



# Representative Monitoring and Supervision Policy

Entity: Integrity Financial Planners

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### **Version 1.0 – December 2020**

### **References:**

- *Corporations Act (Cth) 2001*
- REGULATORY GUIDE 104: Licensing: Meeting the general obligations
- ASIC Report 515: Financial advice: Review of how large institutions oversee their advisers

# 1 Background and purpose of document

## 1.1 Background

- (a) Under s912A(1) of the Corporations Act (**Act**), an Australian financial services licensee (**AFSL**) is required to (amongst other requirements):
  - (i) do all things necessary to ensure that the financial services covered by the licence are provided efficiently, honestly and fairly;
  - (ii) comply with the financial services laws;
  - (iii) take reasonable steps to ensure that its representatives comply with the financial services laws; and
  - (iv) ensure that its representatives are adequately trained and are competent, to provide those financial services; and
  - (v) comply with the conditions on the licence.

## 1.2 Purpose and framework

- (a) This policy (**Policy**), in conjunction with other policies listed below, has been developed by Integrity Financial Planners (**Licensee**) for the purposes of enabling the Licensee to meet its obligations under the Act and ASIC guidance.
- (b) The other relevant policies include:
  - (i) Representative appointment and termination policy (**Appointment and termination policy**);
  - (ii) Conflict of interests policy (adviser) (**Adviser conflicts policy**);
  - (iii) Ongoing service, fee disclosure and Opt-In policy (**Opt-In/FDS policy**);
  - (iv) Pre-vet policy (**Pre-vet Policy**);
  - (v) Continuous professional development policy (**CPD policy**);
  - (vi) Breach reporting and consequences management policy (**Breach reporting policy**); and
  - (vii) Adviser conduct policy (**Adviser conduct policy**).

