


# webinar



## **The National Adviser Exam demystified and deconstructed- what you need to know**

*Thursday 21 July | 11:00am-12:00pm*



[afa.asn.au](http://afa.asn.au)

# Today's webinar

- One hour of CPD available, the AFA will send details within the next week.
- As a webinar attendee you will remain on 'mute' throughout the session.
- Questions will be answered at the end of the presentation. Please use the Zoom Q&A function (not the chat function).



Q&A



Polls



Chat



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# Agenda

1. Introduction
2. Candidate Feedback Reports – refresh on where to go
3. 5 easy steps for multiple choice – examples and practise
4. 5 easy steps for written answers – examples and practise
5. Summary
6. Q & A

# Candidate feedback reports

To determine areas of study for your exam preparation, use this to guide you to the gaps as indicated in your candidate feedback report.

The three domain areas;

1. Financial Advice Regulatory and Legal Obligations
2. Applied Ethical and Professional Reasoning and Communication
3. Financial Advice Construction

Are supported by various subdomain statements;

1.1 – 1.8

2.1 – 2.5c

3.1 – 3.6

The guide highlights the types of questions to expect for each sub domain area, and then indicates an easy way to reference the material you need which can be found in the [ASIC financial adviser exam - Exam preparation Guidance](#)

\*The guide is intended as just that, and you will also need to be conversant with the relevant sections of materials, in case you need to access them in the Exam

# Candidate feedback reports – an example

In my report

## **1.1 Apply Chapter 7 of the Corporations Act 2001 to case studies/scenarios and identify responsible providers obligations and breaches of those obligations.**

The types of questions that underpin this subdomain statement and may experience in the Exam (not exhaustive)

- **Adviser obligations/ actions for product advice** – fund comparison, GA warnings
- **Risks to and obligations of Advisers regarding socmed and public forums**
- Compliance with **Best Interest Duty (CA)** and **obligations to (vulnerable) clients**

Where do I go for reading/ material to study up on this

- **RG 175 Disclosure obligations under Pt 7.7. (Sect A-E)**
- **RG 175 Conduct obligations under Pt 7.7a Div.. 2**
- **ASIC INFO 259 and RG 78**

# Financial Advice Regulatory and Legal Obligations

## 1.1 Apply Chapter 7 of the Corporations Act 2001 to case studies/scenarios and identify responsible providers obligations and breaches of those obligations

**Adviser obligations/ actions for product advice** – fund comparison, GA warnings

**Risks to and obligations of Advisers regarding socmed and public forums**  
Compliance with **Best Interest Duty (CA)** and **obligations to** (vulnerable) **clients**

**RG 175 Disclosure obligations under Pt 7.7. (Sect A-E)**

**RG 175 Conduct obligations under Pt 7.7a Div. 2**

**ASIC INFO 259 and RG 78**

## 1.2a – d Apply Chapter 7 of the Corporations Act to key advice documentation

What are the **key documents** e.g.. SOA, ROA, PDS v Prospectus, FDS etc, **timing** during advice process

**Content - is it compliant** with Corps Act, identify **inaccurate or incomplete** documentation and **obligations**

**‘Independent’** as part of key documentation

**RG175 Section C** – Preparing and providing a **Financial Services Guide**

**Section D** – Preparing and providing a **Statement of Advice**

**Corps Act** – Vol 5, Ch 7, Pt 7.9, Div. 2 – **Product Disclosure Statements**

**ASIC INFO 256** – Ongoing fee arrangements

## 1.3a-b Determine the consequences of breaches of financial disclosure obligations under Chapter 7 of the Corporations Act for themselves, for clients, for the industry (1.3a) Evaluate case studies and identify breaches of financial disclosure obligations (1.3b)

**Product class exemptions from conflict of interest** – per Corps Act

**Conflicted Remuneration** – volume based, bonus payment, non-monetary

**SOA fee disclosure** – what is correct, what is missing

**RG 175.93** - >> **RG104 Meeting general obligations and** - >> **RG98 Suspend, cancel, vary**

**Corps Act** – Vol 5, Pt 9.4 on **Offences**

## 5 easy steps for MC – abcd and t/f

1. Read the question carefully – don't rush it or assume any parts or bring in anything that isn't there  
“stick with the question”
2. Look for the keywords or salient points you'll need to work with the question
3. Using a process of elimination (**abcd**) – remove the ones that don't obviously belong
4. When deciding on the last two, use any **KEYWORDS** that are in the example – they're the ones in **BOLD** and **CAPITAL**, like best, most likely, next best etc
5. **T/F** – do each element separately – sometimes if you attempt both elements at the same time, you can confuse the outcome. Read the question and answer the first element, then read it again and answer the second element. NB: you need both elements correct to score 1 mark



