

FG003 FASEA Exam Preparation Guidance

June 2021 v1.0



Document History


Date	Version Number	Amendment Description
December 2020	V1.0	<ol style="list-style-type: none">1. Suggested reading update to links for Corporations Act, Austrac, Privacy Act.2. Added Insurance Commissions legislative instrument3. Added Behavioural Finance material
March 2021	V1.0	Updated links to Regulatory Guides and Privacy Act
April 2021	V1.0	Updated links to Corporations Act
May 2021	V1.0	Updated links to Corporations Act, Privacy Act
May 2021	V2.0	Updated links to Corporations Act
June 2021	V1.0	<ol style="list-style-type: none">1. Replaced RG245 with INFO 2562. Added ASIC Legislative instrument Ongoing fee consent3. Added ASIC Legislative instrument Non-ongoing fee consent4. Added ASIC Legislative instrument Lack of independence5. Added ASIC link – Fines & Penalties6. Added Financial Sector Reform – Hayne Royal Commission Response No 2 (Act 2021)7. Added Financial Sector Reform – Hayne Royal Commission Response – Advice Fees (Reg 2021)8. Added Corporations Act Vol 5. Part 9.4 and 9.4B Div 1

Disclaimer and copyright.

While FASEA endeavours to ensure the quality of this publication, it does not accept any responsibility for the accuracy, completeness or currency of the material included in this publication and, to the extent permitted by law, will not be liable for any loss or damage arising out of any use of, or reliance on, this publication.

© Financial Adviser Standards and Ethics Authority (FASEA)

This work is licensed under the Creative Commons Attribution 3.0 Australia Licence (CCBY 3.0).

 This licence allows you to copy, distribute and adapt this work, provided you attribute the work and do not suggest that FASEA endorses you or your work. To view a full copy of the terms of this licence, visit www.creativecommons.org/licenses/by/3.0/au/.

Contents

Document History.....	2
Executive Summary	2
Curriculum	3
Financial Advice Regulatory and Legal Obligations.....	3
Applied Ethical and Professional Reasoning and Communication	4
Financial Advice Construction.....	5
Reading List.....	6
Suggested Reading - Financial Advice Regulatory and Legal Obligations.....	6
Extension Reading - Financial Advice Regulatory and Legal Obligations.....	8
Suggested Reading - Applied Ethical and Professional Reasoning and Communication.....	9
Extension Reading - Applied Ethical and Professional Reasoning and Communication.....	9
Suggested Reading - Financial Advice Construction.....	10
Extension Reading - Financial Advice Construction.....	10
Exam Preparation.....	12
Exam Taking Strategies – Useful Reference Information.....	13

Executive Summary

The exam standard requires that all existing advisers pass the exam before 1 January 2022. From January 2019, new entrants to the industry are required to pass the exam after they have completed a FASEA approved degree, and before commencing quarter 3 in the Professional Year.

The exam will test the practical application of adviser's knowledge in the following competency areas:

1. Financial Advice Regulatory and Legal Obligations (including Corporations Act chapter 7, Anti-money laundering (AML), Privacy and Tax Agents Services Act (TASA) 2009)
2. Applied Ethical and Professional Reasoning and Communication – incorporating FASEA Code of Ethics and Code Monitoring Bodies
3. Financial Advice Construction – suitability of advice aligned to different consumer groups, incorporating consumer behaviour and decision making

This document provides guidance on how to prepare for the exam across the following:

1. Curriculum – provides additional detail for each of the competency areas
2. Reading List – suggested reading and extension reading
3. Exam Preparation - studying and exam techniques

FASEA has also prepared practise questions to provide you with guidance on the types, structure and responses to the questions in the exam. Please refer to FG004 Practise Questions Guidance document.

Curriculum

Financial Advice Regulatory and Legal Obligations

The Financial Advice Regulatory and Legal Obligations knowledge area includes key regulatory and legal requirements which all financial advisers would be expected to be using on a day to day basis when providing personal advice to retail clients, and of which they must have a good understanding.

