

# applicability

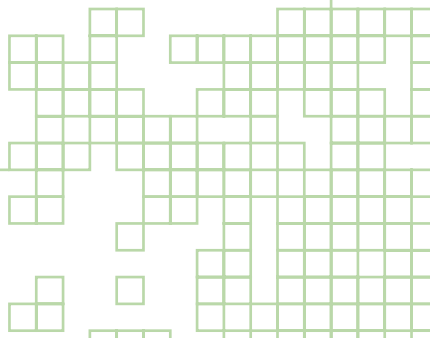
The reliance of the public and the business community on sound financial planning and advice imposes on financial planning professionals an obligation to maintain high standards of technical competence, fair dealing and integrity.

Professional standards reflect the commitment of members of the Financial Planning Association (FPA) to meet a high standard of professional conduct.

The professional standards of the FPA comprise the following:

1. **Code of Ethics.**
2. **Rules of Professional Conduct.**

In addition, the FPA will issue **Practice Guidelines** from time to time. These Guidelines are a practical application of the rules and are designed to assist members in their day to day practice. The Practice Guidelines are not enforceable in themselves, but may be used to assess alleged breaches of professional standards.



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Professional Standards Department sets standards of conduct for members and are enforceable. They may also be recognised by external bodies (such as regulators or the courts) as relevant standards for providing financial planning advice.

Professional standards are enforced by the FPA as follows:

**Financial Industry Complaint Service.** All Principal members must be members of an approved external complaint resolution scheme, the Financial Industry Complaints Service (FICS). Principal members and the activities of all their authorised representatives (both members and non-members) are subject to the FICS. Clients may lodge a complaint for financial loss with that scheme as a result of a breach of the FPA's professional standards.

**Disciplinary Regulation.** All members are subject to the FPA's disciplinary regulation. FPA regulation Sept/99 requires that any alleged breach of the FPA's professional standards be investigated, and if warranted, referred to the FPA's Disciplinary Committees. Serious breaches of the professional standards may result in heavy penalties as stated in the Constitution of the FPA.

# code of ethics

*The Code of Ethics are general standards of a mandatory and enforceable nature.*

*Each general standard will apply to all classifications of membership, unless otherwise stated.*

## 1. Integrity

Members shall observe high standards of honesty and integrity in conducting their financial planning business and in the provision of financial planning services.

## 2. Objectivity

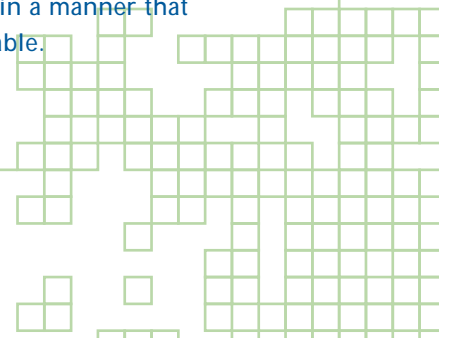
Members shall disclose to the client any limitation on their ability to provide objective financial planning services.

## 3. Competence

Members shall provide competent financial planning services and maintain the necessary knowledge and skill to continue to do so in those areas in which the member is engaged.

## 4. Fairness

Members shall provide financial planning services in a manner that is fair and reasonable.



## 5. Diligence

Members shall act with due skill, care and diligence in the provision of financial planning services.

## 6. Professionalism

Members shall ensure their conduct does not bring discredit to the financial planning profession.

## 7. Confidentiality

Members shall not disclose any confidential information without the specific consent of the provider of that information unless compelled to by law or as required to fulfil their legal obligations.

## 8. Compliance

Members shall ensure their conduct complies with the Constitution of the FPA, the FPA's regulations and professional standards.

### Rules of Professional Conduct

*These rules are specific standards of a mandatory and enforceable nature. Each rule will apply to all classifications of membership, unless otherwise stated.*

### General Conduct

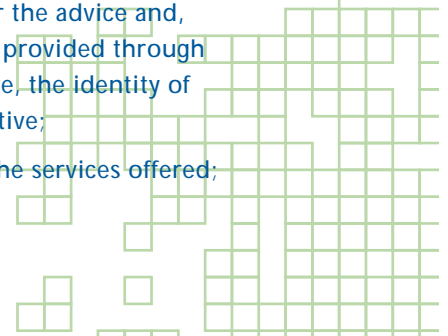
Rule 101 In the conduct of professional and business activities, a member shall not engage in any act or omission of a misleading, deceptive, dishonest or fraudulent nature.

