

# **Compliance: Theory and Practice in the Financial Services Industry**

## **Course Outline**

### **1. Licensing**

- What is a Financial Product?
  - What is a Financial Service?
  - When is a Financial Services Licence Needed?
  - Licence Conditions
  - The General Obligations of a Licence Holder
  - Authorised Representatives
  - Liability for Conduct of Representatives
  - Miscellaneous Licensing Related Matters
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### **2. The Role of Compliance**

- What is "Compliance"?
  - The Difference between Compliance, Legal and Internal Audit
  - The Justification for a Compliance Function
  - International Standard ISO 19600-2014
  - Regulatory Pronouncements on Compliance Systems
  - Judicial Pronouncements on Compliance Systems
  - The Desirable Features of a Financial Services Compliance System
  - A Sample Financial Services Compliance Mission Statement
  - A Sample List of Financial Services Compliance Policies
  - Dealings with Regulators
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### **3. Insider Trading and Chinese Walls**

- The Insider Trading Prohibition
  - The Chinese Wall Defence
  - Other Exceptions and Defences
  - ASX Market Integrity Rules
  - The Position in the US
  - Front Running
  - Continuous Disclosure Rules
  - Issues for Discussion
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### **4. Market Conduct Rules**

- Market Manipulation and Related Misconduct
- Order Record Requirements
- Order Precedence and Allocation Rules
- Dealing with Clients as Principal
- Dealings for or with Employees
- Short Selling

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## 5. Shareholding Restrictions

- Corporations Act
  - Relevant Interests
  - Associates
  - Takeover Restrictions
  - Substantial Holding Notices
  - Tracing Notices
- Foreign Acquisitions and Takeovers Act
  - Overview
  - Substantial Interests
  - Associates
  - Compulsory Notification
  - Prohibition/Divestiture Powers
- Other Legislation
- System Issues

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## 6. Competition and Consumer Law

- Basic CCA Concepts
- Anti-competitive Behaviour
- Misleading and Deceptive Conduct
- Unlawful Trading Practices
- Unconscionable Conduct
- Unfair Contracts
- Implied Consumer Warranties
- Compliance Programs

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## 7. Combating Crime

- Anti-Money Laundering and Counter-Terrorism Financing
    - ML-TF Crimes
    - The AML-CTF Framework
    - Core Definitions
    - Enrolment and Registration Requirements
    - Compliance Programs
    - KYC Obligations
    - Reporting Obligations
    - Correspondent Banking Obligations
    - Record Keeping Obligations
    - Enforcement
  - Proceeds of Crime Act
  - Bribery and Corruption
  - Compliance Ramifications
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## 8. Retail Customer Obligations and Marketing Financial Products

### A. Retail Customer Obligations

- Retail vs Wholesale Customers
- Personal vs General Advice
- Financial Services Guides
- Statements of Advice
- Acting in the Client's Best Interests
- Conflicted Remuneration
- Ongoing Fee Requirements
- Know Your Client/Product
- Warning Obligations
- Dispute Resolution Systems
- Compensation Arrangements
- Consequences of Breach

### B Marketing Financial Products

- Overview of Marketing Regime
  - Securities Disclosure Documents
  - Product Disclosure Statements
  - Confirmations
  - Advertising Restrictions
  - Hawking Financial Products
  - Unsolicited Off-market Offers
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## 9. Miscellaneous Compliance Issues

- Client Money/Property
    - Money Other Than Loans
    - Loans
    - Other Property
    - Reporting Obligations
    - Subscription Money
  - Privacy
  - Fiduciary Duties
  - Conflicts of Interest
  - Confidentiality
  - Telephone Taping
  - When Things Go Wrong
    - Escalation Procedures
    - Control Logs
    - Investigations
    - HR Issues
    - Self-Reporting Obligations
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## 10. Managed Investments

- Definitions
- Registration of Schemes
- Licensing and Disclosure Requirements
- Responsible Entities

- Scheme Constitutions
  - Compliance Plans
  - Compliance Committees
  - Statutory Duties
  - Related Party Transactions
  - Civil Liability for Breach of Chapter 5C
  - Common Law Duties
  - Soft Dollar Arrangements
  - Allocation Policy
  - Inter-funding
  - Cross Trading
  - Authorised Investments
  - Custodians
  - Investor Directed Portfolio Services
  - Managed Discretionary Accounts
  - FSC Standards and Guidance Notes
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## 11. Deposit Products, Non-Cash Payment Facilities, Credit Facilities, Margin Lending and ASX Stockbroking

### A. Deposit Products and Non-Cash Payment Facilities

- Definitions
- Banking Act
- Financial Sector (Collection of Data) Act
- Licensing and Disclosure Requirements
- Relaxation of FSR Rules for Basic Deposit Products and Related Non-Cash Payment Facilities
- Industry Codes of Practice

### B. Credit Facilities

- Definitions
- Credit Activities Covered by the NCCPA
- Australian Credit Licences
- Credit Guides
- Responsible Lending Obligations
- Fees and Charges for Credit Assistance
- National Credit Code Obligations
- Other NCCPA Requirements

### C. Margin Lending

- Definitions
- Licensing and Disclosure Requirements
- Responsible Lending Obligations
- Margin Call Obligations
- Reporting Obligations

### D. ASX Stockbroking

- Introduction
- Admission and Accreditation
- General Obligations of Participants
- Client Documentation

- Client Trust Accounts
  - Trading Rules
  - Best Execution
  - Confirmations
  - Managed Discretionary Accounts
  - Error Trades
  - Complaint Registers
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## 12. Derivatives, Warrants, ASX 24 Futures, FX and Financial Planning

### A. Derivatives

- Definitions
- Licensing and Disclosure Requirements
- Confirmations

### B. Warrants

- Definitions
- Licensing and Disclosure Requirements
- Confirmations
- ASX Operating Rules

### C. ASX 24 Futures Broking

- Introduction
- Admission and Accreditation
- General Obligations of Participants
- Client Documentation
- Client Segregated Accounts
- Trading Rules
- Confirmations
- Margin Calls
- Error Trades

### D. Foreign Exchange

- Definitions
- Licensing

### E. Financial Planning

- Licensing and Disclosure Requirements
  - Training Requirements
  - The Financial Planning Association
  - General Compliance Concerns
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## 13. Insurance, Superannuation and RSAs

- Definitions
- Overview of Insurance Act 1973
- Overview of Life Insurance Act 1995
- Overview of Insurance Contracts Act 1984
- Overview of Superannuation Industry (Supervision) Act 1993
- Overview of Retirement Savings Account Act 1997
- Marketing Insurance and Superannuation Products

- Insurance Agents and Brokers
  - Insurance Premiums
  - Industry Codes of Practice
  - Superannuation Complaints Tribunal
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