

FINANCIAL PLANNING
ASSOCIATION *of* AUSTRALIA



The pillars of our profession.

CODE OF PROFESSIONAL PRACTICE | JULY 2013



Financial planning is the process of developing strategies to assist clients in managing their financial affairs to meet life goals, which involves reviewing all relevant aspects of a client's situation across a large breadth of financial planning activities, including inter-relationships among often conflicting objectives.

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Introduction

The Financial Planning Association’s (FPA) Code of Professional Practice (“the Code”) is the key document detailing the obligations of FPA members in the financial planning profession.

The FPA Code of Professional Practice includes three enforceable components: Code of Ethics; Practice Standards; and Rules of Professional Conduct; together with any Guidance issued by the FPA in relation to the whole or any part of the Code.

Professional Regulation

As a form of professional regulation, the Code of Professional Practice is intended to operate alongside government regulation and inform licensee compliance requirements as outlined in the diagram below.

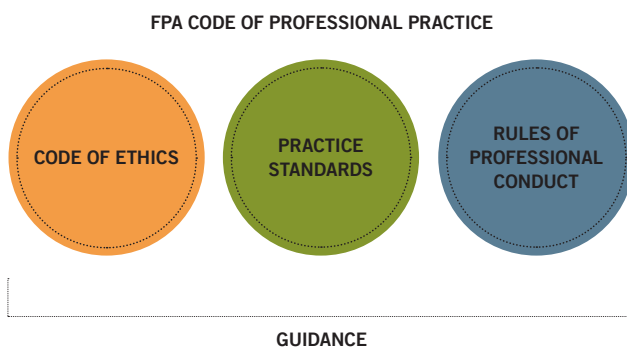
Regulatory obligations



Professional regulation is designed to reflect the perspective of your peers and aligned professionals on the quality of professional practice in financial planning.

In the FPA’s view, better integration of professional regulation into the system of regulatory obligations will achieve greater consumer, regulator and marketplace benefits.

The structure of the Code of Professional Practice is summarised in the following diagram.



Professionalism is a measure of clear expectations of professional conduct, individual commitment to those obligations and preparedness to be held accountable by peers and the community.

FPA Professional Framework

The Code of Professional Practice complements the FPA Professional Framework. The Framework consists of three components:

Professional Membership

Professional Membership ensures that only the right people can become Members of the FPA.

Professional Conduct

Professional Conduct ensures that members adhere to the Code of Professional Practice: the high standards set for the profession, and that they are supported in following professional ideals.

Professional Accountability

Professional Accountability protects the reputation of all Members by putting in place an independent, peer-driven disciplinary mechanism.

These components are set out in the diagram below.



Conflicts of Duties

Where conflicts arise between duties enunciated in the FPA's Code of Professional Practice or between such duties and the member's legal obligations, the FPA encourages members to seek guidance from the FPA Professional Standards Department, from suitably experienced peers, or from other qualified professionals. Talking through the potential conflict of professional duties helps FPA members to accurately identify their professional obligations, engage with these principles, and contribute to the development of an ethical profession.

Financial planning and other professional services covered by the Code

The FPA's Code of Professional Practice establishes professional obligations for the conduct of members in the provision of professional services and therefore applies to all types of services provided by the member in his or her professional capacity. The services covered are not necessarily limited to the financial planner/client relationship but potentially extend to dealings with other members of the profession and with other professionals and third parties. In addition, the Code may apply to the marketing of financial planning and other professional services. The application of the Code is therefore not limited to the provision of financial services or advice as defined by the Corporations Act 2001, as amended from time to time.

Application of the Code of Professional Practice to Australian Financial Services Licensees

FPA members are bound by the Code as a condition of membership of the FPA. A limited number of Australian Financial Services Licensees pledge their commitment as FPA Professional Partners and pledge to uphold the Code. Failure by an FPA Professional Partner to uphold the Code may cause the FPA to sever its relationship with the FPA Professional Partner. Annexure A sets out the FPA Professional Expectations for Australian Financial Services Licensees.

Schedule of amendments

Component	Commencement	Amended	Summary of amendments
Code of Ethics	1 July 2009	-	-
Practice Standards 1 – 6	1 July 2009	1 July 2013	PS 1.1, (with expanded explanatory elements in PS 1.2 and PS 1.3)
Practice Standard 7	1 July 2010	1 July 2013	New PS 7.4, 7.5 and 7.6
Practice Standard 8	1 July 2010 - 30 June 2011	30 June 2011	Replaced by Annexure A
Rules 1.1 – 7.37	1 July 2010	1 July 2013	Rules 1.1, 1.5, 1.8, 2.4, 4.2, 5.2, 6.3, 6.6, 7.12
Rules of Professional Conduct 8.1 – 8.45	1 July 2010 - 30 June 2011	30 June 2011	Replaced by Annexure A
Annexure A – FPA Professional Expectations for Licensees	1 July 2011	1 July 2013	Expectation 17

The FPA Rules of Professional Conduct (Regulation 1/97 as amended) remains in force in combination with more recently introduced components of the Code of Professional Practice for some conduct.

Application of the Code of Professional Practice to FPA Professional Practices

FPA Professional Practices are licensed by the FPA to utilise the FPA Professional Practice brand and marks. FPA Professional Practices are bound by conditions of their license agreements with the FPA to uphold the Code. Failure by an FPA Professional Practice to uphold the Code may result in the FPA terminating the Professional Practice's license agreement.

Reviews of the Code of Professional Practice

The Code of Professional Practice is subject to regular review to maintain its currency and effectiveness as professional regulation. The next review is scheduled to take place after 1 July 2016.

Commencement and Amendment

The final components of the Code of Professional Conduct approved by the FPA Board in November 2009 were subject to some transitional arrangements to enable members to adjust to new requirements.

Practice Standards 7 and 8 and revised Rules of Professional Practice came into effect on 1 July 2010, with a 6-month conditional moratorium on enforcement under FPA Disciplinary Regulations applicable from that date for members able to demonstrate reasonable steps towards compliance.

Practice Standard 8 and the accompanying Rules of Professional Conduct Rules 8.1 to 8.45 were repealed effective from midnight AEST 30 June 2011. Aspects of Practice Standard 8 and the accompanying rules have been incorporated in part in the FPA Professional Partners pledge, and in the FPA Professional Practice Brand License, and in Annexure A.

The Code of Professional Practice was updated to take into account the Future of Financial Advice Reforms effective 1 July 2013. Expanded explanatory elements were introduced in Practice Standard 1. Three new conduct standards were introduced in Practice Standard 7. Amendments were made to Rules 1, 2, 4, 5, 6, and 7.

Code of Professional Practice

Definitions

Word or phrase	Meaning
Associate	for the purposes of these rules, an associate of the Member includes: (a) an agent of the Member; (b) an associated entity (as defined in section 50AAA of the Corporations Act 2001); (c) an authorising licensee of the Member; (d) a director of the Member's company; (e) an employee of, or person paid in connection with the Member; (f) a partner of the Member (in the case of a partnership) in the provision of professional services; (g) a responsible manager of the Member's company.
Authorising Licensee	a Licensee that provides the Member with the legal authority to provide professional services.
Charging model	the Member's method of charging a client for the provision of professional services. The FPA applies the following terms and definitions in accordance with the FPA Financial Planner Remuneration Policy (October 2009). This terminology is enforceable in relation to disclosing or representing a Member's charging model from 1 July 2012.
Asset based charging	means the client is billed for financial planning and related services by an initial or recurrent fee calculated as a percentage of the client's assets where the rate of the fee is specifically agreed between the Member and the client.
Commission	an amount calculated as a percentage of the client's asset or insurance premium payable by the product provider to the Member's licensee for recommending the product to the client. Commissions are not paid directly by the consumer but are paid by the product provider.
Fee	an amount charged directly to the client and paid directly by the client for professional services.
Hourly rate/time based charging	the client is billed for financial planning and related services solely upon an agreed hourly or time based rate for those services, plus disbursements.
Service based charging	the client is billed for financial planning and related services purely on the basis of an agreed price for the package of services agreed between the Member and the client.
Subsidised	no fee is charged to the client for professional services or the fee charged is significantly discounted, and the costs of providing the advice are met in whole or in part by a product provider.
Client asset	means any asset of value which the client has legal and beneficial ownership, whether personally or on behalf of another person.
Communicating	includes discussing, advertising or promoting, whether orally, in written form or in any other medium.
Confirmed objectives, needs and priorities	means the client specific objectives, needs and priorities established with the Member during the financial planning engagement.
Financial planning	the process of developing strategies to assist clients in managing their financial affairs to meet life goals. It involves reviewing all relevant aspects of a client's situation across a large breadth of financial planning activities, including inter-relationships among often conflicting objectives.
Financial planning recommendation	a recommendation, statement of opinion or report provided to the client in the course of the financial planning engagement and includes a strategy and/or product or service recommendation.
Financial planning service	is a service of which the Member or his or her associates does one or more of the following for a client: (a) Provides a recommendation, an opinion or a report, that is intended to influence a prospective client or client in making a decision in relation to: i. a particular product or class of products, or an interest in a particular product or class of products; and/or ii. a particular strategy in the management of the client's financial circumstances. (b) Deal in a product or products as a result of a recommendation, opinion or report provided by the Member or his or her associates; and (c) Deal in a product or products pursuant to an authority provided by the client and includes the authority or power of attorney to operate managed discretionary accounts.

Word or phrase	Meaning
FPA's requirements	the Membership, ethical and professional requirements that govern Members' professional conduct and include the FPA Constitution, Code of Ethics, Practice Standards, Rules of Professional Conduct, Disciplinary Regulations and other regulations established pursuant to the FPA Constitution.
Licensee	a person holding an Australian Financial Services Licence.
Member	unless otherwise stated, has the same meaning as is given in the FPA Constitution.
Notifiable event	has the same meaning as is given in the FPA Disciplinary Regulations.
Portfolio monitoring service	a service consisting of evaluating the current composition and performance over time of the client's portfolio.
Product	any tangible or intangible item of value and includes, <ul style="list-style-type: none"> (a) a financial product as defined under Division 3, Part 7.1 of Chapter 7 of the Corporations Act 2001 (Cth); (b) a legal structure; (c) a mortgage or credit facility; (d) money; (e) property, including personal and real property; or (f) a scheme.
Professional services	services provided by a Member or the Member's associate including financial planning services and transaction-only services.
Representative	has the same meaning as is given to that term in section 910A of the Corporations Act 2001 (as amended).
Review service	a service consisting of evaluating the client's situation against the objectives, strategies and financial planning recommendations previously identified for and agreed by the client in the provision of financial planning services.
Sub-Category	has the same meaning as is given in the FPA Constitution.
Terms of engagement	a written document that sets out the scope of the Member engagement with the client for the provision of professional services.
Transaction-only service	a service provided by a Member or his or her associate in the dealing in a product as directed by the client and that no recommendation, opinion or report has or had been provided by the Member or his or her associate in relation to the specific dealing(s).

FPA Code of Ethics

Introduction

The Code of Ethics is the top layer of professional regulation.

It establishes the ethical foundation for the other FPA standards of professional conduct including Practice Standards and Rules of Professional Conduct. Under the FPA Constitution, the FPA's professional standards apply to all members.

Eight Principles of Code of Ethics

The eight principles in the Code of Ethics serve as minimum benchmarks for professional behaviour. Accordingly, the principles act as a point of reference for all stakeholders including members, users of financial planning services, regulators and government. The FPA, Australia's leading professional body for financial planning professionals, recognises and encourages other industry participants (e.g. non-members who provide financial planning services, licensees etc.) to adopt the principles as a reference to good ethical practice.

The principles are directly enforceable as members' obligations established in FPA Regulations. Peer professional standards established by the leading financial planning professional body will ultimately influence the interpretation of professional standards of practice by courts, tribunals and external dispute resolution schemes.

The principles were developed with the intention that they should sit comfortably and consistently with the many legal obligations that apply to Members in the practise of financial planning in Australia. However, the FPA recognises that legal obligations evolve, and from time to time Members may be required to consider their legal obligations in conjunction with compliance with these ethical principles. Compliance with the law is fundamental to the good reputation of the profession. Typically, legal obligations are imposed on practitioners not only under the Corporations Act 2001 and common law, but also through employment and other contractual arrangements with Australian Financial Services Licensees.

FPA Guidance may be issued in relation to the whole or any part of the Code of Professional Practice and may elaborate on the application of the Code of Ethics.

FPA Code of Ethics

Principle 1: Client First

PLACE THE CLIENT'S INTERESTS FIRST

Placing the client's interests first is a hallmark of professionalism, requiring the financial planner to act honestly and not place personal and/or employer gain or advantage before the client's interests.

Principle 2: Integrity

PROVIDE PROFESSIONAL SERVICES WITH INTEGRITY

Integrity requires honesty and candour in all professional matters. Financial planners are placed in positions of trust by clients, and the ultimate source of that trust is the financial planner's personal integrity. Allowance can be made for legitimate differences of opinion, but integrity cannot co-exist with deceit or subordination of one's principles. Integrity requires the financial planner to observe both the letter and the spirit of the Code of Ethics.

Principle 3: Objectivity

PROVIDE PROFESSIONAL SERVICES OBJECTIVELY

Objectivity requires intellectual honesty and impartiality. Regardless of the services delivered or the capacity in which a financial planner functions, objectivity requires financial planners to ensure the integrity of their work, manage conflicts and exercise sound professional judgment.

Principle 4: Fairness

BE FAIR AND REASONABLE IN ALL PROFESSIONAL RELATIONSHIPS. DISCLOSE AND MANAGE CONFLICTS OF INTEREST

Fairness requires providing clients what they are due, owed or should expect from a professional relationship, and includes honesty and disclosure of material conflicts of interest. It involves managing one's own feelings, prejudices and desires to achieve a proper balance of interests. Fairness is treating others in the same manner that you would want to be treated.

