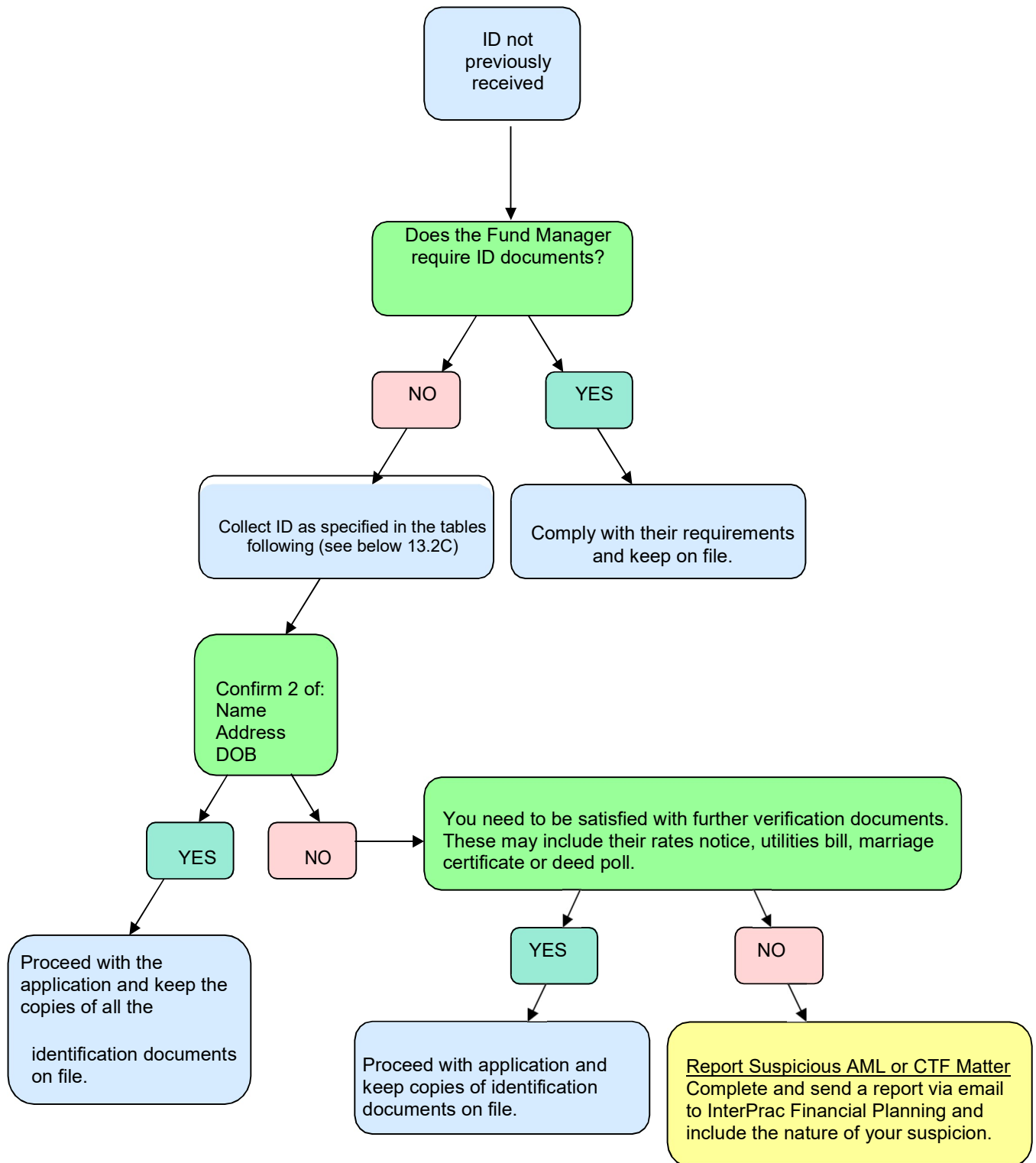
Section 9 - Recommended Product List

Appendix 9.6A – Adviser’s Product Research Sample Pro-forma

Adviser Name	
Date	
Product	
Recommendation List Morningstar Rating	
Personal Research Undertaken on Product	
Comments	

Section 13 – Anti-Money Laundering & Counter-Terrorism Finance Act

Appendix 13.2A – Collecting Customer Identification Process



Even when formal AML/CTF proformas may not be explicitly required, it is ideal to complete the most relevant proforma anyway. The proformas incorporate a declaration that you have explicitly followed a process in conformity with AML/CTF requirements.

Section 13 – Anti-Money Laundering & Counter-Terrorism Finance Act

Appendix 13.2B – Risk Assessment Worksheet

These tables provide guidelines for determining how much identification is required and examples of the types of behaviour and circumstances that should be considered suspicious. While the tables prescribe when you MUST report to InterPrac Financial Planning, you are encouraged to report all matters where you have any suspicions or concerns.

