



Representatives Appointment & Termination Policy

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

ABN: 71 069 537 855

AFSL: 225051

Contents

1	Background and purpose of document	1
1.1	Background	1
1.2	Purpose and framework	1
1.3	Responsibility	1
1.4	Sole Representative of the Licensee	1
2	Due diligence for appointment of new representatives	2
2.1	Responsibility for conducting due diligence	2
2.2	ABA reference checking & information sharing protocol (Protocol)	2
2.3	Due diligence questionnaires	2
2.4	Current & Previous Licensee reference checks and consent	2
2.5	Confidentiality and privacy requirements	3
2.6	Reviewing a sample of advice provided	3
2.7	Record keeping	3
3	Review of clients under the Licensee	3
3.1	Issue new Statements of Advice	3
4	Pre-vetting requirements	4
4.1	What is pre-vet? (To be read in conjunction with the IFP Pre vet Policy)	4
4.2	Pre-vet assessment and grading	4
4.3	When will a representative be released from pre-vet?	5
4.4	Pre-vet may be outsourced to third party compliance consultants	5
5	Appointment process	5
5.1	Agreement	5
5.2	Letter of authority	5
5.3	Register the applicant as an authorised representative with ASIC	5
5.4	Tax Practitioners Board (TPB)	5
5.5	Appointment of Provisional Financial Planner	6
5.6	Other matters	6
6	Termination of authority of corporate authorised representative / sub authorised representative	6
6.1	Termination	6
6.2	Responding to reference requests from the new AFSL	6
6.3	Exceptions to responding to reference requests from another AFSL	7
6.4	Matters for consideration on termination: compliance	7
6.5	Matters for consideration on termination: commissions and revenue	7
6.6	Matters for consideration on termination: client files	8
6.7	Matters for consideration on termination: Transfer agreements	8
6.8	Matters for consideration on termination: Client notification and servicing	8
6.9	Matters for consideration on termination: Agreements take precedence over this policy	9
7	Termination of an employee representative	9
7.1	Matters for consideration on termination: client notification and client servicing	9
8	Appendix 1 – Corporate Authorised Representative due diligence checklist	10
8.1	Background details	10
8.2	Service and product due diligence	11
8.3	Financial checks	11
8.4	Conflict checks	12

8.5	Information technology checks	12
8.6	Compliance checks (based on ABA reference checking & Information sharing protocol)	12
9	Appendix 2 – Sub authorised representative appointment checklist	14
9.1	Background details	14
9.2	Regulatory checks	14
9.3	Key background checks	15
9.4	Professional and education checks	15
9.5	Compliance checks	16
9.6	Other checks	17
9.7	Conditions	18
9.8	Assessment	18

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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
- ABA Conduct Background Check Protocol
- Standards Australia HB 322 – 2007 - Reference Checking in the Financial Services Industry

1 Background and purpose of document

1.1 Background

- (a) Under s912A(1) of the Corporations Act, an Australian financial services licensee (**AFSL**) is required to:
 - (i) do all things necessary to ensure that the financial services covered by the licence are provided efficiently, honestly and fairly;
 - (ii) take reasonable steps to ensure that its representatives comply with the financial services laws;
 - (iii) ensure that its representatives are adequately trained, and are competent, to provide those financial services.
- (b) ASIC has published Report 515 Financial advice: Review of how large institutions oversee their advisers for the purposes of providing guidance on its expectations relating to the appointment of representatives by an AFSL.

1.2 Purpose and framework

This policy (**Policy**) is developed by Integrity Financial Planners (**Licensee**) for the purposes of enabling the Licensee to meet its obligations under the Corporations Act and ASIC guidance.

1.3 Responsibility

- (a) A Responsible Manager (or a delegate with appropriate experience and seniority) will be responsible for ensuring that the Licensee and its authorised representatives meet requirements of this Policy.
- (b) A Responsible Manager (or a delegate with appropriate experience and seniority) will review this Policy on not less than an annual basis (unless more immediate updates are required due to legislative or regulatory change); and
- (c) A Responsible Manager (or a delegate with appropriate experience and seniority) will ensure that the process for appointing and terminating representatives will follow this Policy.

1.4 Sole Representative of the Licensee

- (a) while the Corporations Act allows for cross-endorsement by AFSL holders to facilitate a Representative being authorised under 2 AFSL's, the Licensee will generally not engage in such arrangements.