Principle 5: Professionalism

ACT IN A MANNER THAT DEMONSTRATES EXEMPLARY PROFESSIONAL CONDUCT

Professionalism requires behaving with dignity and showing respect and courtesy to clients, fellow professionals, and others in business-related activities, and complying with appropriate rules, regulations and professional requirements. Professionalism requires the financial planner, individually and in cooperation with peers, to enhance and maintain the profession's public image and its ability to serve the public interest.

Principle 6: Competence

MAINTAIN THE ABILITIES, SKILLS AND KNOWLEDGE NECESSARY TO PROVIDE PROFESSIONAL SERVICES COMPETENTLY

Competence requires attaining and maintaining an adequate level of knowledge, skills and abilities in the provision of professional services. Competence also includes the wisdom to recognise one's own limitations and when consultation with other professionals is appropriate or referral to other professionals is necessary. Competence requires the financial planner to make a continuing commitment to learning and professional improvement.

Principle 7: Confidentiality

PROTECT THE CONFIDENTIALITY OF ALL CLIENT INFORMATION

Confidentiality requires client information to be protected and maintained in such a manner that allows access only to those who are authorised. A relationship of trust and confidence with the client can only be built on the understanding that the client's information will not be disclosed inappropriately.

Principle 8: Diligence

PROVIDE PROFESSIONAL SERVICES DILIGENTLY

Diligence requires fulfilling professional commitments in a timely and thorough manner, and taking due care in planning, supervising and delivering professional services.

FPA Practice Standards

Introduction

The Practice Standards are the middle layer of professional regulation. The Code of Ethics outlines the ethical principles for the profession and the Practice Standards describe expectations of practice for FPA Members. The Practice Standards must be read in conjunction with the FPA Code of Ethics as the Code of Ethics applies to all Member activities and is enforceable by the FPA.

The FPA Practice Standards represent the broad-based thematic rules of financial planning while the FPA Rules of Professional Conduct are an elaboration of these rules, providing more detail.

FPA Member Guidance will be introduced as required. Member Guidance will not be enforceable like the Code, but is intended to: aid members and other stakeholders in the interpretation of the Code; include practical ideas for compliance with the Code; identify best practice; and introduce business tools to assist in compliance with professional obligations.

The FPA has adapted and adopted the Practice Standards developed by the international Financial Planning Standards Board Ltd (FPSB). The FPSB Practice Standards include the 6 Step Financial Planning Process.

FPA's Seven Practice Standards

PS1	ENGAGEMENT	1.1	Financial planning process and Member competencies
		1.2	Can the Member meet client needs?
		1.3	Define scope of engagement
PS2	COLLECTING THE CLIENT'S INFORMATION	2.1	Identify client's objectives, needs and priorities
		2.2	Collect quantitative information and documents
		2.3	Collect qualitative information
PS3	ANALYSE AND ASSESS THE CLIENT'S FINANCIAL STATUS	3.1	Analyse the client's information
		3.2	Assess the client's objectives, needs and priorities
PS4	IDENTIFY SUITABLE FINANCIAL PLANNING STRATEGIES AND DEVELOP THE FINANCIAL PLANNING RECOMMENDATIONS	4.1	Identify and evaluate financial planning strategies
		4.2	Develop financial planning recommendations
		4.3	Identify products and services for implementation
		4.4	Present recommendations to the client
PS5	IMPLEMENT RECOMMENDATIONS	5.1	Agree implementation responsibilities
PS6	REVIEW THE CLIENT'S SITUATION	6.1	Agree terms and responsibilities
		6.2	Review and re-evaluate client's situation
PS7	PROFESSIONAL OBLIGATIONS	7.1	Professional and ethical conduct
		7.2	Influencing the conduct of others
		7.3	Fair and honest service promotion
		7.4	Professional Judgement
		7.5	Conflicts of Interest and Prioritisation
		7.6	Professional Services Charging and Renewal

Purpose and Function of Practice Standards

FPA Practice Standards have been developed to:

- Set out the 6 Step Financial Planning Process for delivering quality advice;
- Assist Members to identify, understand and address clients' objectives, needs and priorities;
- Assist Members to provide professional advice and services to their clients;
- Assist Members to identify, avoid, disclose and manage conflicts of interest;
- Assist Members to demonstrate their professionalism to their clients and other external stakeholders (e.g. ASIC, FOS); and
- Assist Members by recognising and balancing commercial factors such as cost and availability of services, and sustainability of advice practices.

The Practice Standards aim to:

- Establish the level of practice expected of a Member engaged in the provision of financial planning services to a client;
- Establish standards of professional practice to ensure consistent provision of financial planning services by a Member;
- Clarify the roles and responsibilities of Members and their clients in financial planning engagements;
- Ensure all clients receive quality advice and services; and
- Align with global standards and expectations.

The Practice Standards are not intended to prescribe the services to be provided or step-by-step procedures for providing any particular service. The financial planning process is an integrated one; functions may be combined and/or revisited based on the ongoing relationship between the Member and the client.

Application of the Practice Standards

Unless expressly stated, Practice Standards apply to all members of the FPA in the conduct of their financial planning business and in the provision of financial planning services. These standards are not limited to the provision of financial product advice and extend to the provision of any professional service by the Member in his or her professional capacity.

In applying these Practice Standards, Members are expected to comply with any applicable requirement of law. Practice Standards are not intended to indicate or imply any additional legal duty upon Members. They are intended to state the expectations of practice at the level of the reasonably diligent financial planner acting competently and to provide confidence and certainty about the professional obligations that Members have with their clients, their profession and their community. Where those expectations are in conflict with the law and/or the employment relationship, the FPA would expect that Members will adhere to the requirements of those legally empowered and authorised obligations.

FPA Guidance may be issued in relation to the whole or any part of the Code of Professional Practice and may elaborate on the application of particular Practice Standards.

Format of the Practice Standards

Each Practice Standard has the following components:

Component	Example
Title	PS 5 Implement the Client's Financial Planning Recommendations
Element Title	PS 5.1 Agree on Implementation Responsibilities
Element	The Member and the client agree on implementation responsibilities that are consistent...
Element Explanation	The Member gains the client's agreement on implementation of the recommendation...

Rules of Professional Conduct

Introduction

The Rules of Professional Conduct are the third layer of professional regulation. The Code of Ethics outlines the ethical principles for the profession and the Practice Standards describe expectations of practice for FPA Members. The Rules of Professional Conduct (“the Rules”) establish detailed obligations attaching to FPA professional membership.

Purpose and Function of Rules of Professional Conduct

The Rules of Professional Conduct have been substantially revised from the Rules of Professional Conduct first introduced as FPA Regulation in 1997. The Rules have been modified and expanded to:

- Complement the new FPA Code of Ethics and Practice Standards introduced in November 2008;
- Align with global standards and expectations;
- Elaborate on the professional obligations arising from the 6 Step Financial Planning Process; and
- Prescribe acceptable limits to specific practices, or the detailed application of Practice Standards in the case of individual Rules. Some Rules may be designed to encourage particular behaviours or to curb perceived risks of malpractice. The Rules related to Practice Standards 1–6 have been designed to follow the 6 Step Financial Planning Process and guide members in meeting professional obligations at each key step. The Rules in relation to Practice Standard 7 address general obligations of conduct as well as ongoing obligations that apply throughout the financial planning process. The Rules have also been designed to assist Members to concurrently meet professional and legal obligations.

Application of Rules of Professional Conduct

Unless expressly stated, the Rules of Professional Conduct apply to all members of the FPA in the conduct of their financial planning business and in the provision of financial planning services. These standards are not limited to the provision of financial product advice and extend to the provision of any professional service by the Member in his or her professional capacity.

In applying these Rules of Professional Conduct, Members are expected to comply with any applicable requirement of law. The Rules are not intended to indicate or imply any additional legal duty upon Members. They are intended to state the expectations of practice at the level of the reasonably diligent financial planner acting competently and to provide confidence and certainty about the professional obligations that Members have with their clients, their profession and their community. Where those expectations are in conflict with the law and/or the employment relationship, the FPA would expect that Members will adhere to the requirements of those legally empowered and authorised obligations.

The Rules of Professional Conduct are enforceable.

The definitions provided on page 4 and 5 include words and terms that are used in the Code of Ethics, Practice Standards, and Rules of Professional Conduct.

FPA Guidance may be issued in relation to the whole or any part of the Code of Professional Practice and may elaborate on the application of particular rules.

Format of Rules of Professional Conduct

The table below shows how the each rule is formatted:

Component	Example
Rules relating to Practice Standard 5	Rule 5.1 A Member must meet any legal requirements to identify his or her client...

FPA Practice Standards with Rules of Professional Conduct

PS 1 Engagement

PS 1.1 Inform the Client about Financial Planning and the Member's Professional Competencies

The Member informs the client about the financial planning process, the Member's role, the services the Member offers, and the Member's competencies and experience.

EXPLANATION

Prior to entering a financial planning engagement with the client, the Member helps the client to understand the financial planning process and the nature of financial planning engagements, and provides information on the Member's qualifications. This information may include: how financial planning can help the client to meet objectives; a description of the Member's methodology used to provide financial planning; and information about the Member's license, experience and expertise.

The Member informs the client about the nature of the Member's professional role and the duties that follow: [see Practice Standard 7.5 *Conflicts of Interest and Prioritisation*]

The Member provides to the client, as required, information about the services the Member provides as well as what charges may be incurred by the client.

PS 1.2 Determine whether the Member can meet the client's needs

The Member and the client determine whether the services offered by the Member and his or her competencies meet the needs of the client. The Member and the client determine the client relationship and the capacity in which the client will require professional services. The Member considers his or her skills, knowledge and experience in providing the services requested or likely to be required by the client. Before accepting a specific client engagement, the Member determines if any conflicting duty or interest, or any threat to compliance with professional requirements would be created by acceptance of the engagement. The Member declines unethical engagements. The Member determines, and discloses, any actual, potential or perceived conflict(s) of duty and/or interest and other threats to the Member's ability to comply with professional expectations.

EXPLANATION

The Member strives to understand the client through building rapport and due inquiry. The Member establishes whether the Member can help the client, whether the Member can work with the client, and whether the services the Member is able to offer the client are likely to be of benefit and value to the client: [see Practice Standards 7.4 *Professional Judgment* and 7.5 *Conflicts of Interest and Prioritisation*]

The Member commences to apply diagnostic skills to understand this client. The client may be self-aware and bring particular goals, issues, needs, priorities and circumstances to the relationship. However the Member also gives due regard to evidence that the client may lack insight into their strengths, weaknesses, capabilities and preferences in financial matters, how they think about risk and loss, their goals, and their aptitudes for applying financial tools and technology, and how well they plan and progress towards financial goals: [see Practice Standards 7.4 *Professional Judgment*]

The Member correctly identifies the client relationship in which the client will require professional services, acknowledging that some clients may require the Member's professional services to be provided in more than one capacity: [see Practice Standard 7.5 *Conflicts of Interest and Prioritisation*]

Competence is a primary ethical duty owed by the Member as a professional to his or her client: [see Code of Ethics Principle 6 *Diligence*] The Member considers if he or she, or his or her staff, has the appropriate abilities, skills and knowledge to meet the client's expectations in seeking professional services. [see Practice Standards 7.4 *Professional Judgment*]

Personal bias or partiality have the potential to threaten the Member's ability to provide professional services objectively and fairly: [see Code of Ethics Principles 3 *Objectivity* and 4 *Fairness* and Practice Standard 7.5 *Conflicts of Interest and Prioritisation*]

The Member identifies his or her own interests and those of his or her client. The Member considers the duties he or she will owe the client should a client engagement commence. The Member has due regard for circumstances when his or her interests may conflict with the Member's duties to client. The Member considers whether any personal conflicts affect his or her ability to work successfully with the particular client: [see Practice Standard 7.5 *Conflicts of Interest and Prioritisation*]

The Member considers how third party relationships (including relationships the Member has with employer, licensee, and others) potentially influence the type and nature of the professional services he or she provides. Third party relationships held by the Member may prevent the Member from complying with his or her professional obligations to this client should the Member commence an engagement with this client: [see Practice Standard 7.5 *Conflicts of Interest and Prioritisation*]

The Member's service offering, or that of his or her employer or licensee, may be unsuitable to the particular client. The Member's personal competencies may not be adequate or suitable to address the needs of this particular client in an engagement. The Member's personal biases may challenge the Member's capacity to bring professional objectivity to the client relationship with this client: [see Practice Standards 7.4 *Professional Judgment* and 7.5 *Conflicts of Interest and Prioritisation*]

The Member considers whether commencing an engagement with this client would be in keeping with his or her professional obligations, including his duties to the client, the profession, and third parties: [see Practice Standards 7.4 *Professional Judgment* and 7.5 *Conflicts of Interest and Prioritisation*].

The Member determines if there are any other circumstances, relationships or facts (including any conflict with the Member's own interests, or the interests of another client) that would threaten the Member's ability to fulfil his or her duties to the client in an engagement, and the adequacy of any arrangements in place to manage conflicts of interests and other potential threats to professional integrity, or whether he or she is ethically prevented from accepting the client relationship: [see Practice Standards 7.4 *Professional Judgment* and 7.5 *Conflicts of Interest and Prioritisation*].

If the Member believes he or she cannot enter into an engagement fairly, for the benefit of the client, and in keeping with the Member's professional obligations, or if accepting the client relationship would threaten to bring the profession into disrepute, the Member declines the client relationship: [see Practice Standard 7.4 *Professional Judgment*].

The Member discusses the confidentiality of the client's information.

The Member enters client engagements fairly, for the benefit of the client, in keeping with professional requirements and Corporations Act obligations. The Member provides information to the client about the Member's conflicts, and the Member's client prioritisation arrangements, in terms the client is likely to understand: [see Practice Standards 1.3 *Define the Scope of the Engagement* and 7.5 *Conflicts of Interest and Prioritisation*].

