



Pre-vet Policy

Entity: Integrity Financial Planners Pty Ltd **(IFP)**

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AFSL: 225051

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References:

- *Corporations Act (Cth) 2001*
- REGULATORY GUIDE 175: Licensing: Financial product advisers—Conduct and disclosure
- REGULATORY GUIDE 244: Giving information, general advice and scaled advice
- Australian Treasury – Financial Planners and Advisers Code of Ethics

1 Pre-vet Background

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;
 - (iv) ensure that its representatives are adequately trained and are competent, to provide those financial services;
 - (v) comply with the conditions on the licence; and
 - (vi) comply with the FASEA code of Ethics & Standards.
- (b) An AFSL must also take reasonable steps to ensure that its representatives comply with sections 961B, 961G, 961H and 961J (**Best Interests Obligations**).

1.2 Purpose

- (a) As part of meeting the requirements of the Corporations Act, the licensee has therefore developed this pre-vet policy (**Policy**) to:
 - (i) explain the pre-vet process;
 - (ii) use it as a framework to establish controls so that the licensee can meet its obligations under the Corporations Act;
 - (iii) use it to provide education and training to representatives who the licensee considers require additional monitoring and supervision;
 - (iv) use it to manage the risks of non-compliance against the best interests duty and related obligations under the Corporations Act.
- (b) This Policy will set out:
 - (i) what is involved in the pre-vet program;
 - (ii) the pre-vet process;
 - (iii) the pre-vet assessment criteria; and
 - (iv) the costs (if any) of pre-vet.

1.3 Responsibility

A Responsible Manager (or its delegate with appropriate experience and seniority) will be responsible for:

- (a) ensuring that the representatives understand the requirements of this Policy;
- (b) monitoring compliance with this Policy via its Monitoring and supervision policy; and

A Responsible Manager (or a delegate with appropriate experience and seniority) will be responsible for ensuring that the Licensee:

- (a) meets the requirements of this Policy;

- (b) reviews this Policy not less than an annual basis (unless more immediate updates are required due to legislative or regulatory change).

2 What is pre-vet

2.1 What is pre-vet

- (a) Pre-vet is the process whereby the licensee carries out a compliance review of the advice document (either Statement of Advice or Record of Advice) proposed to be provided to a client before the advice document is presented to the client. Pre-vet also includes the review of the supporting documents required to prepare the advice document, as detailed further in this policy.
- (b) Pre-vet is not a paraplanning service. To minimise the time spent by the adviser and licensee on pre-vetting the advice document, advisers should take care to ensure that the Statement of Advice or Record of Advice submitted for pre-vet is the final version of the document they intend to present to retail clients. The licensee reserves the right to determine that an advice document is not at the standard required for pre-vet.

2.2 Reasons for pre-vet

As above, the purpose of pre-vet is to:

- (a) ensure the personal advice proposed to be provided to a retail client has been reviewed by the licensee for compliance against the requirements of the Corporations Act, FASEA & Licensee Standards before the advice is provided;
- (b) provide any further education and training to representatives; and
- (c) raising the skill level of advisers so that advice as a whole is of an appropriate standard.

2.3 When will you be required to go on pre-vet?

- (a) The licensee may impose the pre-vet requirement where the licensee has identified, or wishes to mitigate, compliance concerns with the personal advice provided or proposed to be provided by a representative of its AFS licence.
- (b) Accordingly, the licensee may require a representative to be on pre-vet where:
 - (i) the licensee has identified issues relating to compliance as part of the licensee's audits, systems and processes;
 - (ii) a new representative wishes to be authorised by the licensee;
 - (iii) an existing representative wishes to be authorised by the licensee for a new authorisation (eg SMSF, Margin Lending);
 - (iv) a new paraplanner / staff member prepares advice documents.

2.4 When will you be released from pre-vet?

- (a) While a representative is on pre-vet, the representative cannot present a Statement of Advice or a Record of Advice until that advice has been reviewed by pre-vet or a written allowance has been provided by the Compliance Manager or nominated Compliance representative.
- (b) A representative will be released from pre-vet where:
 - (i) The representative has 'passed' at least 3 **consecutive** pre-vets carried out by the licensee using the assessment criteria set out in this Policy; and/or,

- (ii) The licensee is satisfied the representative has had sufficient strategies reviewed within their pre-vets as per their authorisation; and/or
- (iii) the licensee is otherwise satisfied that the representative meets the compliance expectations of the licensee.

