

The Financial Services Council (**FSC**) represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies. The FSC promotes best practice for the financial services industry by setting mandatory Standards binding on FSC's Full Members as well as providing Guidance Notes to assist in operational efficiency.

As at 4 September 2018, FSC has 18 current Standards. FSC Standards are binding on FSC Full Members.

FSC's Standards

Compliance with FSC's Standards is compulsory for FSC Full Members. By adhering to FSC's Standards, member companies are required to operate with integrity, transparency and in the interests of customers. The current FSC Standards are listed below and are available on FSC's website at www.fsc.org.au.

Standards

- 1 Code of Ethics and Code of Conduct;
- 2 Equity Trusts – Quotation of Dividend Imputation Credits;
- 6 Product Performance – Calculation of Returns;
- 7 References to the FSC Logo;
- 8 Scheme Pricing;
- 8A Crediting Rates;
- 9 Valuation of Scheme Assets and Liabilities;
- 10 Presentation of Past Performance Information and Visual Promotions;
- 11 Genetic Testing Policy;
- 13 Voting Policy, Voting Record and Disclosure;
- 16 Family Medical History Policy;
- 17 Incorrect Pricing of Scheme Units – Correction and Compensation;
- 20 Superannuation Governance Policy;
- 21 Mental Health Education Program and Training;
- 22 Cultural Capability in Native Title Services;
- 23 Principles of Internal Governance & Asset Stewardship;
- 24 Approved Product List; and
- 25 Life Insurance Data Collection Policy (to be effective from the date of the third industry-led data collection. This date is to be advised).

FSC Life Insurance Code of Practice

FSC Standard No. 1 *Code of Ethics and Code of Conduct* is the foundation for all other Standards, including the mandatory Life Insurance Code of Practice; and provides an overarching Code of Ethics and Code of Conduct.

FSC Standard No.1 - *Code of Ethics and Code of Conduct* – *An Overarching Standard*

Please note the current version of Standard No.1 has been in force since 1 July 2018. This version of the Standard was developed in conjunction with Dr Simon Longstaff of The Ethics Centre (**TEC**) to increase the focus on basic ethical principles and promote an ethics-based compliance culture.

The following parts of the Standard have been restructured so that:

1. the **Code of Ethics** (Part 2) comprises an ethical framework identifying:
 - a. a general duty; and
 - b. subject to the general duty, a set of specific duties; and
2. the **Code of Conduct** (Part 3) comprises a set of rules based upon one or more of the ethics set out in the Code of Ethics.

All FSC Full Members must comply with the ethical principles and rules set out in the *Code of Ethics and Code of Conduct*. This document articulates a common set of values shared by FSC Members.

Code of Ethics

The general duty requires FSC Members to act in “the public interest” to establish and maintain a strong ethical foundation for the financial services market.

Accordingly, FSC Members must conduct themselves with integrity in a manner consistent with fostering and maintaining a good reputation for their industry and refrain from conduct that may discredit the industry.

The specific ethical duties are:

- ⌋ to give primacy to duties owed to customers;
- ⌋ to treat all stakeholders with fairness and equity;
- ⌋ to instil trustworthiness by:
 - conduct; and

- establishing and publishing an ethical framework;
-) applying high standard of conduct, including:
 - to perform tasks diligently;
 - to ensure proper training; and
 - in risk and compliance practice;
-) managing conflicts of interest; and
-) to abide by the spirit and letter of the law.

Code of Conduct

FSC's Code of Conduct requires FSC Members to:

-) apply all the above tenets of the Code of Ethics;
-) compete fairly and appropriately;
-) provide clear, concise and effective disclosure;
-) manage conflicts;
-) ensure confidentiality and appropriate use of information;
-) to make reasonable efforts to develop talent – in addition to complying with applicable law; and
-) promote and support ethical decision-making behaviour through sound corporate governance.

Further details on the *Code of Ethics* and *Code of Conduct* are contained in FSC Standard No. 1 which is available on FSC's website at www.fsc.org.au under the "FSC Standards" tab in the "Resources" pull-down menu.

FSC Standards – Member compliance

Between July and September every year, the Boards of Full Member companies are required to adopt a resolution:

-) that they are satisfied they have complied with the FSC Standards for the previous year;
-) that states where they have not complied and confirm the exemptions that have been granted by FSC in this regard; and
-) that confirms the Standards are not applicable to their business.

FSC's Guidance Notes

Compliance with FSC's Guidance Notes is voluntary but strongly encouraged. The Guidance Notes are designed to assist in operational efficiency and set out what is considered best practice. FSC's Guidance Notes are available on FSC's website - www.fsc.org.au - under the "FSC Guidance Notes" tab in the "Resources" pull-down menu on the home page.

Governance of FSC's Standards and Guidance Notes

FSC's Standards and Guidance Notes are overseen by the FSC Senior Policy Manager responsible to the relevant FSC

Board Committee covering the subject matter of the Standard or Guidance Note (with the assistance of FSC's General Counsel).

Collectively, FSC's Standards and Guidance Notes are overseen by the Standards, Oversight and Disciplinary Committee (the **SODC**, which is a committee of the FSC Board) and the FSC Board.

The SODC comprises three members of the FSC Board and is responsible for the oversight of FSC Standard No.1 *Code of Ethics and Code of Conduct* and reviewing FSC Member compliance with FSC Standards.

The SODC role also includes:

-) considering proposals for the development of new Standards or Guidance Notes and revisions to existing Standards or Guidance Notes; generally after these have been developed by, or under the direction of, the relevant FSC Board Committee. (The relevant Board Committees are Superannuation, Investment, Life Insurance and Advice.);
-) making final recommendations to the FSC Board for the approval of draft Standards or Guidance Notes, and revisions to existing Standards or Guidance Notes;
-) overseeing the annual FSC Standards compliance process (under which FSC Full Members are required to attest as to their compliance with FSC Standards); and
-) considering any:
 - requests for any exemption from requirement(s) under the FSC Standard(s);
 - disclosure by an FSC Members of any non-compliance with the Standards;
 - complaints brought to FSC's attention against FSC Members, or any non-compliance with FSC Standards; and
 - any appropriate response which may include disciplinary action in the case of breaches of FSC Standards.

The Standards Committee considers all such Member related issues on an anonymous basis.

Contact the FSC

For more information about FSC's Standards and Guidance Notes please call +61 2 9299 3022 or email standards@fsc.org.au.

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