PS 1.3 Define the Scope of the engagement

The Member and the client agree on the services to be provided. At the client's request, the Member may limit the services to be provided in a manner consistent with the client's circumstances and expectations in seeking professional services. The Member describes, in writing, the scope of the engagement before any financial planning is provided, including details about: the responsibilities of each party (including third parties); the terms of the engagement; and remuneration and actual or potential conflict(s) of interest of the Member. The scope of the engagement is set out in writing in a formal document signed by both parties and includes a process for terminating the engagement.

EXPLANATION

Mutually defining the scope of the engagement establishes realistic expectations for both the client and the Member. The client's informed consent to any limitation to the scope of the engagement is required and must be fairly obtained. The client's informed consent to a limited scope engagement is predicated upon the Member first offering, and fully explaining the benefits of comprehensive financial planning to the client: [See Code of Ethics Principle 1 *Fairness* and Practice Standard 7.5 *Conflicts of Interest and Prioritisation*]

In recognition that the client's willingness to participate in, or to afford comprehensive financial planning may be limited, the Member discusses options for limiting the scope of professional services to be provided consistently with the client's needs and expectations in seeking professional services. As a consequence, the Member may, at the client's request, agree to limit the scope of the engagement (including that the elements of the engagement are to be scaled, or staged over an agreed timeframe) consistent with the client's needs and expectations in seeking professional services: [see Practice Standards 1.2 *Determine whether the Member can meet the client's needs* and 7.4 *Professional Judgment*]

The Member and the client may agree that the scope of the engagement covers one, several or all of the financial planning components (financial management, asset management, risk management, tax planning, retirement planning and estate planning), and/or is intended to address one, several or all of the client's financial planning needs (including, where the client is to be provided with professional services in their individual capacity, their needs for cash-flow, debt, investment, risk, structuring, and estate planning).

A written document ensures mutual understanding and agreement between the Member and the client about the terms of the financial planning engagement. In setting out the terms in an engagement letter or disclosure document, the Member includes the following:

- specific services to be included or excluded, such as implementation and review;
- the Member's remuneration arrangements with respect to the engagement, including fees to be paid by the client;
- existing conflicts of interest, including those involving remuneration arrangements with third parties, and agreement to disclose subsequent conflicts of interest if or when they occur;
- the Member's arrangements for managing conflicts of interest and the reasons the Member believes those arrangements to manage conflicts of interest are adequate for the circumstances of the particular client;
- specific parties to the engagement, including details of any legal and agency relationships which may exist;
- assurance of protection of client confidentiality;
- duration of the engagement;
- the client's responsibilities, including the full and timely disclosure of information;
- the Member's responsibilities;
- provisions for terminating the client engagement; and
- procedures for resolving the client's claims and complaints against the Member.

Additional information that may form part of the formal written document includes:

- the potential need to use other professionals during the engagement;
- an explanation of qualifications, licences and experience of individuals who will work with the client;
- specific limitations on the use of client information; and
- any other information necessary to adequately inform the client.

Circumstances may change the Member's ability to provide services to the client, or the client may decide to terminate services or transfer to another professional. Alternatively, the Member may discover aspects of the client's circumstances which render the continuation of the engagement as initially scoped to be inconsistent with the Member's professional obligations, requiring variation or discontinuation of the engagement by the Member: [See Practice Standard 7.4 *Professional Judgment*]

The Member, varies the engagement, disengages the client or facilitates the client's transfer to another adviser in a professional manner.

Where the client voluntarily elects to utilise a transaction-only service rather than to receive financial planning services, Practice Standards 2 to 4 do not apply to the Member.

Rules relating to Practice Standard 1

PRE-ENGAGEMENT

Rule 1.1 In engaging with a client, a Member must:

- (a) inform the client in terms the client is likely to understand of:
 - i. the financial planning process;
 - ii. the nature of engagements to provide financial planning services;
 - iii. the full range of professional services which can be offered by the Member;
 - iv. the capacity (including any limitation) in which the Member is able to provide professional services;
 - v. any conflicts which the Member is unable to avoid and the arrangements the Member has in place to manage such conflicts;
- (b)
 - i. make reasonable enquiries of the prospective client's circumstances and expectations in seeking professional services from the Member;
 - ii. correctly identify the client relationship(s) in which the Member may be required to provide professional services to the client; and
- (c) decline to accept any engagement which may lead to a breach of the FPA's requirements or bring the profession into disrepute, including engagement:
 - i. which the Member is unable to enter fairly, for the benefit of the client, and in keeping with the Member's professional obligations; or
 - ii. in any illegal, deceptive or misleading activities.

Rule 1.2 A Member must not, in the course of engaging with a client, by any act or omission, misrepresent any skill, competency, experience, expertise, capacity, association, or remuneration or benefit received or receivable.

DIFFERENTIATING FINANCIAL PLANNING SERVICES FROM TRANSACTION-ONLY SERVICES

Rule 1.3 A Member must ensure, prior to providing transaction-only services, that the client understands the difference between financial planning services and transaction-only services.

LIMITING THE SCOPE OF THE ENGAGEMENT TO PROVIDE PROFESSIONAL SERVICES

Rule 1.4 Subject to the Member's capacity to provide professional services, a Member will limit the scope of the services to be provided in accordance with Rule 1.1 at the request of the client.

Rule 1.5 Where the client limits the scope of the services, the Member must record in the terms of engagement document:

- (a) that the scope of the services to be provided by the Member is limited;
- (b) the limitations on the scope of the services to be provided, including financial planning services relevant to the circumstances of the client that will not be provided;
- (c) any limitations to the Member's responsibility in providing the services; and
- (d) the client's consent to such limitations.

This Rule applies in addition to the requirements in Rules 1.8 and 1.9.

IDENTIFYING THE CLIENT

Rule 1.6 A Member must identify the client to whom professional services will be provided.

REQUIREMENT TO DOCUMENT TERMS OF ENGAGEMENT

Rule 1.7 A Member must, prior to providing any professional services to a client:

- (a) inform the client of the terms of the Member's engagement including any matter required to be disclosed by Rules 1.5, 1.8 and 1.9;
- (b) document the terms of the engagement with the client including any matter required to be disclosed by Rules 1.5, 1.8 and 1.9 in a manner that the client is likely to understand; and
- (c) provide a copy of the documented terms of engagement to the client.

Rule 1.8 If the engagement relates to the provision of a financial planning service, the terms of engagement document must include (but is not limited to) the following:

- (a) the name, contact details and Licence number of the person and the person's employer responsible for providing the financial planning services;
- (b) the name, contact details and Licence number of the Authorising Licensee legally responsible for the person's provision of financial planning services;
- (c) the name, contact details and Licence number (if applicable) of the Member;
- (d) the nature and type of the services to be provided;
- (e) service deliverables and timeframes;
- (f) expected frequency of contact;

- (g) remuneration, fees, commissions or any other pecuniary or non-pecuniary benefit whether direct or indirect, received or receivable by the Member or his or her associate in connection with the professional service;
- (h) any other benefit reasonably capable of influencing the making of a financial planning recommendation by the Member;
- (i) fee and billing arrangements;
- (j) how fees are calculated and charged;
- (k) the service standards that will apply;
- (l) any conflicts or material limitations, the Member's arrangements for managing conflicts of interest;
- (m) the duration of the engagement and how the engagement can be terminated;
- (n) the client's responsibilities, including the full and timely disclosure of information and the dangers of providing insufficient information;
- (o) any benefit that a third party may receive in connection with the service;
- (p) any other costs borne by the client should they accept all or part of the service;
- (q) access to internal and external complaint handling mechanisms including the FPA's complaints handling system; and
- (r) any other information necessary to adequately inform the client or as required by law.

Rule 1.9 If the engagement relates to a transaction-only service, the terms of engagement document must also include a statement to the following effect:

- (a) No financial planning recommendations will be given in respect of the specific transaction; and
- (b) As no financial planning recommendation is given, the specific transaction may not be appropriate and that the client risks making a financial commitment to a transaction that may not be appropriate to the client's objectives, needs and priorities.

PS 2 Collecting the Client's Information

PS 2.1 Identify the Client's Personal and Financial Objectives, Needs and Priorities

The Member and the client identify the client's personal and financial objectives, needs and priorities that are relevant to the scope of the engagement before making and/or implementing any recommendations.

EXPLANATION

The Member strives to clearly understand the client's current situation and financial objectives, needs and priorities. The client's financial objectives state intent, provide guidance and bring structure to the financial planning engagement. The Member assists the client in clarifying and prioritising his or her short and long-term objectives, and discusses with the client the merit and feasibility of any objectives that appear to be unrealistic.

PS 2.2 Collect Quantitative Information and Documents

The Member collects sufficient quantitative information and documents about the client relevant to the scope of the engagement and works with the client to resolve obvious omissions and inconsistencies in the information collected before making and/or implementing any recommendations.

EXPLANATION

The Member strives to collect complete and accurate client information and documents relevant to the scope of the engagement. The Member relies on information provided by the client and other sources to make appropriate recommendations and clearly communicates to the client the importance of collecting complete, current and accurate information. In return, the Member respects the confidentiality of, and safeguards, client documents. If the Member is unable to collect information necessary to develop and support recommendations, the Member discusses this with the client, explaining how these limitations impact the engagement and the financial plan. These limitations could result in a revised engagement document or in termination of the engagement.

PS 2.3 Collect Qualitative Information

The Member collects sufficient qualitative information about the client relevant to the scope of the engagement before making and/or implementing any recommendations.

EXPLANATION

The Member gathers information to understand the client's values, attitudes, expectations and financial experiences. This includes asking questions of the client and employing appropriate listening skills. The Member determines the client's level of sophistication and financial literacy. These areas are subjective and the Member's interpretation may be limited by what the client reveals.

Rules relating to Practice Standard 2

UNDERSTANDING CLIENT CIRCUMSTANCES

Rule 2.1 A Member must gain sufficient understanding of the client's objectives, needs and priorities, and relevant personal circumstances to establish and confirm with the client the scope of the financial planning engagement and form the basis for the development of any relevant recommendations.

Rule 2.2 For the purposes of Rule 2.1, a Member must take reasonable steps and apply a demonstrable process to:

- (a) gather and record client quantitative and qualitative information;
- (b) ensure that the client information is current, complete and accurate; and
- (c) avoid omissions and inconsistencies in the client information.

Rule 2.3 A Member must, during the process of collecting client information, inform the client that:

- (a) the development of relevant financial planning recommendations is based upon the Member having a reasonable understanding of the client's objectives, needs and priorities, and relevant personal circumstances;
- (b) the client needs to ensure that information provided by him or her is current, complete and accurate and that any changes to the information provided must be communicated to the Member as soon as practicable; and
- (c) if the client omits relevant information requested by the Member, any recommendations made may be inaccurate or inappropriate.

Rule 2.4 For the purposes of Rule 2.1, a Member must exercise professional judgment and determine whether the information gathered as to the client's objectives, needs and priorities, and relevant personal circumstances enables the client engagement to proceed as scoped.

Where the information is insufficient, or inconsistent with the engagement as scoped, the Member must either seek the client's consent to vary the nature of the engagement, or discontinue the engagement.

Note: Upon investigation of the client's circumstances, integrity may require the Member to discontinue a limited scope engagement and instead offer comprehensive financial planning services to the client. Should the client decline such further services, professional integrity may require the Member to discontinue the engagement.

PS 3 Analyse and Assess the Client's Financial Status

PS 3.1 Analyse the Client's Information

The Member analyses the client's information, subject to the scope of the engagement, to gain an understanding of the client's financial situation.

EXPLANATION

The Member analyses the client's current situation and information. As part of this analysis, the Member uses client-specified, mutually agreed upon objectives and other reasonable assumptions, which may include the client's retirement age, life expectancy, income needs, risk factors, time horizon and special needs, as well as economic assumptions such as inflation rates, tax rates and investment returns.

PS 3.2 Assess the Client's Objectives, Needs and Priorities

The Member assesses the strengths and weaknesses of the client's current financial situation and compares them to the client's objectives, needs and priorities.

EXPLANATION

The Member considers the opportunities and constraints presented by the client's financial situation and current course(s) of action, and determines the likelihood of the client reaching his or her objectives by continuing present activities or making anticipated changes. The Member may identify other issues that may impact the client's ability to achieve objectives, which he or she discusses with the client. It may be appropriate for the Member to amend the scope of the engagement and/or to obtain additional information.

Rules relating to Practice Standard 3

ANALYSE AND ASSESS CLIENT CIRCUMSTANCES

- Rule 3.1 A Member must identify and confirm objectives, needs and priorities with the client to form the basis for the Member's development of appropriate strategies and financial planning recommendations.
- Rule 3.2 For the purposes of Rule 3.1, a Member must:
- (a) inform the client on the extent to which any client stated objectives or client needs may be in conflict with another;
 - (b) reach agreement on the client's priorities between conflicting objectives or needs; and
 - (c) document the client's confirmed objectives, needs and priorities.
- Rule 3.3 A Member must undertake sufficient analysis and assessment of a client's information including:
- (a) the client's confirmed objectives, needs and priorities;
 - (b) the client's personal circumstances including the client's current financial resources;

- (c) the capacity of the client's current financial resources to tolerate risk of capital loss;
 - (d) any reasonable assumptions based upon the client's known circumstances; and
 - (e) whether the client's confirmed objectives, needs and priorities are likely to be satisfied by the client's current course;
- prior to preparing any relevant strategy or financial planning recommendation.

PS 4 Identify Suitable Financial Planning Strategies and Develop the Financial Planning Recommendations

PS 4.1 Identify and Evaluate Financial Planning Strategies

The Member considers one or more strategies relevant to the client's current situation that could reasonably meet the client's objectives, needs and priorities.