2.5 What happens if you do not comply with the licensee's request?

As the authorising licensee, the AFS licensee is responsible for the advice provided by the representative. If a representative does not comply with the licensee's pre-vet request, the licensee may:

- (a) withhold commissions payable to the representative; and
- (b) suspend, withhold or terminate the authorisations of the representative.

3 The Pre-vet process

3.1 Submission of files for pre-vet

In order for the licensee to carry out the pre-vet, representatives must provide the following documents to the licensee as part of the review:

- (a) Copies of client data forms/fact finds (including risk profile)
- (b) Copy of signed service agreement/letter of engagement (free, prior & informed consent)
- (c) Copies of all file notes
- (d) Copies of relevant client emails or correspondence
- (e) Copies of third party research and any supporting analysis conducted on:
 - (i) clients' existing products
 - (ii) alternative products (whether recommended or considered)
- (f) Copies of relevant calculations of benefits/entitlements (Centrelink, Age Care, Defined Benefits)
- (g) Evidence of consideration of alternative strategies
- (h) If SOA – a copy of the final draft SoA
- (i) If ROA – a copy of the final draft ROA and the previous SOA
- (j) If SMSF, please also provide all relevant SMSF documentation, including if requested:
 - (i) Trust deed
 - (ii) Investment strategy
 - (iii) Property report (if LRBA)
- (k) Any other supporting documentation requested by the licensee.

3.2 Pre-vet assessment and grading

- (a) The licensee will review the advice document based on the following requirements under the Corporations Act:
 - (i) Section 961B (Best interests' duty)
 - (ii) Section 961G (Duty to provide appropriate advice)

- (iii) Section 961J (Duty to prioritise interests of the client)
- (iv) Section 947D (Product replacement disclosure)
- (v) Section 946 (Statement of Advice disclosure requirements)
- (b) The licensee will review the advice document based on the requirements under the FASEA Code of Ethics and Licensee Standards.
- (c) The licensee will provide comments via mark-ups in the word document of the advice document. The licensee will not issue a separate report as part of pre-vet.
- (d) Where the licensee has provided feedback in the Statement of Advice or the Record of Advice, the representative must address the matters identified and resubmit the advice document (in mark-up) to the licensee. When the licensee is satisfied that all the matters have been addressed at its sole discretion, the licensee will provide written authorisation for the advice to be presented to the client.
- (e) An advice document is only considered to 'pass' pre-vet where no material issues have been identified in sections identified in paragraph 3.2(a) and 3.2(b) **in the first submitted version of the advice document**. That is, where the representative makes subsequent amendments to rectify material issues arising from the feedback in the initial review, the subsequent amendments will not result in the advice document 'passing' pre-vet on the first submission.

3.3 Timing

- (a) The licensee will make reasonable attempts to ensure that any comments on the advice document are provided back to the representative within 5 business days of the date of receipt of the advice document **and ALL** relevant and required documentation;
- (b) The licensee will make reasonable attempts to ensure that any comments on the resubmitted advice document are provided back to the representative within 3 business days of the date of receipt;
- (c) The licensee therefore recommends that representatives allow enough time when scheduling appointments with clients to factor in the time it may take to pre-vet a file plus time for the adviser to make changes where required.

4 Costs of pre-vet

4.1 Pre-vet may be outsourced to third party compliance consultants

- (a) The licensee reserves the right or may be required to appoint third party compliance consultants to carry out the pre-vets. Where the licensee has done so, the licensee reserves the right to pass on the costs of the pre-vet service to the representative.
- (b) Pre-vet is not a paraplanning service. Advisers should take care to ensure that the Statement of Advice/Record of Advice submitted for pre-vet is the final version of the document they intend to present to retail clients. This will assist Integrity's compliance team to conduct the pre-vet quickly and without needing to request further information and documents, resulting in less time constraints for the Adviser and the client.