



FSC Standard No 1: *Code of Ethics & Code of Conduct*

FSC Membership this Standard is relevant to:	This Standard is relevant to all FSC Members.
Date of this version:	31 October 2016
History (prior versions) of this Standard:	9 November 1999, 22 June 2001, 31 August 2007 and last revised on 4 May 2012.
Main Purpose of this Standard:	This Standard sets out ethical principles to guide decision making, and specific rules regarding certain conduct. This Standard also sets out FSC's Standards making process, the requirement for annual sign-off from the Board of FSC Members certifying compliance with all applicable FSC Standards, and related matters.

FSC Standard No 1: Code of Ethics & Code of Conduct

Table of Contents

	<u>Paragraph</u>	:	<u>Page</u>
<i>Part One: Application of the Standard and Commentary...1</i>		:	2
Introduction and background.....	1.1	:	2
Date of application to members (transition period).....	1.2	:	2
Application.....	1.3	:	2
Breach of FSC Standard.....	1.4	:	3
Review of Standards.....	1.5	:	3
Appendices	1.6	:	3
<i>Part Two: Code of Ethics.....2</i>		:	3
<i>Part Three: Code of Conduct.....3</i>		:	4
Safeguarding customers' interests and operating in the interest of the public.....	3.1	:	4
Providing clear, concise and effective disclosure.....	3.2	:	4
Fair and appropriate competition.....	3.3	:	4
Development of talent.....	3.4	:	5
Acting responsibly, with integrity and placing customers first in areas of conflict.....	3.5	:	5
Promotion and support of ethical decision making behaviours through sound corporate governance.....	3.6	:	5
The Code applies overseas.....	3.7	:	6
Confidentiality & appropriate use of information.....	3.8	:	6
Appendix A: FSC's Standard-Setting Process.....	A	:	7
Appendix B: Annual Compliance Process.....	B	:	10
Appendix C: Ongoing Monitoring of Compliance, Best Practice & Disciplinary Procedure.....	C	:	19

FSC Standard No 1: Code of Ethics & Code of Conduct

Part One: Application of the Standard and Commentary

1.1 Introduction and background

Purpose of the Code

The Financial Services Council (“FSC”) is the industry association for the superannuation, financial advice, trustee company services, managed investments, funds management and life insurance industries (“Financial Services Sector”). FSC seeks to advance the efficiency and integrity of the Australian financial system by, among other things, acting as the focal point for the development of professional standards and codes of practice, where appropriate.

FSC Standard Number 1 – *Code of Ethics and Code of Conduct* (“Code”) sets out ethical principles to guide decision making, and specific rules regarding certain conduct. This Standard also sets out FSC’s Standards making process, the requirement for annual sign-off from the Board of FSC Members certifying compliance with all applicable FSC Standards, and related matters.

History

The Code was originally developed in 1997-98 following the establishment of FSC, and was formally issued on 9 November 1999.

It was reissued on 22 June 2001 in substantially the same form. The Code underwent a further review at the end of 2006 and was approved by the FSC Board in February 2007 and reissued on 31 August 2007. This version of FSC Standard No. 1 was issued on 4 May 2012 (incorporating updates on the sign-off process required for compliance with FSC’s Standards in respect of FSC Members which are part of a group of companies or colloquially described as “conglomerate members”).

1.2 Date of application to members (transition period)

This Standard will take effect on 1 July 2007. The revisions in respect of sign-off by conglomerate members in respect of compliance with FSC’s Standards applies from the FSC compliance year commencing 1 July 2012.

1.3 Application

All FSC members must:

- (i) comply with the ethical principles and rules of conduct set out in Part 2 and Part 3 of this Code; and
-

FSC Standard No 1: Code of Ethics & Code of Conduct

- (ii) effectively establish a code of ethics and conduct in their companies incorporating the principles.

The Code articulates a common set of values shared by FSC members and applies to both FSC members and to their employees. The Code is intended to complement existing Australian law, and is not intended to replace the law. FSC will not consider exempting the compliance of any part of this Code.