EXPLANATION

The Member identifies alternative strategies for achieving the client's confirmed objectives. The Member evaluates the ability of each strategy to reasonably address the client's objectives, needs and priorities. This evaluation may involve discussing with the client the importance, priority and timing of the client's objectives and needs; considering multiple assumptions; and/or conducting research or consulting with other professionals. In considering alternative strategies, the Member takes into account his or her legal and/or regulatory limitations or requirements and his or her competence to address each of the client's objectives, needs and priorities. This process may result in a single strategy, multiple strategies or no change to the client's current course(s) of action. More than one strategy may meet the client's objectives, needs and priorities. Strategies identified by the Member may differ from those of other practitioners or advisers, illustrating the subjective nature of exercising professional judgment.

PS 4.2 Develop the Financial Planning Recommendations

The Member develops the financial planning recommendations based on the selected strategies to reasonably meet the client's confirmed objectives, needs and priorities.

EXPLANATION

After identifying and evaluating various strategies and the client's current course(s) of action, the Member develops financial planning recommendations that can reasonably meet the client's objectives, needs and priorities. The recommendations may be an independent action or a combination of actions which may need to be implemented collectively. The recommendations may be to continue the current course(s) of action. If the Member recommends a change, it may be general or specific in nature. It may be necessary for the Member to recommend that the client modify an objective, need or priority.

The recommendations developed by the Member may differ from those of other practitioners or advisers, yet each may reasonably meet the client's objectives, needs and priorities. It is important that this part of the financial planning process be sufficiently documented.

PS 4.3 Identify Product(s) and Service(s) for Implementation

Based on the scope of the engagement, the Member identifies appropriate product(s) and service(s) that are consistent with the financial planning recommendations.

EXPLANATION

The Member investigates products or services that are suitable for the client's financial situation and reasonably address the client's objectives, needs and priorities. The Member uses professional judgment in identifying the products and services that are in the client's interest. Professional judgment incorporates both qualitative and quantitative information. Solutions identified by the Member may differ from those of other professionals since more than one product or service may meet the client's needs. The Member makes all disclosures to the client required by applicable regulations.

PS 4.4 Present the Financial Planning Recommendations to the Client

The Member presents the financial planning recommendations and the supporting rationale in a way that allows the client to make an informed decision.

EXPLANATION

When presenting the financial planning recommendations, the Member helps the client understand the client's current situation, the factors and assumptions that were critical to the recommendation(s), the risks of the recommended strategy(ies) and the likely impact of the recommendation(s) on the client's ability to meet his or her objectives. The Member avoids presenting his or her opinion as fact. The Member informs the client that the financial planning recommendations will likely need to be modified as the client's personal, economic and other conditions change. The Member discloses to the client any conflict(s) of interest not previously disclosed, and explains how such conflicts impact the financial planning recommendations. At this stage of the financial planning process, the Member can further assess whether the financial planning recommendations meet the client's expectations, whether the client is willing to act on the recommendation(s), and whether modifications are necessary.

Rules relating to Practice Standard 4

IDENTIFYING SUITABLE STRATEGIES

Rule 4.1 A Member must not recommend a financial planning strategy unless the Member understands its characteristics, risks and key features.

Rule 4.2 In selecting a financial planning strategy or strategies for inclusion in a financial planning recommendation to a client, a Member must identify and evaluate strategies, including the client's current course, that reasonably address:

- (a) the client's personal circumstances, including but not limited to the client's attitude to, or tolerance for risk;
- (b) one or more of the client's confirmed objectives, needs and priorities as established during the financial planning engagement;
- (c) any reasonable assumption established during the financial planning engagement; and
- (d) the cost, useability, usefulness, duration, benefit, and complexity of any proposed attendant service.

Rule 4.3 For the purposes of Rule 4.2, a Member's obligation to identify and evaluate a suitable strategy is separate from, but complementary to, the Licensee's processes.

Rule 4.4 Where a Member is unable to identify a suitable strategy in accordance with Rule 4.2, the Member must as soon as practicable inform the client in writing:

- (a) that the Member is unable to identify and select a suitable strategy;
- (b) the reasons the Member is unable to do so with reference to the criteria in Rule 4.2(a) to (c); and
- (c) any proposed course of action for the client's consideration.

DEVELOPMENT OF SUITABLE FINANCIAL PLANNING RECOMMENDATIONS

Rule 4.5 Any financial planning recommendation developed by a Member for the client must be consistent with:

- (a) the client's personal circumstances, including but not limited to the client's attitude to, or tolerance for risk;
- (b) one or more of the client's confirmed objectives, needs and priorities as established during the financial planning engagement;
- (c) any reasonable assumption established during the financial planning engagement; and
- (d) any suitable strategy or strategies identified during the financial planning engagement.

IDENTIFYING PRODUCTS AND SERVICES FOR IMPLEMENTATION

Rule 4.6 A Member must not recommend a product or service unless the Member understands its characteristics, risks and key features.

Rule 4.7 In making a financial planning recommendation to a client which includes a recommendation to acquire, sell, cancel or hold a particular product or service, a Member must identify and evaluate products or services, including any existing products and services held by the client, that reasonably address:

- (a) the client's personal circumstances, including but not limited to the client's attitude to or tolerance for risk;
- (b) one or more of the client's confirmed objectives, needs and priorities as established during the financial planning engagement;
- (c) any reasonable assumption established during the financial planning engagement;
- (d) any suitable strategy or strategies identified during the financial planning engagement; and
- (e) the cost, useability, usefulness, duration, benefit, and complexity of any proposed attendant service.

Rule 4.8 For the purposes of Rule 4.7, a Member's obligation to identify and evaluate a product or service is separate from, but complementary to, the Licensee's processes.

Rule 4.9 Where a Member is unable to identify or recommend a suitable product or service in accordance with Rule 4.7, the Member must as soon as practicable inform the client in writing:

- (a) that the Member is unable to identify or recommend a suitable product or service;
- (b) the reasons the Member is unable to do so with reference to the criteria in Rule 4.7; and
- (c) any proposed course of action for the client's consideration.

Rule 4.10 The Member must only make a financial planning recommendation to a client requiring the client to dispose of, cancel, or replace one product or service with another where it is consistent with the requirements in Rule 4.7 and appropriate for the client having regard to any cost, benefit, risks or adverse consequence of:

- (a) acquiring the replacement product or service;
- (b) maintaining the existing service or holding the existing product; and
- (c) disposing of, or cancelling, the existing product or service.

PRESENTING FINANCIAL PLANNING RECOMMENDATIONS TO THE CLIENT

Rule 4.11 The Member must provide the financial planning recommendations and information to assist the client to understand the recommendations in writing to the client.

If the recommendations are provided orally, confirmation of the recommendations must be made in writing and provided to the client as soon as practicable after providing the recommendations to the client.

The requirement under this Rule for the financial planning recommendations and information provided to the client to be in writing does not apply to a recommendation to the extent it comprises financial product advice regulated under the Corporations Act and corresponding regulations ("the Act"), and the Act provides that the recommendation is not required to be provided to the client in a written statement of advice.

Note: Information that is likely to assist the client to understand the financial planning recommendations includes the following:

- (a) the client's confirmed objectives, needs, priorities and personal circumstances that the Member relies on in providing the recommendations;
- (b) the financial planning recommendations including details of any strategy, product or service recommended;
- (c) the basis for the financial planning recommendations including an explanation of:
 - i. how each selected strategy is intended to address one or more of the client's confirmed objectives, needs and priorities; and
 - ii. how any product or service identified and evaluated as suitable for implementation is consistent with the selected strategy; and
- (d) the reasonably foreseeable risks and consequences of each recommendation.

Rule 4.12 In providing the financial planning recommendations to the client as required by Rule 4.11, a Member must disclose to the client:

- (a) any remuneration, fees, commissions or any other pecuniary or non-pecuniary benefit whether direct or indirect, received or receivable by the Member or his or her associate in connection with the financial planning recommendations;
- (b) the Member's charging model;
- (c) the impact including any costs and benefits of the Member's charging model on:
 - i. the client's confirmed objectives, needs and priorities; and
 - ii. any selected strategy;if the recommendations are adopted and implemented;
- (d) any other benefit or association reasonably capable of influencing the making of the recommendations by the Member;

- (e) any benefit that a third party may receive in connection with the recommendations;
- (f) any other costs borne by the client should they accept all or part of the recommendations; and
- (g) the time period after which the recommendations may no longer be implemented.

- (i) of the Member's direct or indirect material personal interest;
- (ii) the conflict between the Member's interest and the client's interest; and
- (iii) any relevant conflict of duty;
- (c) A Member must not charge a client, or cause a client to be charged, for a service without the client's consent to the service.
- (d) A Member must not implement a service for which the client is to be charged on an on-going basis without first agreeing a review point for the service.

PS 5 Implement the Client's Financial Planning Recommendations

PS 5.1 Agree on Implementation Responsibilities

The Member and the client agree on implementation responsibilities that are consistent with the scope of the engagement, the client's acceptance of the financial planning recommendations, and the Member's ability to implement the financial planning recommendations.

EXPLANATION

The Member gains the client's agreement on implementation of the recommendations and provides the required documentation. The Member may change the scope of the engagement, as originally defined, based on the agreement reached with the client. The Member's responsibilities may include: identifying activities necessary for implementation; determining respective responsibilities of the Member and the client; referring to, and coordinating with, other professionals; sharing client information as authorised; and selecting and securing products and/or services. The Member must disclose any conflicts of interest, sources of remuneration or material relationships with other professionals that have not been previously disclosed. The Member explains the rationale for referrals and the qualification(s) of the referred professional(s). If a Member is engaged by the client to provide only the implementation step of the financial planning process, this is clearly defined in writing in the scope of the engagement. This scope may include the extent to which the Member relies on information, analysis or recommendations provided by others.

Rules relating to Practice Standard 5

IDENTIFY THE CLIENT

Rule 5.1 A Member must meet any legal requirements to identify his or her client prior to implementing any relevant financial planning recommendations or providing any transaction-only services to the client.

AGREED FINANCIAL PLANNING RECOMMENDATIONS OR DIRECTIONS TO IMPLEMENT

Rule 5.2 (a) A Member must obtain the client's consent before implementing any financial planning recommendations.

(b) A Member must not implement a product or service recommendation in which the Member, has a direct or indirect material personal interest, without first informing the client in terms the client is likely to understand:

Rule 5.3 A Member must diligently implement all client-agreed financial planning recommendations or client directions to implement.

Where circumstances change, or where 30 days have passed since the provision of a financial planning recommendation, and implementation of the agreed financial planning recommendation or client direction is not in the interests of the client, the Member must:

- (a) not implement the recommendation or direction;
- (b) document the basis for declining to implement; and
- (c) advise the client in writing within 7 days that the recommendation or direction has not been implemented and the basis.

Rule 5.4 Where a client's direction to implement is likely to significantly impact upon the client's confirmed objectives, needs and priorities, or upon the client's previously implemented financial planning recommendations, a Member must inform the client in writing of any cost, benefit, risks or adverse consequences of implementing the direction upon the client's:

- (a) confirmed objectives, needs and priorities; or
- (b) previously implemented financial planning recommendations.

CLIENT ASSET REGISTER

Rule 5.5 Where a Member takes custody, is authorised to exercise investment discretion, or to exercise supervision of any Client Asset, the Member must, as soon as practicable, identify, record and maintain the following details in a register:

- (a) The date the Member took custody, received authority, or was granted discretion in respect of the Client Asset;
- (b) The name of the client in which the asset is held;
- (c) Particulars sufficient to identify the Client Asset;
- (d) The amount of the Client Asset; and
- (e) The date the Member's custody, authority or discretion ceased in respect of the client asset.

Under agreement from the client, the registers may be maintained or held by the authorising Licensee or other Licensee as long as full rights of client access are guaranteed and obligation for maintenance are diligently maintained.

EXPIRED RECOMMENDATIONS

Rule 5.6 A Member must decline to implement a financial planning recommendation that is no longer current, whether the recommendation was provided by the Member or otherwise.

PS 6 Review the Client's Situation

PS 6.1 Agree on Responsibilities and Terms for Review of the Client's Situation

The Member and client mutually define and agree on terms for reviewing and re-evaluating the client's situation.

EXPLANATION

The Member communicates to the client that financial planning is a dynamic process that may require updates due to changes in the client's personal, economic or other conditions. The Member and the client mutually agree on, and understand, their respective roles, if any, in ensuring that the client's situation is being adequately reviewed. The Member defines and communicates to the client the nature and scope of the reviewing activities that the Member will provide. The reviewing process may require the Member to modify the original scope of engagement or initiate a new engagement.

PS 6.2 Review and Re-evaluate the Client's Situation

If conducting a review, the Member and the client review the client's situation to assess progress toward achievement of the objectives of the financial planning recommendations, determine if the recommendations are still appropriate, and confirm any revisions mutually considered necessary.

EXPLANATION

The review process may include: confirming that the financial planning recommendations agreed on by the client and the Member have been implemented; assessing progress toward and achievement of the objectives of the financial planning recommendations to date; re-evaluating initial or subsequent assumptions made by the Member for reasonableness; determining whether changes in the client's circumstances or objectives require adjustments to the financial plan; and mutually agreeing on any required changes. As circumstances and needs change, a Member may need to revisit earlier steps in the financial planning process.

Rules relating to Practice Standard 6

ENGAGING TO PROVIDE REVIEW OR PORTFOLIO MONITORING SERVICES

- Rule 6.1 A Member must, prior to providing any review or portfolio monitoring service to a client:
- (a) inform the client the difference between those services and the purpose and scope of the services proposed;
 - (b) provide the client with the opportunity to review any operative terms of engagement including the cost of a review or portfolio monitoring service; and
 - (c) comply with Rule 1.7 in respect of any engagement to provide ongoing professional services.
- Rule 6.2 A Member must not misrepresent the nature of any review or portfolio monitoring service to a client or prospective client.