At a high level, the regulatory and legal requirements include:

1. The Corporations Act (2001), primarily focused on Chapter 7
2. Anti-Money Laundering (AML) Act (2006)
3. Privacy Act (1988)
4. Tax Agents Services Act 2009 (TASA)

The learning outcomes include:

- 1.1 Apply Chapter 7 of the Corporations Act 2001 to case studies/scenarios and identify responsible providers obligations and breaches of those obligations
- 1.2 Apply Chapter 7 of the Corporations Act to key advice documentation (1.2a,b,c,d)
- 1.3a Determine the consequences of breaches of financial disclosure obligations under Chapter 7 of the Corporations Act for themselves, for clients, for the industry
- 1.3b Evaluate case studies and identify breaches of financial disclosure obligations
- 1.4 Demonstrate knowledge and identify breaches of Chapter 7 and subsequent notification obligations (1.4 a,b)
- 1.5 Demonstrate knowledge of legal requirements for both individual and licensee
- 1.6 Apply legal requirements of AML/CTF legislation to scenarios/case studies
- 1.7 Evaluate scenarios in terms of the legal requirements and how to apply the Privacy Act legislation (1.7a,b)
- 1.8 Apply Tax Agents Services Act 2009 requirements to scenarios and identify compliance and non-compliance

Applied Ethical and Professional Reasoning and Communication

Applied Ethical and Professional Reasoning and Communication is critical in restoring the trust and confidence of consumers in the financial advice profession. This knowledge area will test, at a high level, FASEA's Code of Ethics and ethical frameworks in practical client advice scenarios and dilemmas.

The learning outcomes include:

- 2.1a Demonstrate knowledge and understanding of FASEA Code of Ethics and its import to the industry (2.1a/2.2a)
- 2.1b Apply FASEA code to dilemmas/ scenarios, identify compliance and non-compliance and consequences to practitioner, client, industry (2.1b, 2.2c, 2.3a)
- 2.2b Identify scenarios that meet legal requirements of relevant laws/ acts (e.g Corporations Act) but do not comply with the law of FASEA Code
- 2.2d Demonstrate understanding of the relationship of FASEA code to professionalism of entire industry
- 2.3 Apply different/ multiple ethical frameworks to dilemmas and issues in scenarios (2.3b,c,d)
- 2.4 Apply Best Interest Duty and associated obligations to clients in scenarios and identify consequences (practitioner, client, industry) of not acting in clients' best interest (2.4a,b)
- 2.4c Identify when and under what conditions a practitioner should refer a client
- 2.4d Evaluate the importance of the Best Interest Duty to a financial planner, their clients, their licensee and the industry
- 2.4e Analyse and identify individual biases and their influence on decision making
- 2.4f Analyse sources of judgement and biases and their influence on financial advice
- 2.5a Apply the legal requirements with regards to maintenance of client files
- 2.5b Evaluate examples of file maintenance in terms of FASEA code
- 2.5c Demonstrate an understanding of what "due diligence" means in terms of practice

Financial Advice Construction

Financial Advice Construction is critical in the applied practise of personal advice to retail clients and brings all knowledge areas together. This knowledge area will test, at a high level, the suitability of advice for different consumer groups and behavioural finance concepts.

The learning outcomes include:

- 3.1. Demonstrate an understanding of the context in which financial advice is given and requested and how this impacts decision making.
- 3.2a Identify misconduct and inappropriate advice, evaluate why it is inappropriate.
- 3.2b Identify appropriate alternative courses of action to inappropriate advice.
- 3.3 Identify and compare different population and community profiles at a retail client level.
- 3.4 Identify different types of consumer behaviour and decision making.
- 3.5 Evaluate and apply advice strategies suitable for different retail clients.
- 3.6 Demonstrate an understanding of risk, including client risk tolerance.

Reading List

The following section consists of a list of statutory materials, research articles and books as guidance which have been categorised as suggested or extension reading. Suggested reading should be considered by all new entrants and existing advisers whereas extension reading is for those who would like to extend their knowledge.

You are not expected to memorise the content in the listed materials, however, it is recommended that you have read and understood the content and how it applies to the provision of financial advice. You will be provided with relevant statutory content as part of the questions in the exam e.g. relevant section in Corporations Act, relevant standard of the FASEA Code of Ethics.