While FSC's supporting members are not required to comply with this Standard, they are nonetheless encouraged to have regard to and observe the principles set out in this Standard particularly in connection with their dealings with an FSC member or associate who have an obligation to uphold and comply with such principles.

1.4 Breach of FSC Standard

See Appendix C, paragraph C.4 sets out the processes that FSC and an FSC member should adopt in the event of a breach of an FSC Standard. Please refer to Appendix B and Appendix C.

1.5 Review of Standards

A substantial review of Standard No. 1 should be undertaken either at around three years from the date the Standard takes effect, or in the event of substantial change in the regulatory or business environment impacting FSC members.

1.6 Appendices

The Appendices to this Standard sets out the following:

- Appendix A – FSC's Standard-Setting Process
- Appendix B – Annual Compliance Process
- Appendix C – Ongoing monitoring of compliance, best practice and disciplinary Procedure.

Part Two: Code of Ethics

2.1 FSC members will conduct themselves with integrity and in a manner consistent with fostering and maintaining the good reputation of their industry and refrain from any conduct that may bring discredit to their industry.

2.2 FSC members will abide by the law and by the Code by maintaining a high standard of risk and compliance practice.

2.3 FSC members must be fair, and not allow conflicts of interest or bias to influence their actions. That is, to ensure that:

FSC Standard No 1: Code of Ethics & Code of Conduct

- client and investor interests are paramount in all decisions and transactions;
- the execution of client requirements come before those of the member; and
- their conduct contributes to markets operating in an efficient and informed manner.

2.4 FSC members must carry out business with due care, competence and diligence.

2.5 FSC members will strive to ensure people acting on their behalf are properly trained and perform their duties and obligations to a high standard of professionalism.

Part Three: Code of Conduct

3.1 Safeguarding customers' interests and operating in the interest of the public

FSC members must at all times safeguard the interest of their customers provided that they do not conflict with the duties and loyalties owed to the community and its laws.

3.2 Providing clear, concise and effective disclosure

FSC members must provide disclosures to customers and potential customers that are clear, concise and effective (whether in written or non-written form). This enables sound investment decisions including, but not limited to, disclosures about any conflicts of interest (see also section 3.5 below) and of any fees and charges that are likely to be incurred.

3.3 Fair and appropriate competition

While vigorous competition within the industry is encouraged, FSC members should compete fairly and appropriately with other industry participants.

To determine what is appropriate, FSC members should always act in a way which upholds and enhances the good reputation of the Financial Services Sector when advancing their commercial interests.

FSC Standard No 1: Code of Ethics & Code of Conduct

3.4 Development of talent

FSC members must, at all times, ensure that people employed or contracted to act on their behalf have appropriate standards of skill and competence, be diligent and take proper care when discharging their duties and obligations toward customers and stakeholders. To achieve this, FSC members are obliged to foster the development of people with relevant skills, training and knowledge.

3.5 Acting responsibly, with integrity and placing customers first in areas of conflict

Where a conflict of interest arises, an FSC member company should conduct itself with the highest degree of integrity and fair dealing, to ensure that, without limiting clause 3.1:

- (a) customer interests are paramount in all decisions and transactions; and
- (b) the conduct of the member contributes to an effective, efficient and informed market.

At a minimum, an FSC member must actively address their obligations under the general law and the Corporations Act to have in place adequate arrangements for the management of conflicts that may arise as part of their financial services businesses, including:

- (i) assessing existing and potential areas of conflicts arising from internal or external interests by identifying:
 - types of behaviour that may cause a conflict of interest at an individual, business or entity level; and
 - behaviour that may impact on decisions at an individual, business, entity, product or service level;
- (ii) managing the potential behaviour or decisions in contemplation of the ethical standards expected of members

3.6 Promotion and support of ethical decision making behaviours through sound corporate governance

FSC members should actively promote and nurture ethical and transparent decision making behaviours and practices both within the industry and their respective organisations. They should do this by:

- (a) explicitly supporting FSC standards of ethical and professional conduct, and of

FSC Standard No 1: Code of Ethics & Code of Conduct

corporate governance;

- (b) embedding an ethical organisational decision-making framework and culture across their organisations to reinforce appropriate ethical behaviours and practices at all levels of the organisation; and
- (c) establishing and championing 'in confidence' reporting mechanisms of inappropriate practice within their organisations.