2 Due diligence for appointment of new representatives

2.1 Responsibility for conducting due diligence

A Responsible Manager (or a delegate with appropriate experience and seniority) is responsible for conducting due diligence on financial advisers who are looking to become an authorised representative of the Licensee (**Applicants**).

2.2 ABA reference checking & information sharing protocol (Protocol)

- (a) The Licensee will adopt the ABA reference checking & information sharing protocol (the Protocol) where possible. (see Appendix ABA Protocol)
- (b) The Licensee recognises that the scope of the Protocol is limited to reference checking and information sharing regarding a financial adviser's compliance, risk management and advice quality.

2.3 Due diligence questionnaires

- (a) The Licensee has set out in Appendix 1 and Appendix 2, the due diligence it will carry out as part of appointing a representative. Appendix 1 relates to information about the Applicant as a corporate authorised representative and Appendix 2 relates to information about each Applicant as individual sub authorised representatives. Each Applicant as a sub authorised representative is required to complete Appendix 2.
- (b) The purpose of the due diligence questionnaires is to enable the Licensee to ascertain the following information about the Applicant:
 - (i) the organisational structure;
 - (ii) the revenue model;
 - (iii) the conflicts of the corporate authorised representative and the sub authorised representatives;
 - (iv) the types of financial services being provided;
 - (v) the professional and educational qualifications;
 - (vi) the compliance history of the Applicant; and
 - (vii) the Applicant is of good fame and character.

2.4 Current & Previous Licensee reference checks and consent

- (a) As part of completing the due diligence questionnaires, the Licensee will contact the current/previous Licensee to conduct reference checks on the Applicant (as detailed and required in the ABA Protocol).
- (b) Prior to making the request, the Licensee will obtain and document the Applicant's consent to the disclosure by their current/ previous licensee of their information to the Licensee.
- (c) If requested by the current/previous licensee, the Licensee will obtain a release from the Applicant to release the current/ previous Licensee from any liability relating to the disclosure of information in relation to the due diligence.

2.5 Confidentiality and privacy requirements

- (a) Information given under the due diligence process should be kept confidential and used only by the Licensee or its agent for the purpose for which it is given. It should not be provided to the Applicant or any third party without consent from the current/ previous Licensee, unless required by law.
- (b) The Licensee will have regard to its legislative requirements, including those under confidentiality requirements and the Privacy Act. For example, the Licensee will also need to ensure that it complies with Australian Privacy Principle 5, which requires that the Applicant be notified of or otherwise made aware of certain matters about the collection of the Applicant's personal information.

2.6 Reviewing a sample of advice provided

- (a) In general, the Licensee will review at a minimum, two (2) client advice files provided by each Applicant. The advice files will relate to:
 - (i) Insurance advice;
 - (ii) Superannuation and investment advice; or
 - (iii) Any other type of advice the Licensee considers to be appropriate having regard to the nature of the services provided by the Applicant and the potential scope of authorisation (areas that the Applicant may be permitted to provide advice on in line with the conditions permitted under the IFP AFSL).
- (b) If the current/previous Licensee declines or fails to respond to the reference checks, the Licensee may increase the minimum number of client advice files to assess the advice and compliance risks of each Applicant.

2.7 Record keeping

- (a) The Licensee will retain the books and records relating to the due diligence carried out in respect of each Applicant seeking to be appointed as a representative of the Licensee.
- (b) Where possible, the Licensee will obtain certified copies of documents to support the application.

3 Review of clients under the Licensee

3.1 Issue new Statements of Advice

If an Applicant has existing clients at the time when seeking appointment and the Applicant and Licensee are party to a Transfer Deed with the Applicant's former AFSL, the Licensee requires the Applicant to carry out the following within 12 months of the Applicant becoming a representative of the Licensee:

- (a) review the advice previously provided to the client;
- (b) determine whether the advice previously provided continues to meet the requirements of s961B, s961G, s961J and s947D of the Corporations Act;
- (c) issue a new statement of advice to the client in the Applicant's capacity as a representative of the Licensee;

- (d) ensure that the advice is consistent with the permitted authorisations relevant to the AFSL and all products and investments are approved by the Licensee or appear on the current Approved Product List (APL) issued by the Licensee.
- (e) Where an Applicant is seeking to join the Licensee from another AFSL provider, and where a transfer deed has been executed between the Licensee and former AFSL provider, then any reference within the Transfer Deed to an obligation by the applicant and Licensee to issue an SOA to clients within an agreed time frame, must override this general provision outlined in 3.1(d) above.

