



FAAA FINANCIAL ADVICE
ASSOCIATION
AUSTRALIA

FAAA BEST PRACTICE STANDARDS

April 2023

The FAAA Best Practice Standards are guidance to assist Members in meeting their obligations as professionals. As such they set out what an appropriate standard in any given situation might be, but the guidance does not seek to set a minimum standard.

No guidance can be comprehensive, nor can it cover every potential scenario that may arise. Members should use their professional judgment in applying the Best Practice Standards in each situation.



Background to the FAAA Best Practice Standards

In response to Member feedback that the FPA Code of Professional Practice 2013 was overly long, but also contained much that was of value in guiding Member's conduct, we have produced the FAAA Best Practice Standards. These are composed of material that formed the Practice Standards and Rules section of the Code of Professional Practice 2013, updated and amended to take into account subsequent regulatory changes and societal expectations of a profession. This material no longer forms part of the FAAA Professional Code.

Unlike the FAAA Professional Code, the Best Practice Standards are not directly enforceable by the FAAA. However, where relevant, the Best Practice Standards will act as a guide for the FAAA and the Conduct Review Commission to interpret what conduct would be appropriate in a given situation.

The Best Practice Standards draw from the FPSB Practice Standards and Rules and as such are in line with the highest quality international standards of financial planning practice.

In the event that the Code conflicts with or applies a lower standard than the law, the law takes priority.

Structure

Standards 1 to 6 follow the steps of the Financial Planning Process:

- Engagement
- Collecting the Client's Information
- Analyse and Assess the Client's Financial Status
- Identify Suitable Financial Planning Strategies and Develop the Financial Planning Recommendations
- Implement Recommendations
- Review the Client Situation

Standard 7 covers Professional Obligations that do not fall under the 6 steps.

Each Standard is comprised of both Overview and Detail. The Overview provides a brief summary of the relevant concepts relating to each standard, providing guidance and explanation. The Detail breaks down the financial planning process into its constituent stages, and provides clarity as to the professional obligations.

Using the Best Practice Standards

The Best Practice Standards should be read in conjunction with the Principles set out in the FAAA Professional Code. Where appropriate, the Best Practice Standards can provide guidance as to what action may be required under a given Principle

The Best Practice Standards have been provided as guidance to assist Members to understand how to meet their obligations as Professionals. However, no guidance can be comprehensive, nor can it cover every potential scenario that may arise. Members should use their professional judgement in applying the Best Practice Standards in each scenario.

Standard 1

Engagement

Overview

S 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. 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. This includes but is not limited to the Member's fiduciary duties, best interest duty and the duty of care.

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. In most cases this explanation will be provided with reference to the FSG.

S 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 their 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 their 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 appropriate enquiries. 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.

The Member uses their knowledge, skills and expertise to gain an understanding of the client's wider personal and financial situation. 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.

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.

Competence is a primary ethical duty owed by the Member as a professional to their client: [see Professional Code Principle 8 Competence] The Member considers if they, or their staff, have the appropriate abilities, skills and knowledge to meet the client's needs and expectations in seeking professional services.

Personal biases 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]

The Member identifies their own interests and those of their client. The Member considers the duties they will owe the client should a client engagement commence.

The Member has due regard for circumstances when their interests may conflict with the Member's duties to the client. The Member considers whether any personal conflicts affect their ability to work successfully with the particular client.:

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 they provide. Third party relationships held by the Member may prevent the Member from complying with their professional obligations to the client should the Member commence an engagement.

The Member's service offering, or that of their 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 considers whether commencing an engagement with the client would be in keeping with their professional obligations, including the Member's duties to the client, the profession, and third parties.

If the Member believes they 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.

The Member explains their obligations in relation to the confidentiality of the client's information and the steps they will take to keep it confidential.

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.

S1.3 Define the Scope of the engagement

The Member and the client agree on the services to be provided. 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 information on responsibilities on the termination of 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 comprehensive financial planning and fully explaining the benefits to the client and potential consequences in limiting advice [See Code of Ethics Principle 4 Fairness].

In recognition that the client may not need, want or be able to afford comprehensive financial planning, the Member discusses options for limiting the scope of 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]. Services must be provided consistently with the client's needs and expectations in seeking professional services.

