



Australian
College of
Financial Advisers

APPLIED
ETHICAL AND
PROFESSIONAL
REASONING AND
COMMUNICATION



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Introduction

Financial advisers in Australia must be aware of their obligations to their clients and best industry practice. This segment is designed to refresh and expand upon your knowledge of your obligations when creating and providing financial advice.

We encourage you to think practically about your role in providing financial advice. Your examiner will expect you to demonstrate clear understanding of your legal obligations and how to apply these in real scenarios. You will need to apply your understanding to particular-fact scenarios as well as answer generic questions about those obligations.

This module is intended to be read as a complement to your existing knowledge and practical experience, providing you with the information about the legislative framework around providing financial advice. At the end of this module you should have a good understanding of the ethical obligations and principles which Australian financial advisers are bound by following the introduction of the FASEA code of ethics from 01 January 2020. For the best learning experience, this module can be read alongside the model exam and mind map under the same name.

Key Learning Outcomes

At the end of this segment you should be confident to:

- Explain the requirements specified in the FASEA Code of Ethics;
- Articulate the importance of a code of ethics and why financial advisers need to work and abide by the approved code in the context of professional standards;
- Apply ethical frameworks to address issues and dilemmas that are encountered as a financial planner; and
- Identify and demonstrate the importance of a relevant provider acting with integrity and in the best interests of each of their clients.

Key Terms

Term	Definition	Provisions
Administrative Action	An action taken by ASIC against licensees and authorised representatives of those licensees who breach their obligations under the Act pertaining to suitability and disclosure obligations	RG98
Advice "Provider"	A person who provides personal advice to a retail client. Applies to natural and non-natural persons, and is not restricted by the inability to determine who in amongst a group provided said advice	s961(1)-(5)
AML/CFT Program	An AML/CFT program sets out a reporting entity's internal policy, procedure and controls for detecting any conduct or transaction that may be an attempt to launder money or fund terrorism and minimize the risk of this occurring.	
APP Entity	An agency or organisation (including an individual or Sole Trader, a Body Corporate, a Partnership, any other Unincorporated Association, a Trust).	s6(1) Privacy Act

FASEA encourage all advisers to consider the three principles of ethical behaviours as identified in the book – Everyday Ethics. These principles are:

- The Golden Rule - Do unto others as you would have them do unto you.
- The Sunlight Test - We should do only those things we would be proud to be seen doing
by those whose opinions we respect.
- Conscience - We should act only according to a well-informed (and well-formed) conscience.

Whilst it may seem obvious, by applying these principles advisers can be sure that they are acting in a manner consistent with what they expect from themselves and what is expected of them by the public and the regulator.

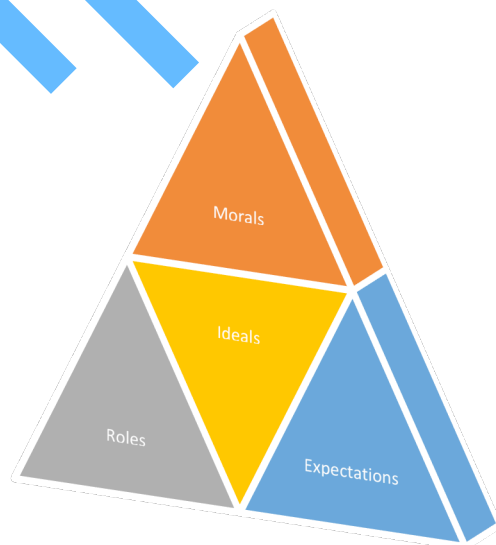
Sources of Ethics for Advisers

When we speak about values, a few key terms come to mind. Often those of valiant or empathetic nature. Some examples being respect for others, integrity, fairness or accountability.

As everyone is different, and every situation is different, there is a wealth of possible values that could make the list.