4 Pre-vetting requirements

4.1 What is pre-vet? (To be read in conjunction with the IFP Pre vet Policy)

- (a) Pre-vet is the process whereby the Licensee carries out a compliance review of the Statement of Advice proposed to be provided to a retail client and the relevant client file, before the Statement of Advice is presented to the client.
- (b) The purpose of pre-vet is to:
 - (i) 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, before the advice is provided;
 - (ii) provide further education and training to representatives; and
 - (iii) raising the skill level of advisers so that advice, as a whole, is of an appropriate standard.

4.2 Pre-vet assessment and grading

- (a) The Licensee will pre-vet the advice 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 s961J (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 provide comments via mark-ups in the word document of the statement of advice. The Licensee will not issue a separate report as part of pre-vet.
- (c) 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 Statement of Advice (in mark-up) to the Licensee. When the Licensee is satisfied that all the matters have been addressed, the Licensee will authorise for the advice document to be presented to the client.
- (d) A Statement of Advice is only considered to 'pass' pre-vet where no material issues have been identified in sections identified in paragraph 4.2(a) (material issues) **in the first submitted version of the Statement of Advice**. 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 Statement of Advice subsequently 'passing' pre-vet.

4.3 When will a representative 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 the Licensee, unless the Licensee has applied discretion to the contrary.
- (b) A representative may be released from pre-vet where:
 - (i) The representative has 'passed' 3 consecutive pre-vets carried out by the Licensee using the assessment criteria set out in this Policy. If the Licensee considers appropriate, the Licensee may exercise discretion to expand this requirement to each 'area of advice' (i.e. 3 consecutive passes for each of insurance, superannuation and investments); or
 - (ii) the Licensee is otherwise satisfied that the representative meets the compliance expectations of the Licensee.

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

The Licensee reserves the right 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.

5 Appointment process

5.1 Agreement

If the Licensee is satisfied that the Applicant can be appointed as a corporate authorised representative or sub authorised representative, the Licensee can provide an authorised representative agreement to the Applicant for execution.

5.2 Letter of authority

- (a) If the Licensee is satisfied that the Applicant can be appointed as a corporate authorised representative or sub authorised representative, the Licensee can issue a letter of authority to confirm what financial services (and in relation to which financial products) the applicant is or will be authorised to provide on behalf of the Licensee.
- (b) The letter of authority may be subject to certain conditions as determined by the Licensee.

5.3 Register the applicant as an authorised representative with ASIC

If the Licensee is satisfied that the Applicant can be appointed as an authorised representative, the Licensee can proceed to register the applicant with ASIC via ASIC Connect.

5.4 Tax Practitioners Board (TPB)

If the Licensee is satisfied that the Applicant has the experience and qualifications to provide tax financial advice, the Licensee should ensure that the Applicant has successfully registered with the TPB (while this obligation exists).

5.5 Appointment of Provisional Financial Planner

When appointing a Provisional Financial Planner, the Licensee will adopt the policies and procedures issued and updated by FASEA from time to time.

5.6 Other matters

As part of the adviser appointment process, the Licensee will also consider the following processes:

- (a) Business, compliance and software induction;
- (b) Review the website and marketing material of the CAR;
- (c) Preparation of adviser profile (for FSG);
- (d) Preparation and updating of FSG;
- (e) Social media and internet due diligence;
- (f) Setting up Kaplan for training records;
- (g) Updating websites, folders and other related software;
- (h) Setting up commission payments and adviser codes with product providers; and

6 Termination of authority of corporate authorised representative / sub authorised representative

6.1 Termination

- (a) A corporate authorised representative / sub authorised representative may:
 - (i) resign as an authorised representative; or
 - (ii) have their representative agreement with the Licensee terminated by the Licensee (whether with cause or without cause).
- (b) The Licensee may terminate the representative in the event the Licensee has concerns regarding the financial services provided by the representative.
- (c) Where the authority of a corporate authorised representative is terminated, the authority of any sub authorised representative related to the corporate authorised representative shall also cease.

6.2 Responding to reference requests from the new AFSL

- (a) If the reference check requests are made to the Licensee by a new AFSL, the Licensee will provide a response which is fair and reasonable, and in writing (where possible) within 10 business days of:
 - (i) the request being made; or
 - (ii) the date the consent and/ or release forms were provided to the Licensee.
- (b) If the Licensee is unable to provide a response to questions consistent with the ABA Protocol, an explanation will be provided.