The Member and the client may agree that the scope of the engagement covers one, several or all of the financial planning components (for example financial management, asset management, risk management, tax planning, retirement planning and estate planning etc), and/or is intended to address one, several or all of the client's financial planning needs.

A written document ensures mutual understanding and agreement between the Member and the client about the terms of the financial planning engagement. The Member should include items referred to in legislation.

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.

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, Best Practice Standards 2 to 4 do not apply to the Member. However, the risks and consequences of using a transaction only service should be clearly explained to the client.

Detail

PRE-ENGAGEMENT

S1.4

In engaging with a client, a Member should:

- 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;
- 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 FAAA'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. involve the Member in any illegal, deceptive or misleading activities.

S 1.5

A Member should 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

S 1.6

A Member should ensure that clients who elect to receive transaction only services are aware of the risks and consequences of not receiving advice around the transactions.

LIMITING THE SCOPE OF THE ENGAGEMENT TO PROVIDE PROFESSIONAL SERVICES

S 1.7

Subject to the Member's capacity to provide professional services, a Member will limit the scope of the services to be provided at the request of the client.

S 1.8

Where the client limits the scope of the services, the Member should 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.

IDENTIFYING THE CLIENT

S 1.9

A Member should identify the client to whom professional services will be provided. For example, the Member should state whether advice is being provided to a trustee in their capacity as a trustee or as an individual.

REQUIREMENT TO DOCUMENT TERMS OF ENGAGEMENT

S 1.10

A Member should, prior to providing any professional services to a client:

- a. inform the client of the terms of the Member's engagement;
- b. document the terms of the engagement with the client in a manner that the client is likely to understand; and
- c. provide a copy of the documented terms of engagement to the client.

S 1.11

If the engagement relates to the provision of a financial planning service, the terms of engagement document should 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 License number of the Authorising Licensee legally responsible for the person's provision of financial planning services;
- c. the nature and type of the services to be provided;
- d. service deliverables, timeframes and standards;
- e. expected frequency of contact;
- f. remuneration, fees, commissions or any other pecuniary or non-pecuniary benefit whether direct or indirect, received or receivable by the Member or their

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

S 1.12

If the engagement relates to a transaction-only service, the terms of engagement document should 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 the client risks making a financial commitment to a transaction that may not be appropriate to the client's objectives, needs and priorities.

Standard 2

Collecting the Client's Information

Overview

S 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 their short and long-term objectives, and discusses with the client the merit and feasibility of any objectives that appear to be unrealistic.

S 2.2 Collect Factual Information and Documents

The Member collects sufficient factual 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. The Member should respect the confidentiality of, and safeguard, 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.

S 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 experience. This includes asking questions of the client and employing appropriate listening skills. The Member determines the client's level of financial sophistication and financial literacy. These areas are subjective and the Member's interpretation may be limited by what the client reveals.

Detail

UNDERSTANDING CLIENT CIRCUMSTANCES

S 2.4

A Member should gain and document a sufficient understanding of the client's objectives, needs and priorities, and relevant personal circumstances. This can be used 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.

S 2.5

A Member should take reasonable steps and apply a demonstrable process to:

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

S 2.6

In order to provide relevant financial planning recommendations, a Member needs a reasonable understanding of circumstances.

A Member should, 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 them 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.

S 2.7

A Member should 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 should either seek the client's consent to vary the nature of the engagement, or discontinue the engagement.

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.

DOCUMENTING CLIENT OBJECTIVES

Formation of client objectives should be client led. It may be a necessary and appropriate part of the Member's remit to discuss the feasibility of a particular objective to highlight areas that client may not have thought of. However, this is not compatible with substituting the client's objectives with the Member's preferences.

Standard 3

Analyse and Assess the Client's Financial Status

Overview

S 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 objectives as well as other relevant matters. These include but are not limited to:

- the client's retirement age
- life expectancy
- income needs
- risk factors
- time horizon
- special needs

As well as economic assumptions such as:

- inflation rates
- tax rates
- investment returns.

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

The Member assesses 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 their 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 they discuss with the client. It may be appropriate for the Member to amend the scope of the engagement and/or to obtain additional information.

Detail

ANALYSE AND ASSESS CLIENT CIRCUMSTANCES

S 3.3

A Member should 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.