3.7 Code Apply Overseas

Australian business integrity, competence, robust regulatory framework and high standards of risk control should never be compromised. The Codes applies to FSC members who operate overseas.

3.8 Confidentiality & Appropriate Use of Information

FSC members must respect and preserve the confidentiality of their customers and investors by safeguarding information regarding their clients that is in their possession, and avoiding the misuse of private information obtained in the course of their business activities.

Private information is misused where it is used dishonestly to gain an improper commercial or personal advantage, or where false and misleading information or rumours about a customer is circulated. FSC members have an obligation to comply with all relevant privacy laws in Australia and overseas.

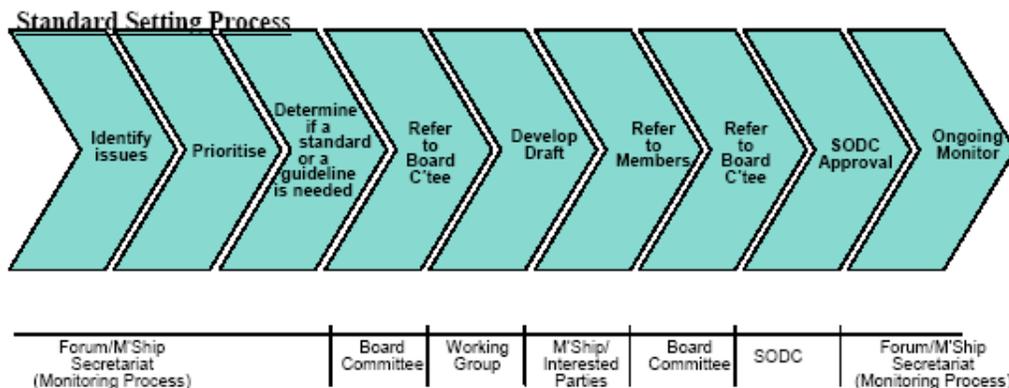
FSC Standard No 1: Code of Ethics & Code of Conduct

Appendix A: FSC's Standard-Setting Process

A.1 Objectives

The objectives of the Standards are to provide public confidence, objectivity, credibility and professionalism within the industry. The standard-setting process will comprise the following stages:

- **Stage 1:** Identification of an issue and an assessment of its priority.
- **Stage 2:** Assessment of the need for a Standard or Guidance Note.
- **Stage 3:** Put a case for the development of a Standard or Guidance Note to the appropriate FSC Board Committee.
- **Stage 4:** Working Group to develop a draft.
- **Stage 5:** Submit an exposure draft to the broad FSC membership and interested parties for consultation.
- **Stage 6:** Working Group to finalise the draft.
- **Stage 7:** Final draft to be referred to the appropriate FSC Board Committee for endorsement.
- **Stage 8:** Final draft to be referred to the Standards Oversight and Disciplinary Committee for final approval (they will submit a report for resolution by the FSC Board).
- **Stage 9:** Ongoing monitoring and enforcement (refer Appendix C)



FSC Standard No 1: Code of Ethics & Code of Conduct

Stage 1: Identification of an issue and an assessment of its priority.

FSC Standards and Guidance Notes are conceived through the identification of issues that members consider require attention. Ideas for the development of new Standards are openly sought and the views of members, supporting members and others are welcomed on emerging issues. Changes to existing Standards should be thoroughly explored before the remainder of the development process is progressed.

The identification of emerging issues may be referred by the FSC Board, Board Committees, Forums, the membership and the secretariat, or as a result of issues raised during the monitoring process. Issues then need to be prioritised to ensure the appropriate allocation of resources.

Stage 2: Assessment of the need for a Standard or Guidance Note.

Research should be undertaken to assess the need for a Standard or Guidance Note. Issues identified in the initial process may be addressed in a variety of ways: member education, awareness campaigns, dialogue with the regulator and other interested parties, as well as the establishment of a Standard or Guidance Note.