Human behaviourists generally adhere to the belief that values are both unique and central to human existence, they guide and coordinate human behaviour, ultimately non-universal in nature. On the other hand, there are some theorists that have argued that there are indeed universal structures that guide human values, which can be narrowed down to what the driving forces are behind how we act and interact. We are consistently confronted with the fact that there is no single understanding of morals generally, ideals or principles, commitments, roles or expectations.

This understanding is central to the understanding of professional ethics. Professional ethics exist to both protect people operating under and subject to the law, but also to solidify a certain set of agreed principles that generate accountability and fairness for all who encounter the practice.



What is Ethical Practice?

Ethical practice is the cornerstone of any successful fiduciary relationship. Ethics may be defined as a set of principles or standards governing the conduct of a person or members of a profession or organisation. Adviser ethics conveys the notion that professionalism carries with it responsibility and duty.

Recap: Moral Philosophy

When providing advice, advisers will usually call on different elements of each of these theories. In practice, acting ethically does not fall neatly under one theory, instead we should act based on what we know is right and proper, our technical skill and knowledge, and what the client wants and needs, producing the best outcome. An adviser should follow the general process of:

1. Identify an ethical issue.
2. Consider who is impacted by the decision that will be made.
3. Ensure you have all the relevant information.
4. Reality test your proposed decision – What will this look like? What will the impact be and on who? Will the positive outweigh the negative?
5. Act in the best way you can.
6. Reflect on what you decided on and the outcomes – Could this be different/better next time?

Identify an ethical issue. Consider who is impacted and ensure you have all of the relevant information.

Consider all of the potential outcomes, alternatives, and make a decision.

Act on your decision and reflect on the outcome of the situation - what can I do better next time?

**MODEL EXAM
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Answering The Exam - Method

The FASEA exam will test you using both multiple choice questions and short-answer style questions. To do well with this format of exam will require diligence and strategy with the timing of your answers.

You will have 15 minutes reading time and a further 3 hours and 15 minutes to complete the exam.

The exam will have:

- Multiple choice questions
- True/False questions
- Short answer questions

Multiple Answer Format Method for Multiple Choice Questions

- It can sometimes feel as if you have plenty of time, but that time quickly slips away when you get stuck on a question you are not sure about. Work your way through as steadily as you can and stick to your timeframe.
- Read the question carefully and perhaps, a couple of times over, if you have the time to do so before you answer it. Consider what it is asking of you and whether the answers make sense in response. Go with the first answer you think is right and don't spend too much time debating whether it is correct or not.
- If you are unsure of the answer, leave it immediately and move onto the next question, then return to these questions at the end of your exam when you have time remaining.
- Stick with your first choice and don't over think it. If you have time remaining at the end, you can double check your answers at that time. Success with these questions is largely strategic.

Short Answer Format Method for Problem Questions

- Specifically address the issue/s that the question asks of you. Take a moment to read the question a few times before you attempt to answer. Sometimes questions such as this are not as straight forward as they look. Be sure to know what specifically they are asking of you before you start writing.
- Avoid the temptation to over-write. Answer as clearly as you can in a straightforward manner.
- Don't over embellish your answer. Keep it focussed on what specifically is being asked of you.

A few grammatical things to keep in mind

- Contractions are always a big no in exams. Use *cannot* instead of *can't*, *did not* instead of *didn't*, *is not* instead of *isn't*. Use of contractions can lead to a lesser mark.
- There is never a good reason to use exclamation points in a formal exam. All answers are persuasive at best, not definite. These are often unnecessary and looked upon poorly by markers.

**MIND MAP
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Sample

ETHICS AND PROFESSIONALISM IN PRACTICE - OVERVIEW PT1

Ethical Practice

Working to a high and independent standard

Professionalism

Promotes confidence

Sources of Ethical Obligations

Ethical theories

The Corporations Act 2001 (Chapter 7)

The FASEA Code of Ethics

Common Law

Practice standards

Guidance Issued by professional bodies

Rules against misleading and deceptive conduct

The FASEA Code of Ethics

Standards 1-3 Ethical Behaviour

Standards 4-6 Client Care

Standards 7-9 Quality Process

Standards 10-12 Professional Commitment