CONDUCT OF REVIEWS

- Rule 6.3 In conducting a review, a Member must:
- (a) evaluate the client's current situation against the client confirmed objectives, needs and priorities and previously implemented financial planning recommendations;
 - (b) confirm delivery of any previously agreed services;
 - (c) identify any services previously agreed but not utilised by the client; and
 - (d) assess the suitability of any continuing services.
- Rule 6.4 In evaluating the client's current situation for the purposes of a review, a Member must gather quantitative and qualitative information in accordance with Practice Standard 2 and Rules 2.1 to 2.4 and analyse and assess such information in accordance with Practice Standard 3 and Rules 3.1 to 3.3.
- Rule 6.5 In conducting a review, if the Member's financial planning recommendations vary from the client's implemented recommendations, a Member must comply with Practice Standard 4 and Rules 4.1 to 4.12 in identifying, developing and presenting any new or amended financial planning recommendations.
- Rule 6.6 A Member must confirm in writing to a client at the conclusion of a review service:
- (a) any changes to the client's:
 - i. confirmed objectives, needs and priorities;
 - ii. personal circumstances; and
 - iii. implemented financial planning recommendations;
 - (b) any recommendation to the client to continue the implemented financial planning recommendations (if applicable); and

- (c) any additional financial planning recommendations made.

Note: A Member must also comply with Rules 1.7 and 5.2 in implementing any agreed financial planning recommendations as a consequence of a review.

CONDUCT OF PORTFOLIO MONITORING

Rule 6.7 A Member must diligently implement any portfolio monitoring service agreed with the client.

PS 7 Professional Obligations

PS 7.1 Members conduct themselves in a professional and ethical manner

The Member conducts him or herself in accordance with high standards of professional and ethical conduct within the financial planning profession and as a Member of the FPA.

EXPLANATION

The Member understands, abides by and upholds applicable laws, the FPA's Constitution, Code of Ethics, Practice Standards, Rules of Professional Conduct, Disciplinary Regulations and other associated regulations, collectively known as the FPA's requirements. The Member ensures that his or her professional and ethical conduct, including relationships with clients, fellow Members, and third parties presents professionalism and enhances the good reputation of the profession. The Member acknowledges that good professional conduct extends beyond the Member's obligations to his or her clients, and includes prospective clients, fellow Members, employees, colleagues, the FPA and the public in general. For example, the Member presents a true and fair impression of the Member's competencies, services and relationships with other financial services providers to the public in general.

PS 7.2 Members influence others to conduct themselves in a professional and ethical manner

The Member encourages and influences other financial planners to demonstrate the high standards of professional and ethical conduct in the provision of financial planning services.

EXPLANATION

As a Member of the financial planning profession, the Member encourages and influences other financial planners to demonstrate high standards of professional and ethical conduct in the provision of financial planning services. The Member does this by acting in accordance with the FPA's requirements, and by encouraging other Members to do the same.

In this way, the Member's conduct encourages and influences managers and responsible managers, colleagues, peers, employees and subordinates to demonstrate and apply high standards of professionalism in the provision of financial planning services.

PS 7.3 Members present and promote their services fairly and honestly

The Member undertakes fair and honest communication of its services to the public. The Member provides sufficient disclosure to enable consumers to appreciate the financial planning and related services offered, including any third party relationships or influences.

EXPLANATION

The Member, in the course of the provision of financial planning or related services, may advertise or promote its services to a client, a prospective client, a targeted audience, or the public. The Member ensures that any communication, including advertising or promotional material, is fair and honest in any representation of service offering, competencies, experience, expertise, capacity or limitations, financial association with product providers or third parties, remuneration or benefit received or receivable and charging model, or any other material representation that would reasonably influence a person to acquire the Member's services.

For example, it is unprofessional conduct for the Member to make unsubstantiated comparisons of its services against another financial services provider.

Similarly, it is unprofessional conduct for a Member to communicate past performance data in the promotion of a particular strategy/product, where such communication may give a false and misleading impression of the benefits, costs or risks of the strategy/product.

PS 7.4 Professional Judgment

The Member applies due care and skill and exercises professional judgment in the provision of professional services.

EXPLANATION

The exercise of due care and skill and professional judgment is an inherent expectation of those who hold themselves out to be professional. The following examples from the financial planning process highlight how a Member may be called upon to demonstrate professional competence and judgment. These examples are not intended to be exhaustive:

The Member exercises due care and skill and professional judgment in assessing whether to commence a client relationship with each client. For example, the Member considers whether the Member can help the client, whether the Member can work with the client, and whether the services the Member is able to offer the client are likely to be of benefit and value to the client: [see Practice Standards 1.1 *Inform the Client about Financial Planning and the Member's Professional Competencies* and 1.2 *Determine whether the Member can meet the client's needs*]

The Member exercises due care and skill and professional judgment in determining and agreeing the scope of services that the Member will provide to the particular client. For example, the Member considers whether it is appropriate to limit, prioritise or stage the delivery of professional services to the client: [see Rule 2.4]

The Member exercises due care and skill and professional judgment in determining which of the client's needs are a priority for the client to address in the professional engagement.

The Member exercises care and professional judgment in determining the type and depth of diagnosis of the particular client required to develop suitable financial planning recommendations, and in responding to omissions and inconsistencies in the client's data.

The Member exercises due care and skill and professional judgment in evaluating and selecting a financial planning strategy for inclusion in a financial planning recommendation to a client: [see Practice Standard 4.1 *Identify and Evaluate Financial Planning Strategies* and Rules 4.1 – 4.4.

The Member exercises due care and skill and professional judgment in developing financial planning recommendations based on the selected strategies: [see Practice Standard 4.2 *Develop the Financial Planning Recommendations* and Rule 4.5]

The Member exercises due care and skill and professional judgment in identifying suitable products and services for implementation consistent with the financial planning recommendations: [see Practice Standard 4.3 *Identify Product(s) and Service(s) for Implementation* and Rules 4.6 – 4.10] In particular, the Member must carry out reasonable investigations of any product or service that the Member recommends (including recommendations to acquire, hold, sell or replace a product or service). The level and extent of investigation and evaluation of any particular product or service must be sufficient for the Member to understand the characteristics, risks and key features of the product or service.

The Member also ensures he or she understands the product or service sufficiently to be able to effectively communicate the characteristics, risks and key features of the product or service to the particular client who will utilise it. As a general principle, the Member is reluctant to recommend a product or a service which his or her client is unable to understand: [see Practice Standard 4.4 *Present the Financial Planning Recommendations to the Client* and Rule 4.11]

Additional care, skill and professional judgment may be required of a Member in communicating, educating the client about, and recommending complex strategies, products or services.

Similarly, where the risks associated with a strategy, product or service are higher, or where any adverse consequences for the Member's client are significant should the strategy, product or service not perform as expected, additional care, skill and professional judgment may be required of the Member.

The Member exercises due care, skill and professional judgment to evaluate information formally disclosed by product issuers and service providers under law. If required, the Member seeks additional information utilising standard inquiries. The Member considers whether the information provided is complete and accurate, and whether additional inquiries may be required from the product issuer or service provider, or from relevant third parties. The Member considers the source and reliability

of other information about the product or service. Where other information is sourced from third parties (including the Member's employer, licensee, the product issuer, research houses and ratings agencies) the member considers the extent to which he or she may rely on the information in advising his or her client.

Where it is in the client's interest to utilise a strategy, product or service unfamiliar to the Member, or for which the Member lacks experience or relevant competency, the Member assesses whether he or she is able to make a recommendation with additional training or expert assistance where required. Where the member is not competent to undertake the work (either with, or without additional training, or expert assistance) the Member refers the client on.

The Member exercises due care and skill and professional judgment in identifying to the client the risks and costs of implementing the financial planning recommendations: [see Practice Standard 4.4 *Present the Financial Planning Recommendations to the Client* and Rules 4.11 – 4.12]

The Member exercises due care and skill and professional judgment in implementing a client's directions: [see Practice Standard 5.1 *Agree on Implementation Responsibilities* and Rules 5.3 – 5.4]

The Member exercises due care and skill and professional judgment in identifying and recommending the timing of review services for the client and in the extent of the review required: [see Practice Standards 6.1 *Agree on Responsibilities and Terms for Review of the Client's Situation* and 6.2 *Review and Re-evaluate the Client's Situation* and Rules 6.3 – 6.6]

The Member exercises due care and skill and professional judgment in identifying, avoiding and managing conflicts of interest in accordance with the Member's duty to his or her client: [see Practice Standard 7.5 *Conflicts of Interest and Prioritisation*].

PS 7.5 Conflicts of Interest and Prioritisation

The member applies the following standards in the provision of professional services:

1. **Identify your role**

Members provide professional services (including financial planning services) professionally to clients. The Member clarifies and agrees his or her role and the services with the client.

2. **Identify your client relationship**

The Member correctly identifies the client to whom professional services are to be provided and the capacity in which the client is to be provided such services.

3. **Duties to client**

The Member identifies and acts in accordance with his or her duties to his or her client. Once the client is identified, the Member's duties are primarily to that client until permission is given to expand or alter that client duty.

4. **Fiduciary duty is primary**

The member identifies and acts in accordance with his or her fiduciary duty to his or her client, giving effect to the duty of loyalty and the 'not to profit without informed consent' rule.

5. **Duty to profession**

As a professional, the Member has a duty to honour his or her profession and the public interest it serves. The Member avoids situations and conduct which brings the profession into disrepute.

6. **Duty to third parties**

The Member must identify to his or her client any third parties to whom the Member may owe duties, and the nature of those duties. The Member recognises where such duties to third parties may conflict with the Member's primary duties to client, to profession, and with the member's own interests.

7. **Identify conflicts of interest**

Professional integrity requires that the Member identifies where his or her interests and duties conflict and where a duty may conflict with other duties (e.g. duty to client with duty to third party).

8. **Prioritise your client's interests**

The Member's duty to his or her client is paramount and must prevail in the event of a conflict.

9. **Avoid and manage conflicts**

The Member avoids or manages situations and relationships which create conflicts between interest and duty, or conflict between duty and duty. Some situations and relationships cannot be managed by disclosure, but must be avoided as a matter of integrity.

EXPLANATION

This Practice Standard is intended to be read in conjunction with Division 2 of Part 7.7A Chapter 7 of the Corporations Act 2001. That Division concerns the provision of personal advice (as defined in the Corporations Act) to persons as retail clients, and requires, amongst other things, that an advice provider must act in the best interests of the client in relation to the advice and, in the event of a conflict, must give priority to the client's interests when giving the advice. In keeping with the other provisions in the FPA Code of Professional Practice, this Practice Standard applies to all members in the conduct of their financial planning businesses and in the provision of financial planning services. Application is not limited to the provision of personal advice to persons as retail clients and extends to the provision of any professional service by the Member in his or her professional capacity.

Identify your role

The Member complies with requirements in Practice Standards 1.1 and 1.2 in commencing the client relationship. The Member informs the client about the nature of the Member's role as a practitioner providing professional services including financial planning services to clients. In particular, for each client, the Member correctly identifies and establishes the professional role as one of professional financial planner and client, ensuring a proper foundation to manage the ensuing client engagement and the obligations that flow.

Identify your client relationship

The Member correctly identifies the capacity in which the client will require professional services. The Member recognises that the client may need professional services in different capacities, for example, as individual, husband and wife jointly, as trustee, as business owner, or as a body corporate. At all times during the engagement the member remains conscious of, and able to answer the questions: 'Who is my client?' 'To whom am I providing professional services?' 'In what capacity am I providing my client professional services?'. In the course of the client relationship, the client may require the Member to alter or extend the capacity in which the Member provides professional services to the client.

The Member determines whether the client relationship may ethically proceed in accordance with Practice Standard 1.2 *Determine whether the Member can meet the client's needs.*

The Member enters client engagements fairly, for the benefit of the client, in keeping with professional requirements and Corporations Act obligations. The Member provides information to the client about the Member's conflicts, and the Member's client prioritisation arrangements, in terms the client is likely to understand.

Duties to client

The Member owes a professional duty of loyalty to his or her client in accordance with the Member's professional role as a practitioner providing professional services, including financial planning services, to clients. The Member has obligations to the client under Corporations Act including obligations to act in the best interest of the client in relation to the advice and, in the event of certain conflicts, to prioritise the interests of the client when giving the advice. The Member has other duties to the client arising from contract and the general law.

Duties to profession

The professional provision of financial planning or related services is a role imbued with trust and confidence in the Australian community. Financial planners are entrusted with their clients' financial security, and have the capacity, through their professional engagements, to profoundly influence their clients' financial futures. How the Member manages his or her relationship with the client and conducts him or herself professionally during the course of a client engagement is of critical importance professionally: [see Practice Standards 7.1, 7.2 and 7.3 and related Rules]

The Member identifies and acts in accordance with his or her duties both to the profession and to the public interest the profession serves. The Member avoids situations and conduct which reflect adversely on his or her integrity or fitness as a financial planner, membership of the financial planning profession and the FPA, or upon the FPA.

Fiduciary Duty

In keeping with the Member's professional role, the Member understands and acts in accordance with the fiduciary duty – expressed as the twin ethical requirements of 'loyalty to one's client' and 'not to profit without informed consent of one's client' – by placing the client's interest first.

Third party duties

How the Member engages and manages relationships with third parties to the client relationship is of critical importance professionally. The Member's third party relationships have the potential to influence the Member's professional services to the client. The Member's third party relationships may positively or negatively influence the Member's advice, and have the potential to conflict with the Member's duty to his or her client.

Third parties to the adviser and client relationships include, but are not limited to the 'related parties' to the advice provider set out in s.961J of the Corporations Act 2001.