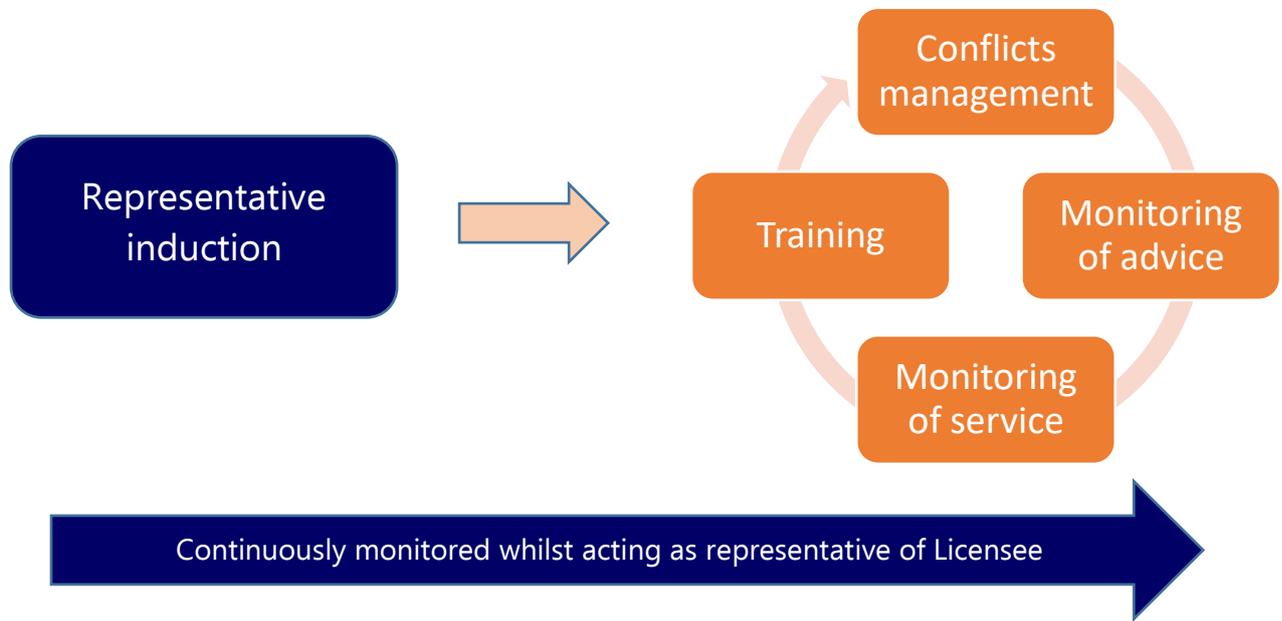
## 1.3 Responsibility

The Responsible Managers (or their delegates with appropriate experience and seniority) will be responsible for ensuring that the Licensee:

- (a) meets the requirements of this Policy; and
- (b) reviews this Policy on an annual basis (unless more immediate updates are required due to legislative or regulatory change).

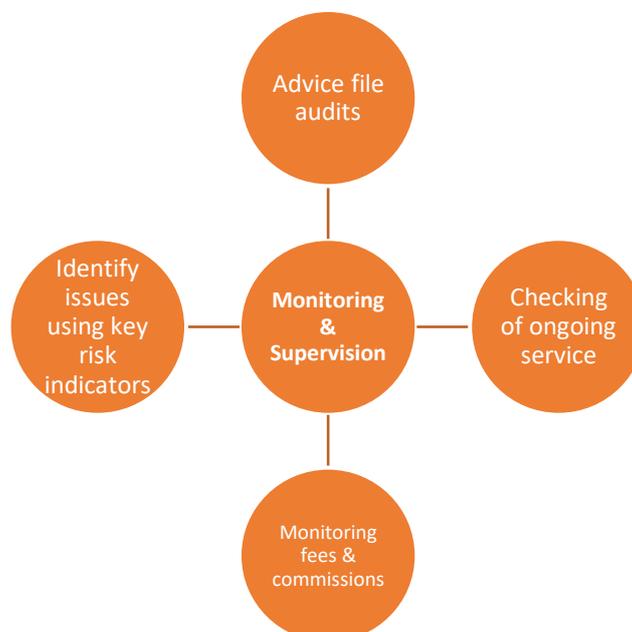
## 2 Summary of representative monitoring and supervision framework

### 2.1 Summary of Licensee monitoring and supervision framework



### 2.2 Summary of Licensee monitoring and supervision methods

The Licensee adopts a multi facet approach to representative monitoring and supervision. The overview of its monitoring and supervision framework is set out below.



## 3 Representative induction

### 3.1 Representative appointment and induction

- (a) The appointment of any representative will be subject to the Licensee's Appointment and termination policy.
- (b) Upon appointment of the representative, the Licensee will carry out an induction training which will require the representative to be familiar with the Licensee's policies, procedures, approved products list and administration matters.

### 3.2 Pre-vet

- (a) The Licensee, on the appointment of a representative, requires the representative to complete an advice pre-vet program to ensure that:
  - (i) the adviser has received training on compliance; and
  - (ii) it is satisfied that the financial advice is at a standard acceptable to the Licensee.
- (b) If a representative is under a pre-vet program, the representative will be subject to the Licensee's Pre-vet policy.

## 4 Representative conflicts management

### 4.1 Representatives conflicts management

- (a) As part of the onboarding process, the Licensee will identify any conflict situations of the representative (either as an individual or as a corporate). This is done via a conflicts declaration completed by the representatives.
- (b) The conflicts will then be monitored and managed on a continuous basis by Licensee and the representatives. The conflicts management process is set out in the Adviser Conflicts Policy.

## 5 Monitoring of advice

### 5.1 Monitoring and supervision method: Advice file audits

- (a) The Licensee will conduct advice file audits (minimum of 3 advice files) per representative on at least an annual basis. Ad-hoc audits may also be held outside of the standard annual audit for an adviser.