- (c) The response will be based on ascertainable facts which must be based on reports, documentation or records.
- (d) Responses provided to the questions in the ABA Protocol will be made at 'a point in time'. Each request received must be treated as a new request and information must be accurate at the time it is given (i.e. if a request is made for the same representative at a later stage, the Licensee must treat this as a new request and provide information that is accurate at the time it is given, rather than relying on the responses previously provided).
- (e) The Licensee will not need to provide continuous 'updates' to the reference check responses.

6.3 Exceptions to responding to reference requests from another AFSL

- (a) The Licensee may not be able to provide the necessary documentation/ information to the new AFSL in some instances. These can include:
 - (i) legal obligations or considerations which prevent the sharing or disclosure of information (e.g. litigation proceedings, legally privileged material, Privacy Act requirements); and
 - (ii) historic restrictions in an employment contract, termination deed or other legal documentation.
- (b) The Licensee must provide an explanation to the new AFSL as to why the records cannot be provided. The explanation should be expressed in a manner which is not detrimental to the representative.
- (c) When considering whether an exception applies, the Licensee should ensure that appropriate escalation and decision-making processes apply to the decision as per their internal governance processes.

6.4 Matters for consideration on termination: compliance

- (a) The Licensee will consider whether there are any compliance or remediation issues or any complaints with the representative and if so, how these issues will be managed.
- (b) As a general rule, if the Licensee has concerns regarding the financial services provided by the representative, the Licensee may refuse to carry out the following until the concerns are resolved:
 - (i) execute a bulk transfer of clients; or
 - (ii) release the revenue payable to the representative.

6.5 Matters for consideration on termination: commissions and revenue

- (a) The Licensee will review what amounts will be payable to the representative by way of commission and revenue having regard to the following:
 - (i) any debts owed to the Licensee which may be offset or withheld;
 - (ii) any anticipated costs of remediation which may need to be carried out in respect of the representative and for which an amount (or amounts) reflecting a reasonable estimate may be offset or withheld;

- (b) If there are no amounts, then A Responsible Manager (or a delegate with appropriate experience and seniority) must ensure any amounts payable or receivable is actioned within a reasonable timeframe.

6.6 Matters for consideration on termination: client files

- (a) The Licensee is required to retain a copy of all client files for a minimum of seven years or any other prescribed or recognised period, from the date of termination (for example, see AFCA rules regarding time frames permissible to lodge a complaint).
- (b) The Licensee will require that a copy of all client files in electronic format be provided to the Licensee before any clients are transferred or revenues/commissions paid.
- (c) The Licensee will also ensure that any transfer agreement it enters into will expressly allow the Licensee to access client files (if necessary) after the representative has departed.

6.7 Matters for consideration on termination: Transfer agreements

If the representative joins a new AFSL, the Licensee should ensure that a 'Transfer Deed' is executed with the new AFSL. The Transfer Deed will cover the following items:

- (a) Indemnity of the Licensee for future claims after the transfer date from the representative and the new AFSL;
- (b) Access and provision of client files;
- (c) Obligation on the new AFSL and representative to issue a new Statement of Advice to the client within 12 months of the representative ceasing to be an authorised representative of the Licensee or as agreed with the new AFSL and reflected in the Licensee's Transfer Deed;
- (d) No references to the Licensee as being the authorising AFSL of the representative on and from the date the representative appointment agreement was terminated.

6.8 Matters for consideration on termination: Client notification and servicing

- (a) The Licensee will require the representative to provide notice in writing to all clients who have received financial services from the representative (when the representative was acting in their capacity as representative of the Licensee) to confirm that:
 - (i) the representative has ceased to be a representative on and from the date the representative appointment agreement was terminated;
 - (ii) the new AFSL will be the AFSL responsible for the financial services to be provided to the client going forward;
 - (iii) if the client wishes to remain a client of the Licensee, the client should contact the Licensee within 14 days of the written notice issued by the Licensee/representative to arrange for financial services to be provided. In the absence of a written request from the client, and subject to the matters of consideration set out above, the Licensee will transfer the clients to the new AFSL;
- (b) Where a client has notified the Licensee that he or she intends to remain as a client of the Licensee, the Licensee will arrange for the client to continue to be serviced by

the Licensee or another representative (ongoing service arrangements would be assigned and fee disclosure statement/Opt-in requirements would be triggered).

6.9 Matters for consideration on termination: Agreements take precedence over this policy

For the avoidance of doubt, any agreement executed by the Licensee and the representative, will take precedence over this Policy.