Rule 102 Where a Principal member is also a member organisation of the Australian Stock Exchange (ASX), these rules only apply to their financial planning services.

### Disclosure Statements to Prospective Clients

Rule 103 A Principal member shall ensure that prospective clients are clearly informed in writing about:

- (a) the identity of the Principal responsible for the advice and, if the advice is provided through a representative, the identity of the representative;
- (b) the nature of the services offered;



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- (c) the method of remuneration, fees, commission or charges associated with the delivery of services;
- (d) access to internal and external complaint handling mechanisms; and
- (e) the nature and extent of any significant financial relationship or connection with a product supplier and any other material conflict of interest.

Rule 104 A member shall clearly disclose to all prospective clients the capacity in which they are able to provide financial planning services.

## Financial Plan Preparation

Rule 105 At the earliest point in the relationship, a member shall disclose in writing to the client if the member is only authorised to sell or advise on a restricted range of products, and any other limitation of their capacity to serve the client.

Rule 106 In the provision of any written recommendation (or a transaction affected by Rule 118)

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a member must disclose the following particulars to the client in writing:

- (a) remuneration, fees, commissions or any other pecuniary or non-pecuniary benefit whether direct or indirect, received or receivable by the member, the member's Principal, or an associate in connection with the financial planning service;
- (b) any other benefit reasonably capable of influencing the making of the recommendation;
- (c) any benefit that a third party may receive in connection with the recommendation; and
- (d) any other costs borne by the client should they accept all or part of the recommendation.

The disclosure of particulars must be expressed *as a minimum* in percentage terms and included in the recommendation prepared and issued by the member.

These particulars should be expressed in dollar terms where practicable.

Rule 107 If financial planning services are provided orally, a member must disclose orally to the client the particulars described in Rule 106.

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**Rule 108** In preparing oral or written recommendations to clients, a member shall collect sufficient information to ensure appropriate advice can be given.

**Rule 109** In preparing oral or written recommendations to clients, a member shall conduct, or have access to, research on financial strategies and products that may be appropriate to achieve the client's identified needs and objectives.

**Rule 110** In preparing oral or written recommendations to clients, a member shall develop a suitable financial strategy or plan for the client based on the relevant information collected and analysed.

**Rule 111** In preparing oral or written recommendations to clients a member shall provide an explanation of the nature of the investment risks involved in terms that the client is likely to understand.

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**Rule 112** A member must ensure all significant recommendations are made in writing. If any significant recommendations are given orally, then confirmation must be given in writing as soon as practicable.

## **Explanation of Financial Plan**

**Rule 113** A member must take reasonable steps to place the client in a position to comprehend the recommendations and the basis for the recommendations.

## **Financial Plan Implementation**

**Rule 114** A member's adherence to Rules 108 to 111 inclusive is subject to an express documented instruction by a client to limit or restrict the scope of the financial planning service normally offered by the member (eg an execution only transaction service or advice limited to a particular area or product or where a client refuses to provide information sought). The client must be warned prior to implementing the relevant transactions about the consequences of the member following these instructions.

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Rule 115 A member must implement all agreed upon recommendations in an accurate, efficient and timely manner.

Rule 116 A member shall confirm in writing to a client where a subsequent instruction given by that client significantly alters the financial strategy or balance of an existing portfolio under the supervision of the member.

## Client Service

Rule 117 Should an actual or potential conflict of interest develop after a professional relationship has been commenced, a member shall promptly disclose in writing the conflict(s) of interest(s) to the client. The member must be able to demonstrate that the client was made aware of any actual or potential conflict of interest.

Rule 118 A member shall not move a client or cause a client to move from an investment to another

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investment without explaining to the client, in terms the client is likely to understand, the reasons for the move. The member must demonstrate that the move is appropriate for the client.

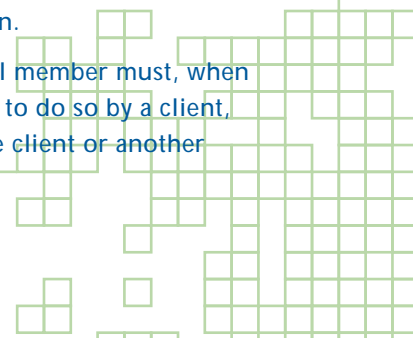
## Complaints

Rule 119 All members must comply with the relevant FPA regulations concerning complaints handling dispute resolution and disciplinary procedures.