The best means for dealing with identified issues should be canvassed and a wide variety of potential solutions considered.

To demonstrate that all options have been considered the Secretariat will develop or oversee the development of an Issues Paper which should include a description of the problem and the need for a Standard or Guidance Note, a discussion of the problem, and a list of practical options for the consideration of members and others.

Stage 3: Put a case for the development of a Standard or Guidance Note to the appropriate FSC Board Committee.

The devised Issues Paper is then presented to the appropriate FSC Board Committee for confirmation. Once the FSC Board Committee has approved the direction of the Issues Paper, the production of the Standard or Guidance Note should be delegated to a new or existing Working Group.

Stage 4: Working Group to develop a draft.

As directed by the FSC Board Committee in conjunction with the Secretariat, a Working Group will develop a draft Standard or Guidance Note for review by the members.

Stage 5: Submit an exposure draft to the broad FSC membership and interested parties for consultation.

Following the completion of a draft Standard/Guidance Note, an Exposure Draft should be distributed to all Full and Supporting members via the Nominated Representatives and, if appropriate, to other interested parties. Members and other interested parties

FSC Standard No 1: Code of Ethics & Code of Conduct

should be given the opportunity to comment on the draft paper. A time limit for receipt of comments should be quoted to ensure prompt progression to the next stage of the standard-setting process.

Stage 6: Working Group to finalise the draft.

Submissions from members and other parties should be channelled through the FSC Secretariat to the Working Group responsible for the draft paper. The Working Group must then determine whether or not there is general consensus on an issue.

Stage 7: Final draft to be referred to the appropriate FSC Board Committee for endorsement

At this stage a recommendation from the Working Group should be made to the appropriate FSC Board Committee, including an indication of whether the proposed Standard is supported by all members, and if not the nature and degree of opposition to it.

If the Committee is satisfied with the draft paper a recommendation is then made to the Standards Oversight and Disciplinary Committee for final approval.

Stage 8: Final draft to be referred to the Standards Oversight and Disciplinary Committee (SODC) for final approval.

The draft Standard/Guidance Note is presented to the next meeting of the SODC for approval.

Three members of the FSC Board comprise the SODC. Following each meeting, the SODC is to provide a report summarising its decisions for resolution by the FSC Board.

Once approved, the Standard or Guidance Note is issued to all members with an Effective Date set at a suitable period after the Issue Date. The purpose of this is to give members and other interested parties an opportunity to prepare for its implementation on the Effective Date.

Stage 9: Ongoing monitoring and enforcement (refer Appendix C)

The Standards and Guidance Notes will be monitored by the Senior Policy Manager responsible for the appropriate Board Committee. They will respond to member enquiries, undertake periodic reviews and report directly to the appropriate Board Committee. If the Senior Policy Manager believes any material amendments are required to the Standards or Guidance Notes they must be subject to the standard setting process outlined in stages 1 to 9.

Appendix B: Annual Compliance Process

B.1 Statement of intention

- 1.1 This document is designed to provide guidance to FSC members on the process to be followed in order to ensure ongoing compliance with the FSC Standards.
- 1.2 FSC is not a regulator. FSC intends to monitor compliance with the FSC Standards with a minimum of formality. The focus will be on outcomes not on prescriptive procedures. Notwithstanding this intent, certain processes are required where breaches of FSC Standards are identified.
- 1.3 FSC does not intend to ensure compliance with the FSC Standards by conducting site visits. Where FSC does become aware of a potential breach of the FSC Standards, the procedures outlined below will be followed.
- 1.4 Where there is a conflict between these procedures and relevant legislation or constituent documents, FSC members are encouraged to adhere to the spirit and intention of these procedures rather than their literal meaning.