# MC question example

**Recency bias** – the tendency to place too much emphasis on experiences that are freshest in your memory—even if they are not the most relevant or reliable

**Herd mentality bias** - a tendency to follow and copy what other investors are doing

**Overconfidence bias** - a tendency to hold a false and misleading assessment of our skills, intellect, or talent.

**Confirmation bias** - the tendency to search for, interpret, favor, and recall information in a way that confirms or supports prior beliefs or values

An Adviser who chooses his own portfolio of assets for all his clients based on knowing what's best and that he hasn't got it wrong yet, albeit contrary to what asset managers are advising, is **BEST** described as exhibiting

- A) Recency bias
- B) Herd mentality
- C) Overconfidence bias
- D) Confirmation bias

# MC live example 1

During a particularly busy period a financial planner, rushing from one appointment to the next, inadvertently leaves several client files and their laptop in a taxi during transit. It is several hours before Honest John, the taxi driver, returns the files to the address where he last dropped the Adviser.

This situation is **BEST** described as?

- A) A privacy breach as per the Privacy Act (1988)
- B) A significant breach that needs to be reported to the regulator within X days
- C) A notifiable data breach
- D) A compliance issue for the AFSL, as they neglected to provide sufficient supervision of their Authorised Representative

## MC live example 2

An Adviser has been advising a client for more than five years and is aware of their personal circumstances and their relevant risk profile. They enjoy an ongoing relationship, and the client participates in ongoing reviews, receiving the OGS documentation regularly and 'opting in' each period.

The Adviser receives an unexpected call from his client who 'has a couple of questions' but he really doesn't mind, given their long term and ongoing relationship.

As part of the call, the client indicates he is looking to invest directly into a stock that all his friends are excited about and thought he should let the Adviser know. He then asks the Adviser 'what would be your recommendation here?' The Adviser responds by saying 'I am aware of that stock. Its performance has been quite solid given its early days, but past returns shouldn't be construed as a guarantee for future performance.' **Based on this example, the Adviser has provided what type of advice?**

- A) Personal advice
- B) Factual information
- C) General advice
- D) Tax (financial) advice

# 5 easy steps for CR – written answers

1. Read the question carefully – don't rush it or assume any parts or bring in anything that isn't there  
**“stick with the question”**
2. Find the ‘thread’ that runs from the scenario, through the question and to the answer box, attaching the key points to the ‘thread’ as you go
3. Respond as you have been asked – List, Discuss, Explain, Identify and Explain/ Identify and Discuss
4. Ensure you're answer has a Response and Rationale – the marker is looking to see that you understand the concept and can relate your answer to it.
5. When assessing your response, be comfortable with what you have – do not over cook it, or the thread will fray and you risk losing the mark

# CR question example 1 – the ‘thread’

An AFSL with a long-term growth plan has had considerable recent success in acquisition of various practices and integrating them into their current business model.

As part of their business model, they also construct and run their own model portfolios, albeit set up under a different corporate structure. They have a firm belief that this is the best solution for their clients and adopt this model for approx. 75% of them. When they do acquire new business, it is part of their standard practice to move the clients to the model portfolios as it is deemed less expensive for the clients, and they cover this off with them at their next client review meeting.

Identify **TWO** Standards from the Code of Ethics that may be in breach here and explain why

# CR question example 1 – the ‘thread’

An AFSL with a long-term growth plan has had considerable recent success in acquisition of various practices and integrating them into their current business model.

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Identify **TWO** Standards from the Code of Ethics that may be in breach here and explain why

Std 1 – circumvent intent via corp structures

Std 3 – conflict of interest – manufacturer and provider

Std 4 – free prior and informed consent from client

Std 5 – best interest advice and having grounds to be satisfied they understand

Std 7 - free prior and informed consent to any benefits you receive

## CR question example 2 – the ‘construct’

An Adviser, whose elderly client’s risk profile has produced an outcome of Conservative and is seeking a low-cost environment for her retirement goals, has selected a diversified, yet 70% international fund portfolio managed separately by his wife’s brother as ‘it is quicker to implement, and he has always got it right for all my other clients’. The fees are comparable to, yet higher than many other options and the portfolio can only be managed online.

When considering the Corporations Act and/ or Code of Ethics, discuss **TWO** breaches that are present here.

