

Compliance Update Winter 2018

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New FSG version 10.

We have been required to prepare a new FSG which will be version 10 with an implementation date of 30 June 2018.

The new FSG provides some updated information on the association with Sequoia Financial group and also updates our address and contact details.

A common issue that we find is the failure to record version numbers of FSG's supplied to existing clients as an update.

The FSG contains an acknowledgement for receipt this is not necessary when the FSG is provided electronically in a dedicated email that refers to the FSG in the subject matter.

Action Required: *the new FSG part 1 together with your, amended for the date of issue Part 2, needs to be provided to any new or existing client for which advice is being given or in the case of new clients were it is likely advice will be provided. It is an option but not mandatory for you to forward the FSG to all clients, perhaps with a Financial Year end message or update, however it is important to record whenever an FSG is supplied the date and version number that has been supplied. Advisers who have existing combined part 1 & 2 FSG's can request a new combined FSG by emailing olga.salubri@interprac.com.au.*

Dover and the Royal Commission into Banking

If ever there was a compelling reason for InterPrac to seek the merger with Sequoia this is it. Dover and Terry McMaster built an organisation that in the end had no stability/resources or substance and was reliant on only 1 person and when confronted with an ASIC enquiry was unable to meet those challenges.

Whilst what happened to Dover was no great surprise to most in the Industry the way it was done with advisers being kept in the dark until 4.00pm the Friday before a long weekend is despicable and our advisers can rest assured that InterPrac would never allow itself to be in that situation.

We have sympathy with the advisers at Dover and many of them have reached out to InterPrac either personally or through Industry BDM's.

Notwithstanding ASIC putting Licensee's on notice that accepting advisers from AFSL's that have failed requires extra due diligence we have put in place that extra due diligence and will accept a

small number of Dover advisers who meet our requirements. If you are approached by a Dover adviser or Industry BDM with an enquiry simply provide them with our number and we will undertake the expanded due diligence.

Garry has already, through his Model Monday, provided some of his views on the Royal Commission. Personally I was following the proceedings from the US and maybe it was being in the US at the time but the similarities to Senator McCarthy and his House Un-American activities hearings in the 1940's and 50's where Hollywood executives who were named as party members could admit membership of the communist party but "redeem" themselves by providing names of other "guilty parties" was eerily similar to the Institutions spokesmen admitting to fault but then putting individual advisers under the gun.

I have long predicted the Institutions will totally exit the wealth advice area within 5 years and the only change to my prediction is that with the exception of Westpac and its BT affiliation that exit will be brought forward by 2 years.

There is little doubt that the post Royal Commission focus will be on "Best Interests" and "Fee for No Service" from an advisers point of view and the On-Boarding and Monitoring and Supervision process at the licensee end. ASIC to avoid further scrutiny on themselves will adopt a take no prisoners approach and we have already seen that with the charges being levelled against Westpac for the actions of their adviser in WA.

ASIC already hold themselves out to be the sole arbiter of "Client Best Interest" and unless your SoA and file comprehensively document all of the safe-harbor steps it will not meet the ASIC test's. The requirement for provision of an annual FDS and the completion of the Opt-In is well established and any adviser who allows themselves to fail or fall behind in this commitment is risking their business.

Action Required: *All advisers should ensure that they are completely up to date on FDS and Opt-In and that where a client has not completed the Opt-In they are no longer charging or receiving any payments for on-going advice arrangements.*

Advisers should also re-acquaint themselves with s961B(2) of Corporations Law which sets out the Safe Harbor Steps.

[FASEA and the New Education Requirements](#)

From 1/1/2019 the new education requirements commence for new advisers which will require a Bachelor Degree Qualification plus a Professional Year and from 2021 sit an exam.

Existing advisers will have until 1/1/2024 to meet the requirements.

I have included a paper prepared by UBS that provides the latest information, although it is subject to change as a result of the consultation process and also looks at the industry and how it will impact on the major institutions from a valuation basis. The paper is interesting as it has actually researched the levels of existing education in the institution space and the likely impact that will have on those Institutions (or whoever buys them).

Action Required: *The opportunity exists to consider having staff or your successor look to become Authorised prior to 1/1/2019 under the existing RG146 requirements and giving them until 1/1/2024 to meet the expanded requirements. A requirement for this would be that we would have to be satisfied that the adviser intended to meet the education standards by the due date.*

New Team member at InterPrac Compliance.

Emma Lucas has left InterPrac and we have been fortunate to secure the services of Richard Pollock as a Manager Compliance. He joins the team having had experience running a Paraplanning business and working across a number of licensees in both a compliance and advising role.

Richard understands that coaching of advisers is the critical part of the role and he will be involved in both Pre Vets and Practice visits. Richard has very good technical knowledge so please don't hesitate to contact him need.

He can be reached on the main office number 03 9209 9777 or Richard.Pollock@interprac.com.au.

Under the merger with Sequoia the Compliance Team overall has been enhanced with increased staff numbers and access to their knowledge and experience.

Action Required: *Delete the contact details for Emma Lucas and use Richards instead. Please make him welcome when he contacts you.*