Some of the Member's third party relationships impose separate duties including legal obligations on the Member. For example, a Member will typically have third party relationships with employers, licensees and others in the financial services industry. In many of these relationships the Member will owe duties to the relevant third party – for example via an employment contract, or authorised representative agreement.

The Member is alert to his or her third party relationships and duties and how they potentially influence the Member and the professional services the Member provides.

The Member identifies his or her third party relationships to the client when commencing and maintaining client engagements. The Corporations Act requires a Financial Services Guide (FSG) to be provided to the client. The FSG is required to disclose details of associations and relationships and related parties that might reasonably be expected to be capable of influencing the providing entity in providing the advice. Following the FSG obligation may assist the Member to meet the professional requirement to identify the Member's third party relationships to the client. However, the professional requirement is personal and extends beyond meeting a providing entity's statutory disclosure obligations. Thus the Member identifies to the client his or her own third party relationships and associations and any duties owed by the Member to the third party in terms the client is likely to understand.

The Member keeps relevant records of the disclosures and discussions with the client including appropriate file notes.

The Member is alert to how third party duties may conflict with the Member's duties to his or her client, to the profession and with the Member's own interests.

Identifying conflicts

A Member's professional duty to the client requires that the Member identify the Member's own and third party conflicts with the interests of the client.

There are conflicts management obligations upon AFS licensees including requirements to disclose remuneration and other benefits, and associations, under the Corporations Act. Inclusion of this information by an AFS licensee (or providing entity) in mandatory disclosure documents will assist Members to identify their own and relevant third party conflicts of interest. This information should assist the Member to identify who is likely to benefit as a consequence of the Member providing professional services to the particular client and the nature of that benefit including the dollar amount of any financial benefit attributable to the professional service. It should alert the Member to how third parties potentially benefit commercially from the Member providing professional services to the client, and how such third party interests may conflict with the client's interests.

The Member is self-aware of personal interests as well as personal biases and how these may threaten the Member's ability to provide professional services to the client objectively. For example, a Member's personal bias in favour of investing in direct property, may conflict with the Member's duty to provide professional services objectively, where the client needs holistic advice on investing in multiple asset classes including managed funds, direct shares and collectibles, as well as direct property.

Similarly, self interest will conflict with duty to client (and Corporations Act obligations) where the Member's personal competencies are not adequate to address the needs of the particular client in an engagement (e.g. a retiree client requires advice on a deferred annuity product that the Member is not trained or sufficiently experienced to provide).

More obvious self-interest conflicts arise in relation to a Member's remuneration for professional services. Engaging with a client professionally for reward involves a conflict between the interest of the client in receiving the Member's services at minimum cost, and the Member's interest in being rewarded for his or her professional services. It challenges the ethical duty of loyalty to one's client. Self-interest threats to the Member's professional duty of loyalty to the client arise when the Member enters into a client relationship for the provision of the Member's own services (including advice) for reward. This type of conflict is likely to arise:

- initially in a new engagement for the Member's professional services;
- when the Member includes recommendations for services (including the Member's professional services or services to be provided by associated third parties) in the Member's financial planning recommendations;
- when implementing financial planning recommendations which include recommendations for services (including the Member's professional services or services to be provided by associated third parties);
- incidentally when the Member makes a product recommendation;
- when the Member conducts a review of existing products or services;
- when the Member re-contracts with the client for services.

Moreover, the Member's relationships with third parties may indicate conflicts between the interests of the third party and the interests of the Member's client. For example the interest of the Member's Licensee is usually to profit commercially from the Member's client, whilst the client's interest is to receive the best possible professional service (including advice) at minimum cost. The Member identifies the conflict between the Member's professional duty to the client, and his or her duty to the Licensee.

Existing third party relationships held by the Member may prevent a Member from complying with his or her professional duties and/or Corporations Act obligations to the client during an engagement. For example, the Member's service offering, or that of his employer or licensee, may make the cost of delivering necessary ongoing professional services to a particular client excessive in proportion to the client's financial resources.

Entering new third party relationships may prevent a Member from complying with his or her professional duties and/or Corporations Act obligations to the client during an engagement. For example in changing licensees a Member's new licensee insists the Member's clients are changed to the new licensee's preferred platform for commercial reasons inconsistent with the Member's professional duty to recommend suitable products and services to each client.

Being able to correctly identify situations, arrangements, relationships and associations that give rise to conflicts is an important professional skill and forms the foundation to responding to conflicts with professional integrity.

Prioritising client interests

The Member's treatment of properly identified conflicts provides a foundation for trusting client relationships. However, the failure to respond appropriately to conflicts has the potential to bring discredit to the Member and to the profession and it may result in the Member breaching Corporations Act obligations to act in the best interests of the client in relation to the advice and to give priority to the client's interests when giving advice.

The Member approaches conflicts through the lens of the professional duty to of loyalty to the client and gives priority to the client's interests in the event of a conflict. Prioritising the client's interests may require the member to decline or discontinue an engagement, or the provision of a service within an engagement.

Some conflicts are likely to make it more difficult for the Member to prioritise the interests of the client:

- When the Member is remunerated in connection with the provision of professional services to the client and the remuneration comes in whole or in part from a source other than the client. (Division 4 of Part 7.7A of the Corporations Act prohibits advice providers from accepting certain types of remuneration which could reasonably influence the financial product advice they give or the financial products they recommend to clients.)
- When the Member makes a financial planning recommendation that includes a product or service in which the Member, or an associate of the Member, holds a direct or indirect material interest. For example, if the Member recommends the client acquire an interest in a product issued by an associate of the Member (i.e. the product is issued by the Member's employer, or an entity associated with the Member's AFS licensee).

Avoiding and Managing Conflicts

There are many conflicts endemic to the practice of financial planning in Australia. They cannot be ignored. They must be identified – preferably in advance – and avoided where it is possible to do so.

As noted above, Division 4 of Part 7.7A of the Corporations Act prohibits advice providers from accepting certain types of remuneration which could reasonably influence the financial product advice they give or the financial products they recommend to clients. Further to this prohibition in the statute, the FPA Financial Planner Remuneration Policy strongly discourages the receipt by Members of commissions in any form (other than for life risk) paid by the product provider for advice. The best way for Members to avoid remuneration conflicts in relation to advice is to ensure that the Member's client rather than a product provider pays for the financial planning services.

Subject to the abovementioned prohibitions on certain types of remuneration, as with other professions, the inherent remuneration conflict between the professional's self-interest in providing professional services for reward and the client's interest in receiving the best possible services for minimum cost, can be managed in accordance with the Member's duty to the client by obtaining the client's consent to the Member's 'profit' from the client engagement – provided that the Member is able to prioritise the client's interests during the engagement.

The Member only proceeds with conflicted engagements where the Member has informed the client about the conflict and the Member's arrangements in place to manage such conflicts in terms the client is likely to understand, and the Member is satisfied that such arrangements enable the Member to provide professional services to the client in a manner that places the client's interests first. The Member declines or discontinues conflicted engagements where the Member is not satisfied that the engagement enables the Member to place the client's interests first.

The Member keeps relevant records of remuneration conflicts disclosures, discussions with the client and treatment through appropriate file notes.

The Member's service offering (or that of his or her employer, or licensee) may place limitations on the financial planning strategies, recommendations, products or services the Member is able to advise on. Such service offering limitations might restrict a Member from carrying out the Member's professional duties to the client, and thus may require a Member to decline a client engagement. For example, the Member should avoid and/or discontinue engagements where, under the relevant service offering, the cost of delivering necessary initial or ongoing professional services to a particular client would be excessive relative to the client's financial resources, or where the service offering would prevent the Member developing relevant and suitable financial planning strategies and recommendations for the client.

The Member declines or discontinues conflicted engagements or the provision of particular services within an engagement where the Member is not satisfied that the engagement or the provision of the service enables the Member to place the client's interests first. The Member's professional duty of loyalty to the client will preclude the Member from providing professional services to the client including advice in circumstances where the Member's personal interests conflict with their duty to act in the interests of their client, or where the Member's duty to another person and their duty to act in the interests of their client conflict.

Licensee or employer restrictions (e.g. a limited approved product list) may mean the Member is only permitted to evaluate and recommend products and services of a third party associated with the Member's licensee or employer. This situation may mean the Member is unable to advise the client consistently with the Corporations Act obligations to provide advice that is in the best interests of the client, is appropriate, and prioritises the client's interest as well as the professional duty to place the client's interests first. Where due to these or other relevant limitations, the Member is unable to evaluate the client's existing product or

service, or unable to select a suitable product or service on the approved list, or is unable to evaluate the client's non-approved list product, the Member declines to make or implement the relevant financial planning recommendation.

Further, to comply with the professional duty of loyalty to the client, the Member avoids making or implementing a financial planning recommendation that includes a product or service in which the Member, or an associate of the Member, holds a direct or indirect material interest, unless the Member is satisfied the recommendation meets the best interest and related obligations under Part 7.7A of the Corporations Act, is suitable for the client having regard to provisions in this Code of Professional Practice, gives priority to the interests of the client over the interests of the Member and any associated third party, is otherwise in accordance with the law, and the Member will comply with Rule 5.2 (b) in relation to the product or service.

The Member keeps relevant records of the disclosures and discussions and treatment of third party conflicts with the client including appropriate file notes.

PS 7.6 Professional Service Charging and Renewal

The Member applies the following standards in the conduct of professional and business activities:

1. Professional Services

Professional services can include any form of professional service able to be accessed by the member for the client (incl. 3rd party)

2. Suitability of Services

Services should be suitable for this client (including but not limited to consideration of useability, usefulness, duration, benefit and complexity of those services).

3. Cost suitability

Cost of services to the client should be suitable as measured by benefit (tangible and intangible) to client.

4. Transparency

Originator and costs of services will be clearly identified and remuneration payable to member clearly disclosed

5. Services must be agreed

Only services that have been agreed can be charged for.

6. Confirmation at review

Confirmation of services previously delivered will be provided at agreed review point.

7. Suitability review

Services that have not been utilised by the client should be clarified for suitability at review point.

8. Agreement to continuation

Continuation of services to be delivered will be gained in the form of producible evidence.

EXPLANATION

The Member applies a professional approach to entering, recommending, charging and renewing services for the client which extend over time. Ongoing service arrangements may be part of the Member's professional services, or those of the Member's firm or a third party associate of the Member. They may be the subject of, or relate to a financial planning recommendation developed in accordance with the Practice Standard 4 of the FPA Code of Professional Practice, or they may be offered or arranged by the Member independently of any financial planning recommendation.

From a professional stand point, broadly the same principles and considerations apply to recommending a service that apply to recommending a financial product. The Member determines the suitability of recommended services in accordance with Practice Standard 4 and with due consideration of the useability, usefulness, duration, benefit and complexity of the service for the particular client. The Member gives due consideration to whether a service is suitable to the particular client's needs, objectives, priorities and to the cost of services to the client relative to any benefit (tangible and intangible) to the client: [see Practice Standard 4.3 *Identify Product(s) and Service(s) for Implementation*, Rules 4.2 – 4.10, Rule 5.2]

Where the service is not subject to a financial planning recommendation, the Member considers whether the Member may comply with the client's direction to implement the service consistently with the client's circumstances and ethical expectations: [see Rule 5.4]

Prior to agreeing and implementing any service, the Member clearly identifies and discloses the originator and costs of the service, and any remuneration, or other benefit, received or receivable by the Member (and any associate of the Member). The Member ensures that services originated by the Member or the Member's practice are agreed with the client and captured in the terms of engagement with the client: [see Practice Standard 1.3 *Define the Scope of the Engagement* and Rule 1.1 to Rule 1.9 (particularly Rule 1.8) and Rule 5.2]

The Member ensures that service agreements are in place for the benefit of the client where services are originated by third parties.

The Member ensures that service agreements include provision for the duration, review, agreed review points and termination of the agreement and other relevant particulars: [see Practice Standard 1.3 *Define the Scope of the Engagement* and Rules 1.1 – 1.9 (particularly Rule 1.8), Rules 5.2 and 6.1(c)]

The Member ensures that the client is only charged for services which have been agreed by the client: [see Rule 5.2]

In conducting client reviews the Member complies with Practice Standard 6 and ensures that the suitability of previously agreed and implemented services is reviewed at agreed review points.

Where a service is to continue, for example following a review, the Member records and retains evidence of the client's agreement to the continuation of the service, and the next review point. The Member is able to produce evidence of the client's agreement to the continuation of a service if called upon to do so. Evidence may include: a file note of a conversation with the client; a letter confirming the continuing engagement; a record of advice; or other record capable of production [see Rules 6.3 and 6.6].

GENERAL CONDUCT

Rules relating to Practice Standard 7

- Rule 7.1 A Member must treat other persons with courtesy, respect and candour.
- Rule 7.2 A Member must not, in the conduct of professional and business activities, engage in any act or omission of a misleading, deceptive, dishonest or fraudulent nature, nor must the Member engage in any act or omission that is likely to mislead or deceive.
- Rule 7.3 A Member must not engage in any conduct which reflects adversely on his or her integrity or fitness as a financial planner, his or her Membership of the FPA, or on the FPA.
- Rule 7.4 A Member who is a Representative of a Licensee must provide professional services in accordance with the lawful directions of the Licensee and the FPA's requirements.

CLIENT SERVICE

- Rule 7.5 A Member must ensure that all professional services are provided in an efficient, honest and fair manner.
- Rule 7.6 A Member must only provide professional services including financial planning with proper legal authorisation, and in accordance with legal, regulatory and the FPA's requirements.
- Rule 7.7 A Member must ensure that his or her personal biases or interests do not adversely affect his or her services to clients.
- Rule 7.8 A Member must only make and/or implement recommendations that are suitable for the client.