### KEYS:

- **content and context** of the scenario – who is the client, what is the scope of advice
- **how** is the **question framed** – **list, discuss, explain**
- **how many elements** am I being asked for – only ever **TWO**
- **what** are the key points on my **‘thread’**
- **stick with the question** – don’t explain your own feelings or clients here

# CR question example 2 – the ‘construct’

## Good:

One breach present here is Best Interest Duty as the Adviser has chosen not to consider the clients Conservative risk tolerance when selecting the investment portfolio for her. It is also apparent that the fees are higher than other products he has ignored, and the brother in-laws managed fund is in his best interest, rather than that of his client.

A further breach is Standard 6 of COE – the Adviser has not considered the broad effects and long-term impacts of putting a Conservative client into an international fund (at higher fees) and what the impact to her overall retirement goals are now, and long term returns and balance may be, due to the international volatility exposure.

## Not so good:

- Standard and simple description or quote of Standard
- Best Interest Duty obligations to the client
- Code of Ethics
- Safe Harbour provisions



# CR live example 1 – the ‘thread’

A client, aged 58, wants to see whether he is on track for a comfortable retirement at age 60, and provides the following information to his new Adviser:

- Retail super balance of \$150,000 invested into a balanced option.
- Other investments totalling \$300,000.
- Happy with the current super fund and the investment options provided.
- A simple approach to investing.
- Reviewed insurance needs recently and is happy with the current cover

As part of the initial discovery meeting, the client shares with his Adviser that he is recently widowed with a blended family that don't always see eye to eye. He does not have any estate planning in place as he hasn't found time since the passing of his wife and laments the frequent travel they used to enjoy together.

When considering S961B of the Corporations Act and the Safe Harbour steps - subject matter can relate to both explicit and implicit advice.

From the example above, identify and discuss **TWO** implicit subject matters the Adviser should explore further when working with his client.

# CR live example 1 – the ‘construct’

## Good:

The client has indicated he has a blended family, who don't always see eye to eye, and no estate planning in place. In the event something happens to him, this would probably cause conflict within the family(ies) and therefore should be addressed as one of the implicit subject matters.

A further element that could be explored is the ‘other assets’ of \$300K. Given his age, it may be a simple term deposit that could be better invested. It may be a rental property that produces income. It may be one or two shares that impacts his overall diversification and goals.

## Not so good:

- He should get a will – this is ‘identify’ with no ‘discuss’
- The adviser must do a complete fact find and issue the client with an SOA – this an action
- The adviser should investigate his income and expenditure to determine if he can retire comfortable – this is both an action and explicit subject matter

## CR live example 2 – the ‘thread’

An Adviser, whose recently widowed elderly client attends a meeting with two of her grandchildren, has a risk profile with an outcome of Conservative. She is seeking a limited advice engagement for her retirement goals, and the Adviser has selected a 70% international fund portfolio managed separately by his wife's brother as ‘it is quicker to implement, and he has always got it right for all my other clients’. The fees are comparable to, yet higher than many other options and the portfolio can only be managed online.

When considering Standard 6 of the Code of Ethics, to “take into account the broad effects arising from the client acting on your advice and actively consider the client’s broader, long-term interests and likely circumstances” identify and explain **TWO** factors that need to be considered based on the example above.

## CR live example 2 – the ‘construct’

### Good:

A factor that needs to be considered here is the client attending with ‘two of her grandchildren’. This indicates there may be more than two and they may be unduly influencing her. Also, there is no mention of the grandchildren's parents, so I would be considering this under my Std 6 obligation.

The client is recently widowed, and this may indicate a need to consider any spousal inheritance and factor in estate planning for her. Therefore I wouldn't limit the advice to retirement only, just because that is what she has indicated she requires.

### Not so good:

- Quoting various Standards (e.g. 2,3,4) – you have blended standards rather than sticking with Std 6
- The adviser must redo the risk profile exercise to match with her investment option – this an action
- The adviser has breached best interest duty by using his wife's brother to implement – this is related to the Corps Act (2001) and this is Std 6 question

# Summary – Hot Tips

## Do:

- **Read questions carefully – what AND how its being asked (list, discuss, explain)**
- **Follow the 5 step process**
- **Answer ALL questions & manage time accordingly**
- **Understand difference between concern and action**
- **Stick with the question – what is in front of you**
- **Know what ‘dilemma’ means**

## Don't:

- **Assume you know based on what you've always done (e.g.: personal V general) and jump to solution mode.**
- **Leave blank responses**
- **Start with the answer and work backwards**
- **Overthink it and go looking for ‘tricks’ – there aren't any!**
- **Copy and paste from open book**



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