7 Termination of an employee representative

7.1 Matters for consideration on termination: client notification and client servicing

Where the appointment of an employee representative is terminated, the Licensee will:

- (a) re-assign clients to another suitably qualified representative of the Licensee where appropriate;
- (b) carry out any residual terms of the employment agreement between the employee representative and the Licensee.
- (c) where an Employee Representative ceases to be a Representative of the Licensee and is engaged with providing advisory services to clients, the requirements set out in section 6 of this Policy will apply.
- (d) this Policy should be read in conjunction with the Employee's employment agreement and provisions within that agreement will apply.

8 Appendix 1 – Corporate Authorised Representative due diligence checklist

8.1 Background details

Details	
ABN (verify via ABN Lookup)	
What is the legal structure of the CAR?	
Proposed start date	
ASIC AR Number	
Has the CAR previously held an AFSL? If so, what is the reason it is seeking to become a CAR?	
Number of sub-authorised representatives	
Previous licensees in the past 5 years	
Are any previous AFSLs of the CAR the subject of any regulatory action?	
Will the applicant also be an authorised representative of another AFSL for a different service (eg. Credit or general insurance)?	
Conduct a full ASIC Company search to determine the director/s and ownership of the CAR	
Does the CAR have any other associated businesses and what is the relationship? Does this affect the authorisation or the Licensee’s ability to effectively carry out their monitoring and supervision and other necessary requirements?	
Have any of the Directors or owners of the CAR currently or have previously been, the subject of an ASIC or Licensee investigation? Provide details and information about how this will be managed.	
Who is the key decision maker of the CAR? Ensure that there is clear discussion and written agreement about who is to be involved with the decision making of the CAR and the requirements under the Licensee.	

8.2 Service and product due diligence

Details	
What financial service authorisations and product authorisations have been sought by the CAR?	
Are any specialist accreditations being sought by the applicant? Eg: <ul style="list-style-type: none"> • Margin lending • Self Managed Superannuation Funds 	
Does the CAR have a preferred platform? If so, please provide details.	
Does the CAR have a preferred insurance provider? If so, please provide details.	
Are there any legacy products that will require once off or standing waivers or approvals via the AFSL?	
Are any of your clients currently invested in any of the following: <ul style="list-style-type: none"> • Agribusiness • Illiquid or frozen funds • Margin loans • SMSFs 	
Obtain a copy of the CAR's current client holdings for investment, superannuation, insurance, gearing and other products held by clients or recommended by the representative.	

8.3 Financial checks

Details	
What is the average turnover of the CAR over the past 3 years?	
What proportion of the CAR's revenue is based on: <ul style="list-style-type: none"> • Insurance commissions • Fee for service • Ongoing service (The above will add to 100%)	

What are the insurance lapse rates for the CAR over the past 2 years?

8.4 Conflict checks

Details	
Does the CAR have a referral relationship with another service provider?	
Is the CAR a part of a joint venture or a part of a group of companies?	
Does the CAR have a grandfathered remuneration arrangement with a product provider?	
Has each director of the CAR completed their individual conflicts declaration?	
Has each adviser completed their individual conflicts declaration?	
Does the CAR have any other arrangements with product providers eg rebates for software; marketing allowances etc	

8.5 Information technology checks

Details	
What financial planning software does the CAR use?	
What research software does the CAR use for: <ul style="list-style-type: none">• Insurance• Superannuation• Investments	
Which training provider does the CAR use?	

8.6 Compliance checks (based on ABA reference checking & Information sharing protocol)

Details	
What was the scope of the sub authorised representative's authority? For what period? (check ASIC financial advisers register)	

What were the sub authorised representative's internal monitoring and supervision program (audit) results/ outcomes?

Has the Current/ Previous Licensee undertaken any of the following which was caused or contributed to by the sub authorised representative's action/ in action (e.g. not system failure or Licensee issue):

a) Reported a breach to ASIC (whether under section 912D of the Corporations Act or otherwise), or

b) Identified a material incident, or

c) Provided compensation as a result of an impact on any of the sub authorised representative or the corporate authorised representative's client base.

Was there an inquiry or investigation by the Current/ Previous Licensee in progress at the time of the corporate authorised representative or sub authorised representative's / resignation?

Has the CAR or any of its sub authorised representatives been suspended by its previous AFSL from providing financial services?