Column 1 Residency Status	Column 2 Known to you	Column 3 Level of Identification	Column 4 Suspicious Requests or Behaviour
3 International client	2 No	3 Unsatisfactory	3 Request of payments to third parties Placing investments in names other than their own Wash through transactions Unexplained wealth Cash transactions Unusual requests
2 Non - resident	1 Client is referred from a trusted source	2 Inconsistent ID unsatisfied OR 1 Inconsistent ID satisfied	
1 Resident	0 Yes	0 Satisfactory ID provided	

Determining Risk Score

Risk Score	Score from Columns 1 to 3	Score includes Column 4
3 or less	The client needs to provide standard identification documents	Not Applicable
4 or 5	Please collect 2 additional identification documents from the lists following. If you are satisfied with the further documentation it is OK to proceed. If the client is unable to provide satisfactory documentation refer the matter to InterPrac Financial Planning.	You need to collect further information or source evidence that explains the request, behaviour or suspicion. If satisfied with the further information or evidence you can proceed, otherwise report the matter to InterPrac Financial Planning
6 or more	Report to InterPrac Financial Planning for determination	Report to InterPrac Financial Planning for determination

Section 13 – Anti-Money Laundering & Counter-Terrorism Finance Act

Appendix 13.2C – AML/CTF Identification & Verification Documentation Checklist

<p>Individual A</p> <p>Please provide the required documentation from either A or B</p>	<p>An original or Certified Copy of one of the following:</p> <ul style="list-style-type: none"> ▪ An Australian Drivers Licence that contains a photograph of the licence/permit holder. ▪ An Australian Passport; ▪ An identification card issued by a state or territory that contains the date of birth and a photograph of the card holder. ▪ A current driver's licence issued by a foreign country that contains a photograph of the person. A passport or other document of identity for the purpose of international travel that contains a photograph and signature of the passport holder and is issued by a foreign government, the UN or a UN agency and if written in a different language other than English, is accompanied by an English translation prepared by an accredited translator. ▪ A national identification card that contains a photograph and signature of the card holder and issued by a foreign government, the UN or a UN agency and if written in a different language other than English, is accompanied by an English translation prepared by an accredited translator. <p>If they are a sole trader, please provide:</p> <ul style="list-style-type: none"> ▪ A business name search.
<p>Individual B</p>	<p>An original or Certified Copy of one of the following:</p> <ul style="list-style-type: none"> ▪ A birth certificate or extract issued by a state or territory. ▪ A birth certificate issued by a foreign government, the UN or a UN agency and if written in a different language other than English, is accompanied by an English translation prepared by an accredited translator. ▪ An Australian citizenship certificate. ▪ A citizenship certificate issued by a foreign government and if written in a different language other than English, is accompanied by an English translation prepared by an accredited translator. ▪ A pension card issued by Centrelink that entitles the card holder to financial benefits. <p>PLUS</p> <p>An original or Certified Copy of one of the following:</p> <ul style="list-style-type: none"> ▪ A notice relating to the provision of financial benefits issued by the state or territory or the Commonwealth within the preceding 12 months and contains the name and residential address of the individual. ▪ A notice issued by the Australian Taxation Office within the preceding 12 months relating to a debt payable to or by an individual and contains the name and address of the individual. ▪ A rates notice issued to an individual by a local government or utilities provider within the preceding 3 months and contains the name and address of the individual. ▪ In relation to an individual under the age of 18, a notice issued to the individual by a school principal within the preceding 3 months and that records the time that individual attended the school and the name and residential address of the individual.
<p>Company</p>	<p>Please provide:</p> <ul style="list-style-type: none"> ▪ A full company search of the ASIC database showing: <ul style="list-style-type: none"> – The full name of the company. – The ACN (or if applicable, the ARBN for a foreign company registered with ASIC). – The registered office address of the company. – The principle place of business of the company. – The names of each director of the company (only for proprietary company).

	<ul style="list-style-type: none"> – The shareholders of the company (for all proprietary companies that are regulatory oversight of a Commonwealth, state or territory regulator). ▪ If the company is a regulated company, a search of the licence or other Commonwealth, state or territory statutory regulator. ▪ Confirmation that the company is listed (or a majority owned subsidiary of a listed company) in the financial market. ▪ If the company is a foreign company not registered with ASIC, then a search of the relevant foreign register of companies (or if the above search is not readily available, a certificate of registration).
Trust	<p>Please provide:</p> <ul style="list-style-type: none"> ▪ For a registered management investment scheme: <ul style="list-style-type: none"> – An ASIC search confirming the registration of the managed investment scheme. ▪ For government superannuation fund: <ul style="list-style-type: none"> – An extract from relevant legislation confirming the establishment of the government superannuation fund. ▪ For an unregistered managed investment scheme that only has wholesale / sophisticated clients and does not make small scale offerings under 1012E of the corporations Act 2001, a declaration checkbox is provided to this effect in the application form. ▪ For all other trusts (including wrap trusts, master trusts, IDPS): <ul style="list-style-type: none"> – The original trust deed or a Certified Copy or Certified Extract of the trust deed confirming the full name of the trust. – The name of each beneficiary or class of beneficiary. – If the trustee is an individual, please also provide documentation required for individuals (above). – If the Trustee is a company, please also provide documentation required for companies (above). <p>PLUS for foreign trusts, provide one of:</p> <ul style="list-style-type: none"> – A Certified Copy or Certified Extract of documents creating the trust (including confirmation of the country where the trust is established). – The name of each beneficiary or class of beneficiary. <p>PLUS in relation to the trustee:</p> <ul style="list-style-type: none"> – If the trustee is an individual, please also provide documentation required for individuals (above). – If the Trustee is a company, please also provide documentation required for companies (above).
Partnership	<p>Please provide:</p> <ul style="list-style-type: none"> ▪ An original partnership agreement, Certified Copy or Certified Extract of the partnership agreement. ▪ A Certified Copy or Certified Extract of minutes of partnership meeting. ▪ The full name and address of each partner in the partnership. <p>PLUS Please provide the documentation required for individuals (noted above) for one of the partners.</p>