## Document Administration

Rule 120 A member shall ensure that information and relevant documents given to or gathered by the member are securely stored to establish at any time that it has complied with FPA's professional standards and be available for inspection when required. Such records shall be retained for seven years from the date the document was last acted upon.

Rule 121 A Principal member must, when requested to do so by a client, give to the client or another



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person authorised by the client, any original documents (not photocopies) related to the provision of financial planning advice for which the client has paid or will pay for. This does not include documents which have been prepared or received by the Principal member in undertaking the advisory task, such as internal notes, memoranda, quotes or other working documents.

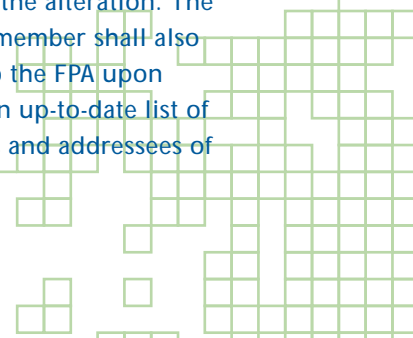
## FPA Reporting Requirements

- Rule 122 A member shall not misrepresent the status of their membership with the FPA.
- Rule 123 A member shall not misstate their authority to represent the FPA. Specifically a member shall not write, speak or act in such a way as to lead another to believe that the member is officially representing the FPA, unless the member has been duly

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authorised to do so by the officers, directors or regulations of the FPA.

- Rule 124 Unless compelled to by law, or as required to fulfil a legal obligation, any person who by reason of their membership in the FPA or connection with the FPA is exposed to, learns of or has access to information and knowledge concerning the FPA and/or members must keep confidential all such information and knowledge and is not entitled to communicate or divulge that information or knowledge or any part thereof.
- Rule 125 A member shall advise the FPA within two business days of any material change to their authorised representative status.
- Rule 126 A Principal member shall provide to the FPA a copy of its licence whenever re-issued or varied within two business days after the alteration. The Principal member shall also provide to the FPA upon request, an up-to-date list of the names and addressees of



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its authorised representatives engaged in the provision of financial planning services.

**Rule 127** A member must co-operate with the FPA in all aspects of any investigation or compliance review as authorised pursuant to the Constitution and regulations of the FPA.

**Rule 128** A Principal member shall effect and maintain professional indemnity insurance in accordance with the requirements prescribed by the FPA from time to time. A Principal member must notify the FPA in writing immediately of any material change to its professional indemnity insurance.

## **Minimum Education Competencies**

**Rule 129** In order to maintain and improve professional knowledge, skills and competence, a member

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must satisfy all continuing professional development requirements set by the FPA from time to time.

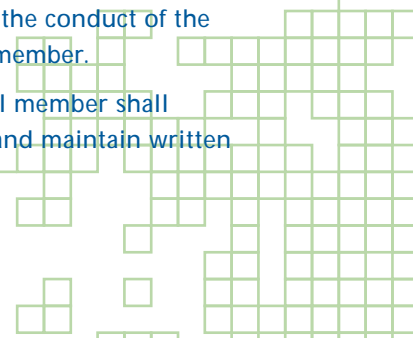
**Rule 130** A member shall offer advice only in those areas in which the member is competent. In areas where the member is not professionally competent, the member shall seek the counsel of qualified individuals and/or refer clients to such parties.

**Rule 131** A Principal member shall have reasonable and appropriate standards for the appointment of authorised representatives.

## **Supervision**

**Rule 132** In determining whether a Principal member has complied with the FPA's professional standards, any conduct by its representatives or employees which relates to conduct of the Principal member's financial planning business shall be treated as the conduct of the Principal member.

**Rule 133** A Principal member shall establish and maintain written



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policies and procedures for the effective control and conduct of its business. This rule does not apply to a licensee with only one practising authorised representative.

**Rule 134** A Principal member shall have a written agreement with its authorised representatives which defines the rights and obligations of the Principal and the representative. In the case of an employee representative, a statement of conditions and duties would satisfy this rule. This rule does not apply to a licensee with only one practising authorised representative.

**Rule 135** A Principal member must maintain an effective system of supervision of all Representatives' activities, performance, training and recommendations made to clients.