
1. Adviser Compliance

Advisers are expected to meet legal and dealer requirements for:

- PI Insurance
- Authorised Representative Certificate
- Reporting of Breaches
- Adviser Practice Review
- Adviser Declaration
- Training Plan and Register
- Alternative Benefits Register
- Identification of Conflicts of Interests

Professional Indemnity Insurance

It is a requirement of the Corporations Act that IFP maintain PI Cover to cover the activities of its representatives.

Integrity Financial Planners shall maintain appropriate Professional Indemnity insurance to cover the activities of the licensee. This cover extends to advisers acting as a representative of the licensee.

Representatives are required to contribute to the payment of the PI Premium in proportion to their share of turnover within the IFP group.

IFP's cover does not extend to the representative's other business activities (eg as an accountant). Representatives who operate other business activities should consider implementing PI Cover in relation to those activities.

Authorised Representative Certificate

Each authorised representative is issued with their own Authorised Representative's Certificate.

This certificate specifies the services for which the representative is authorised and any restrictions on the authority.

The certificate does not need to be placed on display, although it is common and acceptable practice to do so.

If ASIC or a client requests to sight an authorised representative's certificate, the representative must comply with the request.

Reporting of Breaches

Authorised Representatives are required to report to IFP any breach or likely breach of their legal or professional obligations immediately they become aware of the breach.

Representatives have no discretion as to whether or not a breach is reportable and should bring any issue that they believe may be a breach or may lead to a breach to the licensee's attention.

IFP will review any such breach or likely breach and determine what action is required.

It is noted that failure to report a breach is in itself a breach.

Breaches that may occur include (but are not limited to):

- Failure to issue an FSG within the required time frames
- Failure to issue an SoA within required time frames
- Provision of advice regarding a product that is not on IFPs approved list
- Failure to secure an authority before releasing a client information to a third party
- Unintentional non-disclosure of risk of the investment/s to a client
- Unintentional non-disclosure of a commission/fee
- Failure to issue a Fee Disclosure or Opt-In statement in the prescribed time limit

It is impossible to create a final and definitive list of breaches, because despite the legal definition, proper identification of breaches also requires independent judgement, intuition and a subjective understanding of our business.

Adviser Practice Review

IFP has a legal responsibility to supervise its authorised representatives and is responsible for the actions of its representatives.

A key component of meeting this responsibility is the Adviser Practice Review.

IFP shall conduct a review of the adviser's practice at least once in each calendar year. The purpose of this review is to identify any compliance and business management issues within the adviser's practice and facilitate resolution of those issues.

Advisers are required to make themselves and their files available to the Licensee/Compliance Manager for this review.

During a review a representative of the AFSL shall:

- Interview the adviser regarding their understanding of their responsibilities and obligations.
- Review the adviser's business processes and practices
- Inspect the adviser's records and files, including
 - Training Register
 - Complaints records
 - Financial Services Guide
 - Stationery
 - Promotional materials and letterheads
 - Product information
 - Specific client files

Following this review IFP shall provide the representative with a report identifying any issues of compliance with regulatory obligations and/or the licensee's requirements that are not satisfactory.

IFP may require remedial action to be undertaken by the representative.

The representative may be required to undertake any such remedial action and sign an acknowledgment that they have done so.

If appropriate action is not undertaken to the satisfaction of IFP, IFP may restrict or withdraw the adviser's authority.

Adviser Declaration

IFP will require representatives to complete an annual compliance declaration.

Representatives are required to complete this declaration completely and accurately and in doing so, disclose any compliance issues that they may be aware of.

Failure to lodge a completed declaration within the required time frame may result in IFP requiring remedial action to be undertaken by the representative and/or IFP may restrict or withdraw the adviser's authority.

Training Plan and Register

Representatives are required to have and implement a training plan. IFP will develop and review a training plan with each representative as part of the annual adviser review.

Representatives must be able to demonstrate adherence to their training plan by maintaining their training register. It is the responsibility of each representative to maintain their own training register with Kaplan (other than the Integrity PD day training records that will be entered for them).

IFP will review the register towards year end to ensure your training plan for the year is nearing completion. Those who are FPA members may receive requests from the FPA to view this register from time to time.

Alternative Benefits Register

As a Principal Member of the FPA, IFP is required to ensure representatives maintain a register of alternative benefits.

For alternative benefits register format refer Doc F1.

The following items are to be recorded in the Alternative Benefits Register:

- Education or training benefits
- Information technology software or support (but must be related to providing advice to retail clients about the financial products issued or sold by the benefit provider)
- Benefits between \$100 and \$300 (provided the same benefit is not regularly given)

The following items are not to be accepted by advisers from product suppliers (fund managers, platforms or insurance providers):

- Travel and accommodation relating to any education and training courses (over \$300)
- Events and functions of non-educational nature (over \$300)
- Commissions (unless provided on insurance products) (from 1 July 2013)
- Volume-based payments, bonuses or other volume based benefits (from 1 July 2013)
- Other conflicted benefit that is not an excluded benefit
- Any cash or gifts over \$300 in value

Representatives are required to update this register at least quarterly. Representatives will be required to submit a copy to the Licence each year following the Calendar year end.

The Alternative Benefits Register is to be available to be viewed by clients on request.

Conflicts of Interests

When giving advice under a Financial Services Licence, consideration must be given to any conflict of interest that is raised in providing that advice.

The requirement to “prioritise your client’s interest” relates to identifying and managing any conflicts you and related parties may have in relation to the advice you are providing to your client. (Corporations Act Part 7.7A Division 2) known as the ‘conflicts priority rule’.

Advisers are required to identify, list and include in your SOA, any conflicts (that you know or reasonably ought to know) between you and related parties (to the provision of your advice) may have with your client’s interests. The more material the conflict, the more you will need to do to prioritise the client’s interest. Consider what a reasonable advice provider without this conflict would do?

Self interest conflicts can include your own personal bias (how this impacts your ability to provide objective advice), and whether you have the competencies and experience to meet the needs of your clients.

Related parties include your employer, licensee, or overseeing authorised rep as well as other associates e.g. Accounting firm. Related party conflicts include your licensee insisting clients be changed to their preferred platform.

- an advice provider must not recommend a product or service of a related party to create extra revenue for themselves, their AFS licensee or another related party, where additional benefits for the client cannot be demonstrated;
- an advice provider must not ‘over-service’ the client to generate more remuneration for themselves or one of their related parties. This means that the advice provider must provide a level of service commensurate with the client’s needs
- an advice provider must recommend non-financial product solutions relevant to the client’s situation, where appropriate, even if this means the client is less likely to need financial advice in the future (e.g. advice on debt reduction, estate planning and/or Centrelink benefits)
- if your ability to evaluate or recommend products, such as your client’s existing product is restricted by your licensee or employer, you should decline to make or implement advice recommendations

You cannot comply with the conflicts priority rule merely by disclosing a conflict of interest or getting your client to consent to a conflict. You need to document and explain all conflicts, demonstrate how your advice meets your clients goals and needs (while being in their best interest and appropriate), and explain the reasoning behind any recommendations.

IFP is required to maintain a conflicts of interest register. This register is maintained by the licensee. Individual representatives are not required to maintain their own register of conflicts.

Representatives are required to notify IFP of any conflicts. This includes any actual, apparent & potential conflicts.

The conflicts of interest register may be viewed on request by representatives or clients.