Section 13 – Anti-Money Laundering & Counter-Terrorism Finance Act

Appendix 13.2D – AML/CTF Certification Wording Sample

An example of wording that may be used by an **Authorised Person** to certify a copy of identification for AML / CTF purposes is:

“I certify that I have seen the original documentation and this copy is a complete and accurate copy of that original and matches the name, address, and date of birth provided.”

Name:

Address:

.....

.....

Occupation:

Signature:

Date:

Authorised Person

One of the following persons:

- A legal practitioner enrolled on the role of the Supreme Court of a state or territory, or the High Court of Australia.
- A Judge, registrar or deputy registrar of a court.
- A Magistrate.
- A chief executive officer of a Commonwealth Court.
- A Justice of the Peace.
- A notary public (for the purpose of Statutory Declaration regulations 1993).
- A police officer.
- An agent of the Australian Postal Corporation who is in charge of an office supplying postal services to the public.
- A permanent employee of the Australian Postal Corporation with two or more years of continuous service who is employed in an office supplying postal services to the public.
- An Australian consular officer or an Australian diplomatic officer (within the meaning of the Consular Fees Act 1955).
- A finance company officer with two or more years of continuous years of service with one or more finance institutions (for the purpose of Statutory Declaration Regulations 1993).
- An officer with, or authorised representative of, a holder of an Australian Financial Services Licence, having two or more year’s continuous service with one or more licensees.
- A member of the Institute of Chartered Accountants in Australia, CPA Australia or the National Institute of Accountants with two or more years continuous membership.

Section 13 – Anti-Money Laundering & Counter-Terrorism Finance Act

Appendix 13.2E – Suspicious Matter Reporting

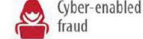


Australian Government
AUSTRAC

FINANCIAL CRIME RED FLAGS - A GUIDE FOR FINANCIAL PLANNERS

Financial planners are well-placed to detect possible criminal activity by customers and are required to report suspicious matters to AUSTRAC under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*. Here are some red flag indicators that financial planners can look out for; this list is non-exhaustive and there may be other red flags specific to the planner's business.

CRIME TYPE KEY:



<p>Client/planner relationship established</p>	<p>1</p> <ul style="list-style-type: none"> Customer enquires whether planner accepts large cash deposits Customer requests advice on overly complex company/trust structures that go beyond their financial needs 	<ul style="list-style-type: none"> Customer is reluctant to provide identification or behaves nervously Customer requests advice on how to evade tax
<p>Client information is collected, analysed and evaluated</p>	<ul style="list-style-type: none"> Customer documents not in expected formats, appear altered or inconsistent (e.g. date of birth) Customer has unexplained wealth inconsistent with economic situation Customer requests unusual/uneconomic investments Customer uses company/trust structures with unclear beneficial owners 	<ul style="list-style-type: none"> Customer reveals they are misleading Centrelink for welfare benefits Customer has suspicious property ownership arrangements Customer has money in, or corporate entities based in, tax havens Customer's name appears on the Department of Foreign Affairs & Trade's list of sanctioned persons ("Consolidated List")
<p>Financial planner provides advice</p>	<ul style="list-style-type: none"> Customer asks how to make an insurance claim before an insurable event takes place Customer receives advice but chooses to implement the advice without the planner 	<ul style="list-style-type: none"> Customer asks to establish a self-managed super fund (SMSF) without being able to show source of funds/ownership for the initial transfer
<p>Financial planner arranges products</p>	<ul style="list-style-type: none"> The members or trustees of an SMSF change several times over a short period of time 	<ul style="list-style-type: none"> Funds from several sources are consolidated into customer's account
<p>Financial planner reviews or makes variations to portfolio</p>	<ul style="list-style-type: none"> Product issuer receives email instructions from a financial planner, however it appears financial planner's email has been compromised Customer changes bank details by email or online soon after changing contact details 	<ul style="list-style-type: none"> Email request from customer expresses urgency Customer makes structured or large cash deposits into their bank account to facilitate investments Customer requests radical change to financial strategy
<p>Withdrawal/closure</p>	<ul style="list-style-type: none"> Customer quickly withdraws funds soon after making initial investment Planner receives withdrawal request from customer by email, but customer usually makes contact via telephone 	<ul style="list-style-type: none"> Customer requests funds transfer to a conflict zone, or country neighbouring a conflict zone Planner receives request for funds to be sent to a third party overseas