- (b) Selection of the advice files may be done at random or it may be 'risk based' having regard to:
  - (i) complexity of the advice;
  - (ii) specific subject matter areas that are the focus of the Licensee; or
  - (iii) revenue to be received by the adviser.
- (c) IFP will use a standardised question set to assess compliance against the following aspects:



- (d) The Licensee will produce an advice audit report to determine whether the advice review has met the requirements above, and if not, provide a remediation recommendation for the adviser to implement.
- (e) The advice audit findings will be discussed with the Authorised Representative. The Licensee may use the information contained in the advice audit reports to determine whether:

- (i) the particular representative requires pre-vet or other further training;
- (ii) there are trends in compliance matters that require all representatives to undertake further training.

## **5.2 Monitoring and supervision method: Insurance commission clawbacks and lapse rates**

- (a) The Licensee may conduct spot checks on representatives' revenue to identify inconsistencies and any irregularities relating to insurance commission revenue and advice fees.
- (b) Where there is high rate of clawbacks or high lapse rates, the Licensee will carry out further investigations to determine the reason for this occurrence. This may include conducting additional advice file audits on the representative so the Licensee can satisfy itself that compliance issues (if any) are detected.

## **6 Monitoring of service**

### **6.1 Monitoring and supervision method: checking ongoing service Renewal Notice and FDS compliance**

- (a) The Licensee will conduct spot checks on representatives to ensure that:
  - (i) the services agreed to be delivered to the clients have been delivered;
  - (ii) the requirements regarding provision of fee disclosure statements are being met;
  - (iii) the clients who are subject to Opt-In requirements have opted in to continue to receive services from the representative.
- (b) The Licensee's expectations on ongoing service, Opt-In and fee disclosure statements are set out in the IFP Ongoing service, renewal notice and fee disclosure statements Policy. Compliance with the IFP Ongoing service, renewal notice and fee disclosure statements Policy will be monitored as part of the Licensee's representative monitoring and supervision framework.

### **6.2 Monitoring and supervision method: Complaints**

Where the Licensee receives a complaint in relation to a representative, the Licensee will investigate the complaint and at the same time, may conduct further investigations into the representative responsible for the advice, if an opinion has been formed that the issue may reasonably extend to other clients. This process may include additional advice files being reviewed to:

- (a) identify whether the adviser has breached any of the obligations under the Act;

- (b) determine if the practice or conduct of the representative is systemic (if a breach has been identified);
- (c) determine (if a breach has been identified) whether the breach needs to be reported to ASIC.

## 7 Licensee monitoring and supervision: Key risk indicators

### 7.1 Key risk indicators (KRIs)

- (a) The Licensee will carry out its monitoring and supervision framework having regard to the following KRIs as set out in Appendix 4 to *ASIC REPORT 515: Financial advice: Review of how large institutions oversee their advisers (Report 515)*.
- (b) Where KRIs have continuously appeared or where multiple KRIs have appeared, the Licensee will conduct further investigation and may consult Integrity Compliance to determine the most appropriate course of action.
- (c) The KRIs are set out below:

	Key risk indicators
Product or advice type	<ul style="list-style-type: none"> <li>• High ratio of Records of Advice to Statements of Advice provided to customers;</li> <li>• High level of 'execution only' services or evident lack of advice documents;</li> <li>• Variations, spikes and changes in remuneration or revenue of advisers. This may be assessed on a product basis or on an adviser basis;</li> <li>• High level of insurance commission clawbacks and lapse rates;</li> <li>• High level of product replacement;</li> <li>• High level of funds withdrawal from financial products or platforms;</li> <li>• High level of higher-risk or complex strategies and/or products (e.g. gearing, direct share advice, structured products and SMSFs);</li> <li>• Recommendation of similar advice strategies to all customers (i.e. a 'one-size-fits all' advice or business model);</li> <li>• Trend of recommending insurance premium payments to be paid from superannuation when cash flow is raised as a concern by customers.</li> </ul>

