

**AFA**

Code of  
Conduct -  
6 Principles of  
Professionalism  
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# AFA Code of Conduct - Professionalism

The AFA has had a Code of Ethics (the “Code”) in place for many years. Given the continued evolution of financial advice into a recognised profession, we have reviewed this Code and evolved it into the AFA Code of Conduct – Principles of Practice. A draft Principles of Practice document was released for consultation in July 2012 and we are continuing to refine this in the light of ongoing changes in the legislation and regulation which affect matters such as Opt-in. With the removal of the Opt-in obligation a matter of ongoing public policy debate, this has held up the finalisation of the code. In the meantime a number of other key developments have had implications for the specific requirements of a financial advice professional association code of conduct, including the professional association accreditation requirements under TASA and a range of relevant recommendations or terms of reference issues with current parliamentary Inquiries.

The AFA appointed a cross industry advisory group, inclusive of a range of experienced senior executives and advisers to provide expert guidance on the development of the revised Code. This group have been working on all the key elements of the Code, including key principles, new member requirements, education and knowledge, and supervision and monitoring.

Whilst the other industry, regulatory and parliamentary issues have held up the finalisation of the complete code, the advisory group has finalised the AFA Six Principles of Professionalism that have been set out in this document. These principles have been approved by the AFA Board.

As the industry and regulatory issues are resolved, the AFA will move forward to release the full AFA Principles of Practice - Code of Conduct.

## **The purpose of the six principles:**

The 6 Principles of Professionalism set out the minimum professional practice and ethical standards for members of the AFA when providing financial services.

The central objectives of the Code are the achievement of good consumer outcomes and fostering and enhancing the professional reputation of financial advisers.

## **The Code has six principles:**

1. Integrity and professional conduct
2. Best interests
3. Conflicts of interest
4. Informed client consent
5. Service standards
6. Professional expertise

AFA members must abide by the Six Principles, the broader Code of Conduct and the AFA Constitution and By-Laws in addition to their obligations under the Corporations Act 2001 (Cth) and all other laws and regulations that apply to financial advice businesses.

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## Principle 1 - Integrity and Professional Conduct

**Act with the utmost integrity which encompasses the highest standards of professional conduct, honesty, and ethics.**

Maintain high standards of personal and professional conduct to meet community expectations, reflect favourably upon the financial advisory profession and serve as an example to others.

In all business interactions, act with respect towards clients and business associates and do nothing that will bring you, your practice, the financial advice profession or the AFA into disrepute.

Ensure that your remuneration represents fair value for your clients. Clearly and concisely explain to clients all remuneration that you will receive for the services that you provide to them so that the client fully understands and agrees to both the services they will receive and the amount you will receive.

Protect the confidentiality and integrity of all business and personal information relating to your clients' affairs by only disclosing it to those who need it to service your clients and ensuring that access is controlled.

## Principle 2 - Best Interests

**Act in the best interests of your clients in seeking to extend and secure their financial wellbeing.**

As a trusted professional, you owe a duty of care to your clients and must act at all times in your clients' best interests.

You must comply with both the letter and the spirit of the law.

Develop strong relationships with your clients, based upon genuine understanding of their needs and objectives.

Commit to pursuit of the necessary interpersonal skills to use emotional intelligence effectively in client interactions to complement your technical knowledge (including strong listening skills and the ability to demonstrate empathy and care).

In relation to specific recommendations to replace an existing product, ensure that you can demonstrate that there is an appreciable net benefit for the client.

## Principle 3 - Conflicts of Interest

**Do not allow conflicts of interest to influence your actions inappropriately. Always place the client's interests before your interests.**

Conflicts must be identified and then either managed appropriately or avoided, to ensure that the client's interests are placed ahead of your interests or those of any person associated with you. This is a continuing obligation.

Be very clear whom you represent and in whose interests you are advising, particularly when advising more than one person.

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## Principle 4 - Informed Client Consent

**Educate your clients in financial matters and help them to understand the decisions that they are making.**

Accurately and honestly present all the information that is essential to clients' decision-making to assist them to exercise clear and informed choice in their financial decisions.

This includes taking all reasonable steps to educate your clients about their present and future financial needs. It also requires that the risks, implications and potential consequences of their decisions are explained to clients.

## Principle 5 - Service Standards

**Provide professional service that is aligned to your clients' circumstances and your agreements with them.**

Offer service levels that are appropriate for your clients' circumstances. Be timely and efficient in delivering the services you have agreed to provide.

Be a professional, proactive and responsive advocate for your client's interests with product providers and others where required.

## Principle 6 - Professional Expertise

**Strive to achieve high standards of professional expertise by maintaining and improving your knowledge and skills, and those of your staff.**

Always meet and seek to exceed the minimum training standards via a combination of qualifications, designations and ongoing professional development.

Ensure that you and your staff only provide advice in areas where you are qualified, authorised and skilled. Where you become aware of a client need that you are unable to provide advice on, ensure that you make your client aware of the issue and discuss options to refer the client to a suitable professional.

Provide appropriate training, guidance and supervision to your staff to ensure that they are aware of their professional obligations when dealing with clients and have the capability to act accordingly.





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