Suggested Reading - Financial Advice Regulatory and Legal Obligations

1. Corporations Act 2001 (Chapter 7)
 - Corporations Act 2001 - [Volume 4](#)
 - a. Part 7.1 - [Preliminary](#)
 - b. Part 7.6 - [Licensing of providers of financial services](#)
 1. Division 1 - [Preliminary](#)
 2. Division 3 - [Obligations of financial services licensees](#)
 3. Division 5 - [Authorised representatives](#)
 4. Division 6 - [Liability of financial services licensees for representatives](#)
 5. Division 8 - [Banning or disqualification of persons from providing financial services](#)
 6. Division 8A - [Professional standards for relevant providers](#)
 7. Division 8C - [The standards body](#)
 8. Division 10 - [Restrictions on use of terminology](#)
 - c. Part 7.7 - [Financial services disclosure](#)
 - d. Part 7.7A - [Best interest obligations and remuneration](#)
 - e. Part 7.8 - [Other provisions relating to conduct etc. connected with financial products and financial services, other than financial product disclosure](#)
 1. Division 1 - [Preliminary](#)
 2. Division 2 - [Dealing with clients' money](#)
 3. Division 3 - [Dealing with other property of clients](#)
 4. Division 4 - [Special provisions relating to insurance](#)
 5. Division 4A - [Special provisions relating to margin lending facilities](#)
 6. Division 7 - [Other rules about conduct](#)
 7. Division 8 - [Miscellaneous](#)

- Corporations Act 2001 - [Volume 5](#)
 - a. Part 7.9 - [Financial product disclosure and other provisions relating to issue, sale and purchase of financial products](#)
 - 1. Division 1 - [Preliminary](#)
 - 2. Division 2 - [Product Disclosure Statements](#)
 - 3. Division 3 - [Other disclosure obligations of the issuer of a financial product](#)
 - 4. Division 4 - [Advertising for financial products](#)
 - 5. Division 5 - [Cooling-off periods](#)
 - 6. Division 5A - [Unsolicited offers to purchase financial products off-market](#)
 - b. Part 7.10 - [Market misconduct and other prohibited conduct relating to financial products and financial services](#)
 - c. Part 7.10A - [External dispute resolution](#)
 - d. Part 9.4 - [Offences](#)
 - e. Part 9.4B
 - 1. Division 1 - [Civil consequences of contravening civil penalty provisions](#)
- 2. Life Insurance Commissions
 - [ASIC Corporations \(Life Insurance Commissions\) Instrument 2017/510](#)
- 3. Anti- Money Laundering and Counter-Terrorism Financing Act 2006 – AUSTRAC Guidance:
 - [AML/CTF Programs](#)
 - [Customer identification and verification](#)
 - [AML/CTF reporting obligations](#)
 - [AML/CTF record-keeping obligations](#)
 - [Exemptions from obligations under the AML/CTF Act](#)
 - [Consequences of not complying](#)
- 4. Privacy Act 1988
 - [Part II Interpretation](#)
 - [Part III Information Privacy](#)
 - [Part IIIC Notification of eligible data breaches](#)
 - [Part VIA Dealing with personal information in emergencies and disasters](#)
 - [Part VIB Enforcement](#)
 - [Schedule 1 Australian Privacy Principles](#)
- 5. Tax Agent Services Regulations 2009
 - Tax Practitioners Board (TPB) Information Sheet – [What is a tax \(financial\) advice service?](#)
 - TPB Code of Professional Conduct - [Code of Professional Conduct for Tax \(financial\) advisers](#)
- 6. ASIC Regulatory Guides
 - Licensing: Financial product advice and dealing – [Regulatory Guide 36](#)
 - Breach reporting by AFS licensees – [Regulatory Guide 78](#)
 - Licensing: Financial product advisers— conduct and disclosure – [RG 175](#)

- Fee disclosure statements – [INFO 256](#)
- Conflicted and other banned remuneration [Regulatory Guide 246](#)
- [Ongoing fee consent legislative instrument and explanatory statement](#)
- [Non-ongoing fee consent legislative instrument and explanatory statement](#)
- [Lack of independence legislative instrument and explanatory statement](#)
- [ASIC Fines and Penalties](#)