ONGOING DISCLOSURE

- Rule 7.9 A Member must advise his or her client in writing, within 20 business days, of any changes to the financial planning engagement which reasonably could adversely impact the client's interest(s) including (but not limited to) changes:
- to the professional services provided;
 - to the Member's capacity or authority to provide professional services; or
 - which increase the Member's remuneration received or receivable under the engagement.

It is sufficient compliance with this Rule if the Member's authorising Licensee advised the client within the above timeframe.

CONFLICTS OF INTEREST – CONTINUOUS DISCLOSURE

- Rule 7.10 A Member must advise the client in writing of any actual, potential, or perceived conflict(s) of interest(s) that developed after the commencement of a financial planning engagement. The Member must make such disclosure prior to the provision of any (further) financial planning recommendation impacted by the conflict, and in any case, within 20 business days of becoming aware of the conflict(s).
- Rule 7.11 A Member must not recommend a product or service in which the Member has a direct or indirect material personal interest without disclosing in writing to the client at the time the recommendation is made the Member's direct or indirect material personal interest in the product or service.
- Rule 7.12 A Member must not implement a product or service in which the Member has a direct or indirect material personal interest without disclosing to the Member's client, at the time the product or service is implemented, and in terms the client is likely to understand:
- (a) the Member's direct or indirect material personal interest in the product or service;
 - (b) the conflict between the Member's interest and the client's interest; and
 - (c) any relevant conflict of duty.

CLIENT ENGAGEMENT

- Rule 7.13 A Member must, upon becoming aware that the client had a previous financial planning services engagement with another financial planning business or financial planner, undertake the following (but no later than providing any financial planning recommendations to the client):
- (a) obtain authority from the client to communicate and facilitate the transfer of documentation from the previous financial planning business or financial planner;
 - (b) request in writing any information that may indicate that the engagement to provide professional services would be contrary to the client's interest(s).

In the absence of any authority from the client, the Member should consider whether to accept the engagement and document the decision to accept/decline engagement.

COMMUNICATION

- Rule 7.14 A Member must ensure, in the course of the provision of professional services, any communication (whether oral or written):
- (a) is courteous;
 - (b) avoids offensive or provocative language or conduct; and
 - (c) is not misleading or deceptive, or likely to mislead or deceive.
- Rule 7.15 A Member must not misrepresent the status of their Membership with the FPA.
- Rule 7.16 A Member must not misstate their authority to represent the FPA. Specifically a Member must not write, speak or act in such a way as to lead another to believe that the Member is officially representing the FPA, unless the Member has been duly authorised to do so by the officers, directors or regulations of the FPA.
- Rule 7.17 Unless compelled to by law, or required to fulfil a legal obligation, any person who by reason of their Membership of the FPA or connection with the FPA is exposed to, learns of or has access to information and knowledge concerning the FPA and/or Members must comply with the FPA's Privacy Policy and keep confidential all such information and knowledge and is not entitled to communicate or divulge that information or knowledge or any part thereof.
- Rule 7.18 A Member must notify the FPA of any of the following changes in the circumstances of the Member, within 28 days of the effective date of the change:
- (a) address, email, telephone and other contact details;
 - (b) employment or authorised representative status details; and
 - (c) any other details which may affect the eligibility of the Member to belong to a category of Membership.
- It is sufficient compliance with this Rule if the Member effects the change(s) on the FPA website.
- Rule 7.19 A Member must advise the FPA in writing within 7 days of becoming aware of the occurrence of any notifiable event.
- Rule 7.20 A Member must comply with the FPA's requirements in respect of complaints handling, dispute resolution, disciplinary procedures and compliance review, as well as maintain adherence with all regulations made from time to time by the FPA.

MARKET REPRESENTATION

Rule 7.21 A Member must not, when communicating his or her professional services:

- (a) misrepresent:
 - i. any service offered;
 - ii. any skill, competency, experience, expertise, or capacity;
 - iii. any association;
 - iv. any remuneration or benefit received or receivable;
 - v. any charging model for financial planning services provided by the Member, his or her associates and any other party;
- (b) make unsubstantiated comparisons of the Member's services against another;
- (c) falsely advertise, or advertise in a way that is misleading or deceptive, or is likely to mislead or deceive; or
- (d) mislead or deceive any person.

Rule 7.22 A Member must comply with the FPA's requirements in using the FPA's name, logos, Membership category descriptions and professional designations.

DOCUMENT ADMINISTRATION AND CONFIDENTIALITY

Rule 7.23 A Member must ensure that any personal information or documents given to or gathered by the Member in the course of or in connection with the provision of financial planning services are securely retained and kept confidential. This rule applies to personal information and documents belonging to or related to the Member's client or to other persons.

Rule 7.24 A Member must not use any information or documents given to or gathered by the Member in the course of or in connection with the provision of financial planning services for his or her direct or indirect personal benefit, whether or not it causes detriment to the client.

Rule 7.25 A Member must open and maintain separate and independent files and records for each client to whom any financial planning service is provided. A Member may rely on the files and records of his or her authorising Licensee in compliance with this rule.

Rule 7.26 For the purposes of Rule 7.23:

- (a) a Member must keep the information and/or relevant documents (or copies of such information/document), whether in electronic form or otherwise, for 7 years from the date of the finalisation of the matter. It is sufficient compliance with this rule if the information and/or documents are kept by the Member's employer or the Member's authorising Licensee; and

- (b) a Member must not charge the client for the costs for retaining information and/or documents as required by Rule 7.23.

Rule 7.27 A Member must keep confidential:

- (a) all client information obtained in the provision of professional services; and
- (b) all commercial information belonging to the Member's authorising Licensee or obtained in the course of the Member's employment with a particular Licensee.

CLIENT TERMINATIONS AND TRANSFERS

Rule 7.28 A Member must take all reasonable steps, consistent with a client's interest(s), to facilitate the orderly transfer of the client's business to another professional upon receipt of written advice from the client or another person authorised by the client advising that the client has retained another professional in substitution for the Member.

Rule 7.29 A Member must, upon receiving a written request by the client, and subject to the legal requirements of the Member's employer or authorising Licensee, provide the client or a person authorised by the client, any original documents and electronic files related to the provision of professional services within 21 days from the date of the request. Unless compelled by law, this does not include documents which have been prepared or received by the Member in the provision of professional services, such as internal notes, memoranda, quotes or other working documents.

MEMBERS IN POSITIONS OF AUTHORITY AND/OR WITH SUPERVISORY RESPONSIBILITIES

Rule 7.30 A Member who is personally legally responsible for the management or conduct of a financial services business or the supervision of Representatives, including principals, managers or responsible managers, must ensure that he or she exercises his or her legal, managerial or supervisory authority in a manner that is not inconsistent with the FPA's requirements.

Rule 7.31 A Member must provide reasonable and prudent professional supervision of, or direction to, any subordinate or third party to whom the Member assigns responsibility for any professional services.

COMPETENCIES

Rule 7.32 A Member must satisfy all continuing professional development requirements set by the FPA from time to time.

Rule 7.33 A Member must offer advice only in those areas in which the Member is professionally competent. In areas where the Member is not professionally competent, the Member shall seek the counsel of qualified individuals and/or refer clients to such parties.

CLIENT ASSETS

Rule 7.34 A Member must not commingle the client's property with the property of the Member, the Member's employer, or with other clients' property unless the commingling is permitted by law, is explicitly authorised and defined in a written agreement between the parties, and the Member has sufficient record-keeping to track each client's assets accurately.

Rule 7.35 A Member must not borrow money from a client.

This Rule does not apply when:

- (a) the client is a Member of the Member's immediate family; or
- (b) the client is an institution in the business of lending money and the borrowing is unrelated to the professional services performed by the Member.

Rule 7.36 A Member must not lend money to a client. This Rule does not apply when:

- (a) the client is a Member of the Member's immediate family; or
- (b) the Member is a Representative of an institution in the business of lending money and the money lent is that of the institution, not the Member.

PROVIDING REPRESENTATIVE GOOD FAME AND CHARACTER INFORMATION

Rule 7.37 A Member must be truthful in the disclosure of past investigations, and any current binding legal obligation to the FPA, a current or prospective authorising Licensee, or employer subject to any operative lawful constraint.

Annexure A

FPA Professional Expectations for Australian Financial Services Licensees.

1. Introduction

This document is issued by the FPA as an annexure to the FPA Code of Professional Practice (the FPA Code). It establishes the FPA's professional expectations for Australian Financial Services Licensees operating financial planning businesses in Australia (Financial Planning Licensees) and is designed to complement the delivery of financial planning services by practitioner members of the FPA who are required to operate in accordance with the FPA Code.

Financial Planning Licensees who conduct their financial planning businesses in compliance with Annexure A, and who support their representatives, employees and agents to comply with the FPA Code demonstrate their support for professional financial planning in Australia.

Purpose

Annexure A models the behaviour and expectations for Australian Financial Planning Licensees to enable them to best support and promote the delivery of professional financial planning by professional financial planners (practitioner members of the FPA). It is intended to serve as a benchmark for professionalism in licensee practice and to assist financial planning licensees to understand and meet expectations of the professional practice of financial planning in accordance with the FPA Code of Professional Practice. It incorporates a set of expectations about the conduct of financial planning businesses, the supervision and monitoring of their representatives' professional conduct where those representatives are FPA members, and the ethical and fair promotion of their services.

Financial Planning Licensees who follow the expectations detailed are demonstrating to the public their positive commitment to professional practice and the profession of financial planning.

Many of the principles and obligations identified in this guide were previously incorporated in the Code of Professional Practice as Practice Standard Eight (PS8) and accompanying Rules of Professional Conduct that applied to FPA Principal Members until 1 July 2011.

2. Application

Primary Obligations

Financial Planning Licensees should look to the FPA Code of Ethics, Practice Standards, and Rules of Professional Conduct as the primary source of professional obligation applying to their FPA member representatives. They have been developed by the FPA as the sole representative of the financial planning profession in Australia, consistently with the law and with the public interest in the development and maintenance of high standards of professional conduct in the financial planning profession.

The FPA expects FPA Professional Practices and members in practice will utilise Annexure A in benchmarking and assessing a Financial Planning Licensee's service offer. We encourage FPA members and Professional Practices to actively seek out those firms who demonstrate support for professional financial planning practice in accordance with the FPA Code and other requirements.

The FPA also intends that the other organs of enforcement (such as the Courts, ASIC, FOS, and the FPA Conduct Review Commission) will apply Annexure A to assist in the interpretation and practical application of the enforceable elements of the Code particularly as they apply to individual FPA member conduct and the support that an individual practitioner should expect to receive from their licensee for the professional practice of financial planning.

Finally, Annexure A brings together considered thinking from the professional financial planning community and from specialist compliance and legal expertise to identify good practice in licensee support to professional financial planning practice. We recognise that practices develop and improve, and for that reason Annexure A is intended as a living document that should be regularly reviewed for its currency and capacity to speak to good financial planning licensee practice.

Authority

From 1 July 2011 Financial Planning Licensees ceased to be afforded membership status with the FPA. From that date the FPA has no membership binding authority over Financial Planning Licensees to enforce the FPA's Code or other requirements. Similarly, the expectations detailed in this Annexure are not directly enforceable against a Financial Planning Licensee unless a further form of commitment is entered into between the FPA and an individual Financial Planning Licensee. Instead, this Annexure is intended to be informative as to professional practice that all professionally committed licensees engage in.

Further, unless a further form of commitment is entered into between the FPA and an individual Financial Planning Licensee, a Financial Planning Licensee is unable to make any claim or gain any benefit from their adherence with these expectations.

Determining a breach of Annexure A

Under the Corporations Act (2001), a Financial Planning Licensee is vicariously liable for the conduct of its representatives. Similarly, for the purposes of determining whether a Financial Planning Licensee is in breach of the obligations set out in Annexure A, the conduct of a Financial Planning Licensee's representative shall be taken to be the conduct of the licensee.

Definitions

Capitalised terms used in Annexure A have the same meaning as the definitions accompanying the FPA Code of Professional Practice (July 2013).

3. General Principles

Financial Planning Licensees that wish to demonstrate support for the financial planning profession, financial planning professionals (FPA practitioner members) and the public interest, do so by upholding the following principles:

Principle 1

The Financial Planning Licensee provides financial planning services in a professional and ethical manner.

EXPLANATION

The Financial Planning Licensee abides by and upholds applicable laws, supports its representatives to comply with the FPA Constitution, the FPA Code of Professional Practice Disciplinary Regulations and other associated regulations, collectively known as the FPA's requirements. By ensuring high standards of professional and ethical conduct by its representatives the Financial Planning Licensee demonstrates professionalism and enhances the good reputation of the profession.

For example, the Financial Planning Licensee assists its representatives to place the client's interest first by ensuring that any financial planning recommendations are developed in accordance with Practice Standards 1 to 6 of the FPA Code of Professional Practice.

Principle 2

The Financial Planning Licensee ensures its FPA member, and other representatives conduct themselves in a Professional and Ethical Manner.

EXPLANATION

The Financial Planning Licensee develops and maintains effective systems and culture to ensure its Representatives provide financial planning and related services to clients with high standards of professional and ethical conduct, and in accordance with the FPA's requirements.

It develops, maintains and applies systems, processes and business rules which support and are not inconsistent with the FPA's requirements for Practitioner Members.

It facilitates and encourages an organisational culture that fosters the professional practice of financial planning by its representatives and others. Together, the Financial Planning Licensee's systems and culture enable and influence its representatives to provide financial planning and related services to high standards of professional and ethical conduct and in accordance with the FPA's requirements.

For example, the Financial Planning Licensee requires all its representatives, whether FPA members or not, to adhere to the FPA Code of Professional Practice in the representative's provision of financial planning and related services on behalf of the Financial Planning Licensee.

Principle 3

The Financial Planning Licensee presents and promotes its services fairly and honestly.