<b>Adviser profile</b>	<ul style="list-style-type: none"> <li>• Adverse complaints history in terms of both the number and value of complaints;</li> <li>• Adverse adviser audit outcomes;</li> <li>• High level of recorded incidents, issues and events, and breaches;</li> <li>• Poor training history (e.g. training not completed by due dates or failure rates);</li> <li>• Identified personal or behavioural concerns (e.g. gambling habits, financial stress or acute health concerns);</li> <li>• Identified conflicts of interest;</li> <li>• Customer signature irregularities;</li> <li>• Customer file integrity issues (e.g. unexplained additions, omissions or variations to a customer file); and</li> <li>• Advisers working in the same office as an identified high-risk adviser.</li> </ul>
<b>Customer profile</b>	<ul style="list-style-type: none"> <li>• High percentage of advice to elderly or vulnerable customers eg low financial literacy, limited income for lifetime (insurance claim payout); client has a disability limiting their ability to understand advice; client doesn't speak English sufficiently to understand the advice;</li> <li>• High percentage of customers in retirement who hold gearing products that may be unsuitable for their circumstances (e.g. customers approaching or in retirement, vulnerable customers, or customers with insufficient cash flow);</li> <li>• High percentage of customers approaching retirement, or in retirement, who have an aggressive or assertive risk profile;</li> <li>• Adviser charging excessive fees;</li> <li>• Adverse customer survey results.</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>• Adverse results of an ASIC surveillance;</li> <li>• Adverse results revealed by searching the ASIC registers;</li> <li>• Any judgments against the adviser, or tribunal or banning decisions;</li> <li>• Negative or concerning feedback from the business, para-planners and compliance teams;</li> <li>• Whistleblowing reports;</li> <li>• Industry-wide risks.</li> </ul>

## 8 Breach reporting and consequence management

### 8.1 Assessment of breaches

Where breaches have been identified on a systemic or significant basis in any of the above, the Licensee will review the nature of the breach having regard to its breach reporting and consequence management obligations under s912D and *ASIC regulatory guide 256: Client review and remediation conducted by advice licensees*. Should this arise, the Licensee will refer to its Breach reporting policy for further assessment.

## 9 Representative training framework

### 9.1 Training and continuous professional development

- (a) The Licensee has a legal obligation to ensure its representatives are adequately trained and are competent, to provide financial services. Advisers are also required under s921D of the Act to meet continuing professional development standards.
- (b) To ensure the Licensee and its representatives meet the requirements of the Act, the Licensee will:
  - (i) Periodically send reminders and conduct checks to monitor the representative's progress against their CPD Plan. This may include access to the adviser's CPD recording system online in Kaplan.
  - (ii) before the end of the relevant CPD year for the representative, ensure that the representative has complied with their CPD Plan.
- (c) Full details of the Licensee's policy in relation to continuous professional development is set out in the Licensee's CPD Policy.

## 10 Authorised representatives' authorisations and changes

### 10.1 Acting within authority, appointing, change of details and ceasing

- (a) The Licensee will use its process of continuous monitoring as set out in section 2 to ensure that authorised representatives (and sub-authorised representatives) do not act outside the scope of their authorisation.
- (b) The Licensee is required to lodge with ASIC a written notice within 15 business days of authorising a representative to provide a financial service.

- (c) The notice must include the following details:
  - (i) The name and business address of the representative;
  - (ii) Details of the authorisation, including the date and the services the representative is authorised to provide on behalf of the Licensee; and
  - (iii) If applicable, details of each other Licensee the representative is authorised by.
  
- (d) The Licensee is required to lodge with ASIC a written notice within 10 business days of:
  - (i) A change in any details relating to the authorised representative outlined in (c) above.
  - (ii) Revoking an authorisation of a representative.
  
- (e) Further information on the Licensee's policy on adviser conduct is set out in the Licensee's adviser conduct policy.