Extension Reading - Financial Advice Regulatory and Legal Obligations

1. [Anti-Money Laundering and Counter-Terrorism Financing Act 2006](#)
2. [Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 \(No. 1\)](#)
3. [Tax Agent Services Act 2009](#)
4. Royal Commission Final Report
 - Recommendations - [Volume 1](#)
 - Case Studies – [Volume 2](#)
 - [Financial Sector Reform Response No2 \(Act 2021\)](#)
 - [Financial Sector Reform - advice fees \(Reg 2021\)](#)
5. Master Financial Planning Guide 2018/19, CCH
6. Securities and Financial Services Law, Robert Baxt, Ashley Black, Pamela Hanrahan
7. Understanding Company Law, Phillip Lipton and Abe Herzberg

Suggested Reading - Applied Ethical and Professional Reasoning and Communication

1. FASEA's Code of Ethics Standard:
 - The Financial Planners and Advisers Code of Ethics 2019 - [Legislative Instrument](#)
 - The Financial Planners and Advisers Code of Ethics 2019 - [Explanatory Statement](#)
2. FG002 Financial Planners and Advisers Code of Ethics 2019 Guidance – [FG002 Guidance Document](#)
3. [Financial Planners and Advisers Code of Ethics 2019 - Guide](#)
4. Relevant Providers Continuing Professional Development Standard [legislative instrument and explanatory statement](#) and [FPS004 CPD Policy](#)
5. Work and Training (Professional Year) Standard [legislative instrument and explanatory statement](#) and [FPS003 Professional Year Policy](#)
6. Provisional Relevant Provider Expressions [legislative instrument and explanatory statement](#)
7. [Extract](#) of, *Everyday Ethics* – by Dr Simon Longstaff
8. [Behavioural Finance and Investor Types](#)
9. [A framework for Ethical Decision Making](#)

Extension Reading - Applied Ethical and Professional Reasoning and Communication

1. [Financial Planning Research Journal, Volume 5 Issue 1, 2019](#)
2. [Ethical Decision Making](#)
3. [A Framework for Making Ethical Decisions](#)
4. [Moral reasoning](#)

Suggested Reading - Financial Advice Construction

1. Doing financial services business in Australia – [Regulatory Guide 121](#)
2. Licensing: Financial product advisers – conduct and disclosure – [Regulatory Guide 175](#)
3. Giving information, general advice and scaled advice - [Regulatory Guide 244](#)
4. ASIC example Statement of Advice: less is more – [05-258](#)
5. Example Statement of Advice: Scaled advice for a new client [Regulatory Guide 90](#)

Extension Reading - Financial Advice Construction

1. Master Financial Planning Guide 2018/19 CCH
2. How financial literacy and demographic variables relate to behavioural biases – [article](#)
3. Behavioural Finance – A guide for financial advisers 2019, by Simon Russell
4. Applying Behavioural Finance in Australia 2016, by Simon Russell
5. Articles from [Financial Planning Research Journal](#), Volume 4 – Issue 2 2018:
 - a. Indigenous Autonomy and Financial Decision-Making in Communities, Levon Blue and Ciaran O'Faircheallaigh
 - b. Retirement outcomes for female primary carers in Australia: A literature review, Amanda Craft, Sharon Taylor, Alicia Gaffney and Suzanne Wagland
6. Articles from [Financial Planning Research Journal](#), Volume 3 – Issue 2 2017:
 - a. Equity holdings of Australian Baby Boomers– Comparing life cycle phases Tracey West
 - b. Understanding the leveraged life cycle investment strategy for defined contribution plan investors Luo Wang, Bin Li and Benjamin Liu
 - c. Sequencing risk for baby boomers: Prosperity or poverty Loretta Iskra and Ciorstan Smark
7. [Financial Planning Research Journal](#), Volume 2 – Issue 2
 - a. Investment Risk Profiling: Lessons from Psychology, Katherine Hunt
8. [Financial Planning Research Journal](#), Volume 1 – Issue 1
 - a. The conflict between financial decision making and indigenous Australian culture, Suzanne Wagland & Sharon Taylor
9. The Psychology of Judgment and Decision Making, 1993 by Scott Plous
10. Behavioural Finance – Investors, Corporations and Markets, 2010 by H Kent Baker and John R Nofsinger
11. Behavioural Finance, 2009 by William Forbes
12. The Psychology of Economics Decisions, 2003 by Isabelle Brocas and Juan D. Carrillo
13. Behavioural Finance and Wealth Management, 2012 by Michael M Popian
14. What do Financial Planning Clients really want?, 2012 by James Evangelidis
15. Thinking Fast and Thinking Slow, 2012 by Daniel Kahneman
16. Barberis, N., & Thaler, R. (2003). A survey of behavioral finance. Handbook of the Economics of Finance, 1, 1053-1128.