EXPLANATION

The Financial Planning Licensee undertakes fair and honest communication of its services to the public. It provides sufficient disclosure to enable consumers to appreciate the financial planning and related services offered, including any third party relationships or influences.

The Financial Planning Licensee, in the course of the provision of financial planning or related services, may advertise or promote its services to a client, a prospective client, a targeted audience, or the public. The Financial Planning Licensee ensures that any communication, including advertising or promotional material, is fair and honest in any representation of service offering, competencies, experience, expertise, capacity or limitations, financial association with product providers or third parties, remuneration or benefit received or receivable and charging model, or any other material representation that would reasonably influence a person to acquire the Financial Planning Licensee's services. For example, it is unprofessional conduct for the Financial Planning Licensee to make unsubstantiated comparisons of its services against another financial services provider. Similarly, it is unprofessional conduct for a Financial Planning Licensee to communicate past performance data in the promotion of a particular strategy/product, where such communication may give a false and misleading impression of the benefits, costs or risks of the strategy/product.

The Financial Planning Licensee recognises and conducts its business in accordance with the following expectations:

GENERAL CONDUCT

1. The Financial Planning Licensee ensures its conduct complies with any law or legal requirement applying to the provision of professional services as defined for the purposes of the FPA Code.
2. Where the Financial Planning Licensee is also a participant organisation of the Australian Securities Exchange (ASX), the Licensee accepts the FPA's requirements apply to its provision of financial planning services.
3. The Financial Planning Licensee, in the conduct of professional and business activities, refrains from engaging in any act or omission of a misleading, deceptive, dishonest or fraudulent nature, or any act or omission that is likely to mislead or deceive.
4. The Financial Planning Licensee refrains from engaging in any conduct which reflects adversely on its public standing, its relationship with the FPA, or on the FPA.

5. The Financial Planning Licensee ensures, in the course of the provision of professional services, any communication (whether oral or written):
 - (a) is courteous;
 - (b) avoids offensive or provocative language or conduct; and
 - (c) is not misleading or deceptive, or likely to mislead or deceive.

CLIENT SERVICE

6. The Financial Planning Licensee ensures that all professional services are provided in an efficient, honest and fair manner.
7. The Financial Planning Licensee only provides professional services with proper legal authorisation, and in accordance with legal, regulatory and the FPA's requirements.
8. The Financial Planning Licensee ensures that its interests and/or interests of its associated entities do not adversely affect its provision of professional services to its clients or the interests of its clients.
9. The Financial Planning Licensee only makes and/or implements financial planning recommendations that are suitable for the client.

MARKET REPRESENTATION

10. In advertising or promoting the Financial Planning Licensee's professional services or products, including but not limited to, where the advertisement or promotional material associates the Financial Planning Licensee's services with a product, the Financial Planning Licensee ensures the advertising or promotional material discloses:
 - (a) the name and Licensee number of the product issuer;
 - (b) the relationship between the Financial Planning Licensee and the product issuer;
 - (c) any benefit received by the Financial Planning Licensee or an associate of the Financial Planning Licensee, in relation to the advertisement or promotion;
 - (d) information about the association or relationship between the Financial Planning Licensee and a product issuer sufficient to identify:
 - i. any ownership of the Financial Planning Licensee by a product issuer;
 - ii. any joint ownership of the Financial Planning Licensee and the product issuer by another body corporate; and
 - iii. any remuneration or benefit received or receivable by the Financial Planning Licensee if a person acquires the product through the Financial Planning Licensee, or the Financial Planning Licensee's Representative.

11. The Financial Planning Licensee, where any advertisement or promotional material associates the Financial Planning Licensee's professional services with a particular product and utilises the Financial Planning Licensee's brand, ensures the advertising or promotional material displays the brand of the product issuer with equal co-prominence to the Financial Planning Licensee's brand.
12. The Financial Planning Licensee ensures the proper use of the FPA's name, logos, sub-Category of Membership, Professional Practice brands and trademarks and professional designations in accordance with the regulations of the FPA.

ONGOING DISCLOSURE

13. The Financial Planning Licensee advises its client in writing, within 20 business days, of any relevant changes to the financial planning engagement which reasonably could adversely impact the client's interests, including (but not limited to) changes:
 - (a) to the professional services provided;
 - (b) to the Representative responsible for providing financial planning services;
 - (c) to the Financial Planning Licensee's capacity or authority to provide professional services; or
 - (d) which increase the Financial Planning Licensee's remuneration received or receivable under the engagement.
14. The Financial Planning Licensee makes disclosure in writing to the client of the approximate amount of remuneration received by the Financial Planning Licensee as a result of implementing a financial planning recommendation, where the approximate amount of remuneration received is materially higher than the estimates provided to the client at the time of presenting the financial planning recommendations. This written disclosure is provided no later than 60 days after the first anniversary of the date of implementing the financial planning recommendation and then discussed in each subsequent review cycle.

CONFLICTS OF INTEREST – CONTINUOUS DISCLOSURE

15. The Financial Planning Licensee advises the client in writing of any actual, potential or perceived conflict(s) of interest(s) that develops after the commencement of a financial planning engagement. The Financial Planning Licensee makes such disclosure prior to the provision of any (further) financial planning recommendation impacted by the conflict, and, within 20 business days of becoming aware of an actual conflict of interest which materially impacts the relationship.
16. The Financial Planning Licensee refrains from recommending any product or service in which the Financial Planning Licensee has a direct, or indirect, material interest without disclosing in writing to the client, at the time the recommendation is made, the Financial Planning Licensee's direct, or indirect, material interest in the product or service.

17. The Financial Planning Licensee refrains from implementing any product or service in which the Financial Planning Licensee has a direct, or indirect, material interest without disclosing to the client, at the time the product or service is implemented, and in terms the client is likely to understand:
 - (a) the Licensee's direct or indirect material interest in the product or service;
 - (b) the conflict between the Licensee's interest and the client's interest; and
 - (c) any relevant conflict of duty.

CLIENT ASSETS

18. The Financial Planning Licensee clearly identifies with the client the assets (if any) over which the Financial Planning Licensee and/or its Representatives will take custody, exercise investment discretion, or exercise supervision and record the details of any such assets in a central register within 7 days from the date of instructions given by the client.

Under agreement from the client, the registers may be maintained or held by the representative or another Financial Planning Licensee as long as full rights of client access are guaranteed and obligation for maintenance are diligently maintained.
19. The Financial Planning Licensee identifies and keeps updated records of all funds or other property of the client in the custody, or under the discretionary authority, of the Financial Planning Licensee or its Representatives.
20. The Financial Planning Licensee ensures that the Financial Planning Licensee and/or its Representatives do not commingle the client's property with the property of the Financial Planning Licensee and/or its Representatives, or with other clients' property unless the commingling is permitted by law, is explicitly authorised and defined in a written agreement between the parties, and the Financial Planning Licensee has sufficient record-keeping to track each client's assets accurately.
21. The Financial Planning Licensee refrains from borrowing money from any client. This Expectation does not apply when the client is an institution in the business of lending money and the borrowing is unrelated to the professional services performed by the Financial Planning Licensee.
22. The Financial Planning Licensee refrains from lending money to any client. This Expectation does not apply when the Financial Planning Licensee or its associated entity is an institution in the business of lending money and the money lent is that of the Financial Planning Licensee.

23. The Financial Planning Licensee ensures that any personal information or documents provided to the Financial Planning Licensee or its Representative, for the purpose of providing financial planning services are securely retained and kept confidential. This Expectation applies to personal information and documents belonging to or related to the Financial Planning Licensee's client or to other persons.

DOCUMENT ADMINISTRATION AND CONFIDENTIALITY

24. Unless holding an express written authority from the client, the Financial Planning Licensee refrains from using any information or documents provided to the Financial Planning Licensee or its Representative, for the purpose of providing professional services for any other purpose, whether or not it causes detriment to the client.
25. The Financial Planning Licensee ensures that its Representatives open and maintain separate and independent files and records for each client to whom any financial planning service is provided.
26. For the purposes of Expectation 23, the Financial Planning Licensee keeps the information and/or relevant documents (or copies of such information/document), for 7 years from the date of the finalisation of the matter.

CLIENT TERMINATION AND TRANSFER

27. The Financial Planning Licensee takes all reasonable steps, consistent with the client's interest(s), to facilitate the orderly transfer of the client's business to another professional upon receipt of written advice from the client or another person authorised by the client advising that the client has retained another professional in substitution for the Financial Planning Licensee.
28. The Financial Planning Licensee, upon receiving a written request by the client and subject to the Financial Planning Licensee's legal rights, provides the client or a person authorised by the client, any original documents and electronic files related to the provision of professional services within 21 days from the date of the request. This does not include documents which have been prepared or received by the Financial Planning Licensee in the provision of professional services, such as internal notes, memoranda, quotes or other working documents.

MANAGEMENT OF A FINANCIAL PLANNING BUSINESS

29. The Financial Planning Licensee ensures it possesses the organisational capacity to provide financial planning services (as defined for the purposes of the FPA Code) to clients in accordance with the financial planning process established in FPA Practice Standards 1 to 6 under the FPA Code.
30. The Financial Planning Licensee, in relation to its financial planning business, establishes and maintains effective systems and organisational culture including:
- (a) corporate governance arrangements;
 - (b) risk management systems; and
 - (c) policies to manage alternative forms of remuneration received and/or provided, whether by the Financial Planning Licensee or product issuers, and whether passed through to the Financial Planning Licensee's Representatives or not.
31. The Financial Planning Licensee takes reasonable steps and applies a demonstrable process to manage conflicts of interests.
32. The Financial Planning Licensee discloses any actual or potential conflict of interest or limitation that the Financial Planning Licensee's interest in another professional services business imposes upon the Financial Planning Licensee's capacity to provide financial planning services (as defined for the purposes of the FPA Code) to the client, including the Financial Planning Licensee's capacity to provide financial planning services with objectivity to the client.
33. The Financial Planning Licensee establishes systems to ensure its natural person Representatives maintain the competence to provide professional services as defined for the purposes of the FPA Code.
34. The Financial Planning Licensee ensures its FPA Member Representatives satisfy all continuing professional development requirements as set by the FPA from time to time.
35. The Financial Planning Licensee effects and maintains appropriate internal dispute resolution and external dispute resolution arrangements, as well as compensation arrangements in respect of the provision of professional services as defined for the purposes of the FPA Code.
36. The Financial Planning Licensee advises the FPA in writing within 20 business days of becoming aware of the occurrence of any notifiable event concerning its FPA Member financial planner representatives, as outlined in Schedule D of the FPA Disciplinary Regulation.

37. The Financial Planning Licensee advises the FPA in writing within 20 business days of any of the following:
- change to the licensee's business contact details;
 - the licensee is required to hold and ceases to hold an Australian financial services license;
 - the licensee's Australian financial services license is suspended by ASIC;
 - the licensee enters into an enforceable undertaking with ASIC;
 - there is a change of Control, ownership or management of the licensee;
 - the licensee becomes an externally administered body corporate; or
 - the licensee, or any of its directors or officers, is convicted of a serious criminal offence, or an offence involving dishonesty, or is subject to a banning order under the Corporations Act.
38. The Financial Planning Licensee follows the practices identified as FPA requirements in respect of complaints handling, dispute resolution, disciplinary procedures and compliance review, as well as ensures they remain familiar with regulations made from time to time by the FPA.

RECRUITMENT AND APPOINTMENT OF REPRESENTATIVES

39. The Financial Planning Licensee has reasonable and appropriate standards for the appointment of Representatives, as defined for the purposes of the FPA Code, responsible for the provision of professional services.
40. The Financial Planning Licensee has a written agreement with each Representative which defines the rights and obligations of the Financial Planning Licensee and the Representative.
41. The Financial Planning Licensee refrains from employing, authorising as a Financial Planner, or engaging in business with any person who is a disqualified person for the purposes of the FPA Code.
42. Having regard to the Financial Planning Licensee's obligations under Expectation 13, the Financial Planning Licensee considers notifying clients where the Financial Planning Licensee's Representative becomes the subject of a notifiable event as defined in the FPA's Disciplinary Regulations, including notification of:
- the fact that the Representative is the subject of an FPA notifiable event; and
 - the type of notifiable event as set out in the notifiable events schedule.

Provided that for the purposes of this Expectation, the Member may be excused from the requirement to notify the clients of its Representative under Expectation 13 where it is able to demonstrate such notification would be unfair or unlawful.

SUPERVISION OF REPRESENTATIVES

43. The Financial Planning Licensee is responsible for any conduct by its Representatives (as defined for the purposes of the FPA Code) which relates to the conduct of the Financial Planning Licensee's financial planning business.
44. The Financial Planning Licensee develops and maintains effective systems of supervision to ensure that its Representatives provide professional services that comply with the FPA's requirements.
45. The Financial Planning Licensee supports its Representatives to comply with:
- all directions of the FPA and the FPA's standards and requirements for the use by the Representative of any Trade Mark which the FPA has title to, owns, or has an interest in, including the form in which the Trade Mark is used;
 - all FPA requirements to provide reports or information to the FPA;
 - the FPA Regulation 02/04,
 - the FPA Disciplinary Regulations;
 - the FPA Code of Professional Practice and other FPA requirements as defined for the purposes of the FPA Code;
46. The Financial Planning Licensee ensures that its Representatives not do anything which may harm the reputation or goodwill of the FPA;
47. The Financial Planning Licensee acknowledges and consents that investigatory, disciplinary and other action may be taken by the FPA against FPA Members, including pursuant to the FPA Code, the FPA Constitution and FPA Disciplinary Regulations, and consents to any such action being taken by the FPA.
- This includes consenting to the progress and outcome of investigations being dealt with in accordance with FPA Disciplinary Regulations.
48. The Financial Planning Licensee acknowledges and consents that the FPA may at its discretion refer the conduct of any current or former Representative to any regulatory or law enforcement body or agency.



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