S 3.4

A Member should:

- a. inform the client on the extent to which any client stated objective or need may be in conflict with another objective or need;
- b. reach agreement on the client's priorities between conflicting objectives or needs; and
- c. document the client's confirmed objectives, needs and priorities.

S 3.5

A Member should, prior to preparing any relevant strategy or financial planning recommendation, 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.

Standard 4

Identify Suitable Financial Planning Strategies and Develop the Financial Planning Recommendations

Overview

S 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 their legal and/or regulatory limitations or requirements and their competence to address each of the client's objectives, needs and priorities.

S 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 concurrently. 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.

S 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 factual information. The Member makes all disclosures to the client required by applicable regulations.

S 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:

1. Helps the client understand the client's current situation, the factors and assumptions that were critical to the recommendation(s),
2. Explains the risks of the recommended strategy(ies) and the likely impact of the recommendation(s) on the client's ability to meet their objectives.
3. Avoids presenting their opinion as fact.
4. Informs the client that the financial planning recommendations will likely need to be modified as the client's personal, economic and other conditions change.
5. 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.

Detail

IDENTIFYING SUITABLE STRATEGIES

S 4.5

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

S 4.6

In selecting a financial planning strategy or strategies for inclusion in a financial planning recommendation to a client, a Member should 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;

A Member should also reasonably address:

- 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.

S 4.7

Where a Member is unable to identify a suitable strategy, the Member should 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;
- c. and any proposed course of action for the client's consideration.

DEVELOPMENT OF SUITABLE FINANCIAL PLANNING RECOMMENDATIONS

S 4.8

Any financial planning recommendation developed by a Member for the client should 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

S 4.9

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

S 4.10

In making a financial planning recommendation to a client, a Member should 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.

S 4.11

Where a Member is unable to identify or recommend a suitable product or service, the Member should 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;
- c. any proposed course of action for the client's consideration.

S 4.12

The Member should 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 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

S 4.13

The Member should provide the financial planning recommendations and information to assist the client to understand the recommendations via a suitable durable medium to the client (generally in writing or via video).

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

Information that should be included in the advice 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.

S 4.14

In providing the financial planning recommendations to the client, a Member should 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 their associate in connection with the financial planning recommendations;
- b. Where relevant the Member's charging model, and 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;
- c. any other benefit or association reasonably capable of influencing the making of the recommendations by the Member;
- d. any benefit that a third party may receive in connection with the recommendations;
- e. any other costs borne by the client should they accept all or part of the recommendations; and
- f. the time period after which the recommendations may no longer be implemented.

Standard 5

Implement the Client's Financial Planning Recommendations

Overview

S 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:

- a. identifying activities necessary for implementation;
- b. determining respective responsibilities of the Member and the client;
- c. referring to, and coordinating with, other professionals;
- d. sharing client information as authorised;
- e. and selecting and securing products and/or services.

The Member explains the rationale for referrals and the qualification(s) of the referred professional(s).

Detail

S 5.2

A Member should meet any legal requirements to identify their client prior to implementing any relevant financial planning recommendations or providing any transaction-only services to the client.

IMPLEMENTING AGREED FINANCIAL PLANNING RECOMMENDATIONS

S 5.3

- a. A Member should obtain the client's consent before

implementing any financial planning recommendations.

- b. A Member should not charge a client, or cause a client to be charged, for a service without the client's consent to the service.
- c. A Member should 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.

S 5.4

A Member should diligently implement all client-agreed financial planning recommendations or client directions to implement [see FAAA Professional Code Principle 9 Diligence]. 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 should:

- 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 reason.

S 5.5

Where a client requests a variation from the Member's recommendation and this 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 should 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

S 5.6

Where a Member takes custody, is authorised to exercise investment discretion, or to exercise supervision of any Client Asset, the Member should, 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; The amount of the Client Asset; and

- d. 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

S 5.7

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

Standard 6

Review the Client's Situation

Overview

S 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 circumstances as well as general economic or other conditions. The Member and the client mutually agree on, and understand, their respective roles, 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.

S 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.