17. Foerster, S., Linnainmaa, J. T., Melzer, B. T. and Previtero, A. (2017), Retail Financial Advice: Does One Size Fit All?. *The Journal of Finance*, 72: 1441-1482.

Exam Preparation

It is important that you prepare yourself for the exam. This will vary by individual especially if an individual has not undertaken study or exams for a long time compared to someone that may have recently undertaken study which included exams for the assessment.

The exam is a 3.5-hour exam with 15min of reading time. The following describes the two types of questions that you will be required to answer:

1. Selected response:

The exam will include multiple choice or true/false selected response questions, requiring you to respond in the following way:

1. Multiple choice questions - require you to select the correct answer from a selection of 4 (a, b, c, d). You will receive 1 mark for each correct question.
 2. True/false questions - will ask you to determine whether the statement is true or false. You will need to answer all components correct to receive 1 mark.
2. Short answer questions will require you to respond by providing one to two short paragraph response to the question. Your answers will be assessed and scored as 2, 1 or zero marks.

Tips for writing exam responses:

1. Read the scenario and put yourself in the shoes of the Adviser. Consider what you would do if you were in this situation to comply with legislation (Corporations Act, Privacy Act, TASA Act etc) and the FASEA Code of Ethics.
2. Read the question carefully. It may require you to identify concerns, issues or actions. Make sure you answer the question. Discussion that does not answer the question will not get you marks.
3. The question may ask for TWO concerns, issues or actions. If you only provide one, you can only get one mark. If you provide more than two, you can only get a maximum of two marks.
4. Relate your answer to the scenario. If the question asks for TWO actions, describe the actions you would take and explain why they are relevant in this situation. Be specific to the case study. For instance, saying 'act in the best interest of the client' is not likely to be enough to earn a mark. Explain what you would do in this case, for instance, 'act in the best interest of the client by ... (saying what you would do for this client in the scenario).
5. Copying words or paragraphs from the resource materials will not earn marks. You need to show why this text is important in this case.

6. Read your answer and ask yourself – have I been specific? If the answer would apply to all clients, then the answer is no. For instance, saying ‘keep good records of the client conversation’ applies for all clients and is not specific enough to earn a mark. Explain what you would do in this case, for instance, ‘keep good records of the client conversation’ because ... (saying why is it important for this client/ scenario).
7. Refer to the Values or the Standards of the Code of Ethics where appropriate. For instance, if the case involves a conflict of interest then you will be demonstrating your knowledge and understanding of the Code of Ethics by referring to Standard 3.
8. You are expected to understand the Code of Ethics. Making statements such as ‘refer to the compliance team for advice on how to comply with the Code’ is unlikely to earn you a mark.

It is recommended that you work steadily through the exam. It is not advisable that you spend too much time on any one question.

The maximum number of marks available for each question will be displayed on-screen.

If you think you know the answer to a question, answer it, even if you are not certain. Marks are not deducted for incorrect responses. Make a note of the question number and return to it later if you have time.

If you do not answer a question, the question number will not be shaded in the navigation bar at the top of the page. By using the navigation bar, the question will be easy to find and return to later if you have time.

FASEA has provided practise questions to help you prepare for the Exam, these are available online using the ACER Exam account (refer to purchases). The answers for the questions are available on the FASEA website.

Exam Taking Strategies – Useful Reference Information

1. [Study Skills – Preparing for an Exam](#), University of New England
2. [Exam Preparation: Five Key Strategies](#), Simon Fraser University
3. How to Study for Exams - [Top 6 Steps for Strategic Exam Preparation](#), Memorize Academy
4. [Exam taking strategies](#), Monash University



**Financial Adviser Standards
and Ethics Authority (FASEA)**

PO Box A255
Sydney South NSW 1235

E enquiries@fasea.gov.au

www.fasea.gov.au