Have any complaints been made in respect of the advice or services provided by the CAR or its sub authorised representatives?

9 Appendix 2 – Sub authorised representative appointment checklist

9.1 Background details

Details	
Name	
Date of birth	
Proposed start date	
ASIC AR Number	
Authorisations sought	
Will the applicant also be an authorised representative of another AFSL for a different service (e.g. Credit or general insurance)?	

9.2 Regulatory checks

Details	
Has the applicant been engaged in the management of any companies / businesses that have been the subject of any investigations or proceedings that are current or pending and which may result in disciplinary action being taken in relation to any such authorisation?	
Has the applicant had any court or regulatory authority grant judgement against the applicant in any civil and/or criminal proceedings in relation to fraud, misrepresentation or dishonesty, or are there any such current unresolved proceedings which the applicant is subject to?	
What is the Adviser's full legal name and what name is registered on the ASIC Financial adviser's register? Is there a difference? Why?	
Is the adviser currently on ASIC's Financial advisers register? If so, what are they authorised to do?	
Is the adviser currently on ASIC's banned and disqualified register?	

Is the adviser currently the subject of an ASIC enforceable undertaking? If so, what is the nature of ASIC's concern? Can this be managed by the AFSL?	
Will the applicant be giving tax financial advice? If so, is the applicant registered with the TPB?	

9.3 Key background checks

	Details
Obtain photo identification of the applicant	
Has the applicant previously been declared a bankrupt in any jurisdiction and/or been an officeholder of any company which has been placed in receivership or any other form of management or administration as a result of an insolvency act occurring? If yes, please provide full details.	
Obtain copy of the applicant's bankruptcy check. Are there any concerns?	
Has the applicant previously been convicted by any court or other regulatory authority of any offence (other than a traffic offence) in any place, or is the applicant subject to any such current proceedings which may possibly lead to a conviction? If yes, please provide full details. Obtain copy of the applicant's police check.	
Is the applicant a director of any companies that have gone into administration/liquidation?	

9.4 Professional and education checks

	Details
Obtain a copy of the applicant's CV	
Does the applicant meet the education requirements required by FASEA? If so, how?	

Check with Kaplan about mapping to FASEA requirements.	
If the applicant currently does not meet FASEA's education requirements, does the applicant intend to meet the relevant requirements within the timeframe stipulated by FASEA?	
Obtain certified copy of: <ul style="list-style-type: none"> the applicant's education qualifications (including RG 146 qualification). the applicant's professional qualification. Are the qualifications consistent with the authorisations sought by the adviser?	
Does the AFSL require the adviser to undertake further training?	
Obtain a copy of the applicant's training register. What training requirements need to be completed prior to providing a financial service?	
Which professional association/s is the applicant a member of?	
Has the adviser sat and passed the FASEA Exam? Obtain a copy of the exam results. If not, when does the adviser intend to sit the FASEA exam and will this be in the required FASEA timeframe?	

9.5 Compliance checks

	Details
Obtain a sample of the applicant's advice that relate to the authorisations sought. Are there any compliance or other concerns with the sample advice?	
If the applicant was previously authorised by another AFSL, obtain a copy of the past 2 audit reports of the applicant. Does the audit report indicate any concerns?	
Have there been any breaches recorded against the applicant? If so, is there reason for concern?	

Have there been any complaints recorded against the applicant? If so, is there reason for concern?	
Has the licensee spoken to the previous licensee of the applicant regarding their compliance?	

9.6 Other checks

	Details
<p>What conflicts has the applicant declared?</p> <p>For example:</p> <ul style="list-style-type: none"> • Directorships in other businesses • Ownership in other businesses • Referral relationship to other businesses • Authorisations under other businesses <p>Will it impact their ability to provide the financial services sought?</p> <p>How will the conflicts be managed?</p>	
<p>Does the applicant hold (or is the applicant proposing to hold) any high-risk positions? For example:</p> <ul style="list-style-type: none"> • Power of attorney for a client; • Executor of an estate for a client; • Third party authority over client’s account. 	
<p>Carry out a general internet search on the applicant — for example, review the adviser’s website(s) and any mention of them in published media, social media and on professional networking sites. Are there any concerns?</p>	

9.7 Conditions

Details	
Will the appointment of the applicant as an authorised representative be subject to any conditions? E.g. Further training, passing of pre-vet, Professional Year etc	

9.8 Assessment

Once all the information has been collected, the Licensee should consider all the information and determine whether to appoint the applicant as an authorised representative.