

FG003 FASEA Exam Preparation Guidance

May 2019




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

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.....	6
Suggested Reading - Applied ethical and professional reasoning and communication...	7
Extension Reading - Applied ethical and professional reasoning and communication	7
Suggested Reading - Financial Advice Construction.....	8
Extension Reading - Financial Advice Construction.....	8
Exam Preparation.....	10
Exam taking Strategies.....	10

Executive Summary

The exam standard requires that all Existing Advisers pass the exam before 1 January 2021. 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 practice questions to provide you with guidance on the types of, structure of and responses to, the questions in the exam. Please refer to FG004 Practice 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 financial advisers are expected to be using on a day to day basis when providing personal advice to retail clients and of which they are expected to demonstrate 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 to case studies/scenarios and identify responsible providers obligations and breaches of those obligations.
- 1.2. Apply Chapter 7 of the Corporations Act to components of Statement of Advice (SOA)/Financial Services Guide (FSG).
- 1.3. Identify strengths, flaws, breaches of key documentation in terms of compliance with Chapter 7 of the Corporations Act.
- 1.4. Evaluate key documentation in terms of compliance with Chapter 7 of the Corporations Act.
- 1.5. Determine the consequences of breaches of financial disclosure obligations under Chapter 7 of the Corporations Act for themselves, for clients and for the industry.
 - a. Evaluate case studies and identify breaches of financial disclosure obligations.
 - b. Demonstrate knowledge and understanding of notification obligations for breaches of Chapter 7 of the Corporations Act.
- 1.6. Identify breaches of Chapter 7 of the Corporations Act and subsequent notification obligations.
- 1.7. Demonstrate knowledge of legal requirements for both individuals and licensees.
- 1.8. Apply legal requirements of AML/CTF legislation to scenarios/case studies.
- 1.9. Apply privacy legislation to examples and identify legal requirements.
- 1.10. Evaluate scenarios in terms of legal requirements of privacy legislation.
- 1.11. Apply TASA 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:

- 2.1. Demonstrate knowledge and understanding of the FASEA Code.
- 2.2. Apply FASEA Code to scenarios to identify compliance and non-compliance.
- 2.3. Demonstrate understanding of the importance of a code of ethics.
- 2.4. Identify scenario actions that are compliant with the letter of the law but non-compliant with the FASEA Code.
- 2.5. Identify consequences (practitioner, client, industry) of non-compliance with the FASEA Code.
- 2.6. Demonstrate understanding of the relationship of the FASEA Code to professionalism of the industry.
- 2.7. Apply the FASEA Code to dilemmas and issues in scenarios.
- 2.8. Apply different codes (eg. TPB) of ethics to dilemmas and issues in scenarios.
- 2.9. Synthesise different ethical frameworks and apply synthesis to scenarios.
- 2.10. Evaluate suitability of different ethical frameworks to differing dilemmas.
- 2.11. Apply the best interest duty and associated obligations to clients in scenario based problems.
- 2.12. Identify consequences (practitioner, client, industry) of not acting in best interests of clients.
- 2.13. Identify when and under what conditions a practitioner should refer a client.
- 2.14. Evaluate the importance of the best interest duty to a financial planner, their clients, their licensee and the industry.
- 2.15. Analyse and identify individual behavioural biases and their influence on decision making.
- 2.16. Analyse sources of judgement and behavioural biases and their influence on financial advice.

Financial Advice Construction

Financial Advice Construction is critical in the applied practice 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.
- 3.2. Identify misconduct and inappropriate advice, evaluate why it is inappropriate.
- 3.3. Identify appropriate alternative courses of action to inappropriate advice.
- 3.4. Identify and compare different population and community profiles at a retail client level.
- 3.5. Identify different types of consumer behaviour and decision making.
- 3.6. Evaluate and apply advice strategies suitable for different retail clients.