Detail

ENGAGING TO PROVIDE REVIEW OR PORTFOLIO MONITORING SERVICES

S 6.3

A Member should, prior to providing any review or portfolio monitoring service to a client, provide the client with the opportunity to review any operative terms of engagement including the cost of a review or portfolio monitoring service.

S 6.4

A Member should not misrepresent the nature of any review or portfolio monitoring service to a client or prospective client.

CONDUCT OF REVIEWS

S 6.5

In conducting a review, a Member should:

- 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.

S 6.6

In evaluating the client's current situation for the purposes of a review, a Member should gather factual and qualitative information in accordance with Standard 2 and analyse and assess such information in accordance with Standard 3

S 6.7

In conducting a review, if the Member's financial planning recommendations vary from the client's implemented recommendations, a Member should comply with Standard 4 in identifying, developing and presenting any new or amended financial planning recommendations.

S 6.8

A Member should 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.

CONDUCT OF PORTFOLIO MONITORING

S 6.9

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

Standard 7

Professional Obligations

Overview

S 7.1 Members conduct themselves in a professional and ethical manner

The Member understands, abides by and upholds applicable laws, the FAAA's Constitution, The Professional Code, Practice Standards, Disciplinary Regulations and other associated regulations, collectively known as the FAAA's requirements. Please refer to the Member and Affiliate Regulation and the FAAA Constitution for all obligations tied to FAAA Membership.

S 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

The Member does this by acting in accordance with the FAAA'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.

S 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.

S 7.4 Professional Judgment

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

EXPLANATION

The exercise of due care, skill and professional judgment is an inherent expectation of those who hold themselves out to be professional. A Member is required to exercise due care, skill and professional judgement in all interactions with their clients and third parties [See FAAA Professional Code Principle 7 Professional Behaviour, Principle 8 Competence & Principle 9 Diligence].

Detail

GENERAL CONDUCT

S 7.5

A Member should treat other persons with courtesy, respect and candour.

S 7.6

A Member should 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.

S 7.7

A Member should not engage in any conduct which reflects

adversely on their integrity or fitness as a financial planner, their Membership of the FAAA, or on the Financial Planning Profession.

S 7.8

A Member who is a Representative of a Licensee should provide professional services in accordance with the lawful directions of the Licensee and the FAAA's requirements.

CLIENT SERVICE

S 7.9

A Member should ensure that all professional services are provided in an efficient, honest and fair manner.

S 7.10

A Member should only provide professional services including financial planning with proper legal authorisation, and in accordance with legal, regulatory and the FAAA's requirements.

S 7.11

A Member should only make and/or implement recommendations that are suitable for the client.

ONGOING DISCLOSURE

S 7.12

A Member should 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:

- a. to the professional services provided;
- b. to the Member's capacity or authority to provide professional services; or
- c. which increase the Member's remuneration received or receivable under the engagement. It is sufficient compliance with the above if the Member's authorising Licensee advised the client within the above timeframe.

CLIENT ENGAGEMENT

S 7.13

Where appropriate a Member should, 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

S 7.14

A Member should 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.

MARKET REPRESENTATION

S 7.15

A Member should take care to ensure they do not, when communicating their 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, their 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.

DOCUMENT ADMINISTRATION AND CONFIDENTIALITY

S 7.16

A Member should 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 step applies to personal information and documents belonging to or related to the Member's client or to other persons.

A Member should 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 step if the information and/or documents are kept by the Member's employer or the Member's authorising Licensee.

S 7.17

A Member should 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 their direct or indirect personal benefit, whether or not it causes detriment to the client.

S 7.18

A Member should 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 their authorising Licensee in compliance with this step.

S 7.19

A Member should 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

S 7.20

A Member should 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.

S 7.21

A Member should, 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.

MEMBERS IN POSITIONS OF AUTHORITY AND/OR WITH SUPERVISORY RESPONSIBILITIES

S 7.22

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, should ensure that he or she exercises their legal, managerial or supervisory authority in a manner that is consistent with the FAAA's requirements and guidance, including the Professional Code and the Best Practice Standards.

S 7.23

A Member should 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

S 7.24

A Member should 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

S 7.25

A Member should 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 recordkeeping to track each client's assets accurately.

S 7.26

A Member should not borrow money from a client. This Step 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.

S 7.27

A Member should not lend money to a client. This Step 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

S 7.28

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



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