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 eg. 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](#)
 - Corporations Act 2001 - [Volume 5](#)
2. Anti- Money Laundering and Counter-Terrorism Financing Act 2006
 - AUSTRAC Compliance guide – [Chapter 6 – AML/CTF Programs](#)
 - AUSTRAC Compliance Guide – [Chapter 7 – AML/CTF reporting obligations](#)
 - AUSTRAC Compliance Guide – [Chapter 8 – AML/CTF record-keeping obligations](#)
 - AUSTRAC Compliance Guide – [Chapter 9 – Exemptions from obligations under the AML/CTF Act](#)
3. Privacy Act 1988
 - [Privacy Act 1988](#)
4. 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](#)

Extension Reading - Financial Advice Regulatory and Legal Obligations

1. [Anti-Money Laundering and Counter-Terrorism Financing Act 2006](#)
2. [Tax Agent Services Act 2009](#)
3. Royal Commission Final Report
 - Recommendations - [Volume 1](#)
 - Case Studies – [Volume 2](#)
4. Master Financial Planning Guide 2018/19, CCH
5. Securities and Financial Services Law, Robert Baxt, Ashley Black, Pamela Hanrahan

6. Understanding Company Law, Phillip Lipton and Abe Herzberg

Suggested Reading - Applied ethical and professional reasoning and communication

1. FASEA's Code of Ethics Standard:
 - [Legislative Instrument](#)
 - [Explanatory Statement](#)
2. Relevant Providers Continuing Professional Development Standard [legislative instrument and explanatory statement](#) and [FPS004 CPD Policy](#)
3. Work and Training (Professional Year) Standard [legislative instrument and explanatory statement](#) and [FPS003 Professional Year Policy](#)
4. Provisional Relevant Provider Expressions [legislative instrument and explanatory statement](#)
5. [Extract](#) of, *Everyday Ethics* – by Dr Simon Longstaff
6. ASIC's Code of Ethics Compliance Schemes:
 - [RG 269 Approval and oversight of compliance schemes for financial advisers](#)

Extension Reading - Applied ethical and professional reasoning and communication

1. [Financial Planning Research Journal, Volume 2 – Issue 1 2016](#)
 - Characteristics of Trust in Personal Financial Planning, Michelle Cull, Terry Sloan
2. <https://www.scu.edu/ethics/ethics-resources/ethical-decision-making/>
3. <https://www.brown.edu/academics/science-and-technology-studies/sites/brown.edu/academics/science-and-technology-studies/files/uploads/Framework.pdf>
4. <https://ethicsunwrapped.utexas.edu/glossary/moral-reasoning>
5. <https://www.scu.edu/ethics/ethics-resources/ethical-decision-making/a-framework-for-ethical-decision-making/>

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. Applying Behavioural Finance in Australia 2016, by Simon Russell
4. 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
5. 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
6. [Financial Planning Research Journal](#), Volume 2 – Issue 2
 - a. Investment Risk Profiling: Lessons from Psychology, Katherine Hunt
7. [Financial Planning Research Journal](#), Volume 1 – Issue 1
 - a. The conflict between financial decision making and indigenous Australian culture, Suzanne Wagland & Sharon Taylor
8. The Psychology of Judgment and Decision Making, 1993 by Scott Plous
9. Behavioural Finance – Investors, Corporations and Markets, 2010 by H Kent Baker and John R Nofsinger
10. Behavioural Finance, 2009 by William Forbes
11. The Psychology of Economics Decisions, 2003 by Isabelle Brocas and Juan D. Carrillo
12. Behavioural Finance and Wealth Management, 2012 by Michael M Popian
13. What do Financial Planning Clients really want?, 2012 by James Evangelidis
14. Thinking Fast and Thinking Slow, 2012 by Daniel Khaneman
15. Barberis, N., & Thaler, R. (2003). A survey of behavioral finance. Handbook of the Economics of Finance, 1, 1053-1128.

16. Foerster, S., Linnainmaa, J. T., Melzer, B. T. and Previtro, 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 hasn't 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 15 min 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:

- Multiple choice questions - require you to select the correct answer from a selection of 4 (a, b, c, d).
- True/false questions - will ask you to determine whether the statement is true or false.

2. Short answer questions will require you to respond by providing one to two short paragraph response to the question.

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.

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