B.2 Annual compliance statement

- 2.1 FSC's full members are required to adopt a Board resolution each year stating they are satisfied that:
 - The company has complied with mandatory FSC Standards for the year just completed; or
 - Where the company has not complied, the exemptions which have been granted to them by FSC in this regard; or
 - The Standards which are not applicable to the company's business.
- 2.2 Where an FSC member is a subsidiary company, the annual compliance statement is not required to be signed by the holding company board. Compliance should be attested to by the Board of the subsidiary or division to which the FSC Standards apply.
- 2.3 Where an FSC member has more than one division/subsidiary that is required to comply with the FSC standards, the member should submit to FSC:
 - One consolidated annual compliance statement signed by the holding company board covering all relevant divisions/subsidiaries; or
 - Separate annual compliance statements signed by all relevant subsidiary boards for the respective divisions/subsidiaries. See below for further

FSC Standard No 1: Code of Ethics & Code of Conduct

information in relation to the sign-off required from an FSC Member which is part of a group of companies (colloquially described as a “conglomerate member”).

- 2.4 Where one consolidated annual compliance statement is signed by the holding company they should:
- Confirm as part of their statement that any subsidiary/entity covering superannuation, financial advice, trustee company services, managed investments, funds management and life insurance has been included in the compliance sign off procedures; and
 - List the entities which have been included in the compliance audit.

Conglomerate members are also subject to the sign-off requirements set out in paragraph 2.8 (which sets out the activities and entities which the FSC member which is a part of a group of companies (colloquially described as a “conglomerate member”) is required to provide sign-off on.

- 2.5 The compliance statement (refer Section B.9) must be submitted to FSC by 30 September of each year. It is expected that the process of review required for an FSC member Board to sign the annual compliance statement will be aligned with a member’s financial and statutory reporting requirements.
- 2.6 A representative of the member’s Board (for example the Managing Director, Secretary, or Head of Compliance) may sign the statement of compliance on behalf of the Board in accordance with the authority provided by a Board resolution made under Clause 2.1. In such case the statement must confirm that it is signed on behalf of and with the authority of the Board.
- 2.7 Where practical and relevant, supporting members are encouraged to comply with the Standards and Guidance Notes and to provide the appropriate compliance statement. If they are unable to comply, however, supporting members are not required to apply for exemption.

Annual compliance statement requirements in respect of FSC members which are part of a group of companies (colloquially described as “conglomerate members”)

- 2.8 Where:
- (a) the FSC member has majority ownership (i.e. more than 50% ownership) of an entity; **and/or**
 - (b) the FSC member has full management oversight of the activities of an entity; **and/or**
 - (c) an entity is branded, marketed or distributed under the management structure of the FSC member (for example, a financial advisory group owned by an

FSC Standard No 1: Code of Ethics & Code of Conduct

institution, but branded under the branding of the wealth management arm of that institution),

and that entity's activities cover any one or more of superannuation, financial advice, trustee company services, managed investments, funds management and life insurance, **then** the FSC member must arrange an annual compliance statement(s) as part of the annual compliance process, covering the activities of the FSC member and those entities. (The annual compliance statement may be a single statement or statement provided by one or more of the FSC member and entities, provided that collectively the activities of the FSC member and each of the entities are the subject of an annual compliance statement.)

Activities which are not part of the Compliance Sign-offs as they are not activities generally governed by FSC membership

2.9 To avoid doubt, each of the following activities and entities are **excluded** from the coverage of FSC membership and compliance statements:

- (1) execution-only stockbroking (this exclusion does not apply to any financial advice provided);
- (2) margin lending;
- (3) banking;
- (4) structured products (such as over the counter derivatives/contracts) which are not offered as or contained within a managed investment scheme, superannuation product or other collective investment or pooled vehicle;
- (5) securitisation;
- (6) a joint venture investment management ("JVIM") entity:
 - (a) not majority owned by the FSC member; **and**
 - (b) over which the FSC member does not have full management oversight; **and**
 - (c) to the extent that (but not otherwise) such JVIM entity is branded, marketed or distributed by the FSC member as part of a platform or like offering.

B.3 Non-supply of compliance statement

3.1 Failure to supply the compliance statement within the timeframe specified in Clause 2.5 will be considered an act of non-compliance with the FSC Standards. In these circumstances, FSC will send a letter within 2 weeks of the due date requesting a written explanation from the FSC member for the non-supply.

FSC Standard No 1: Code of Ethics & Code of Conduct

- 3.2 Where the explanation includes reference to a potential breach, please consult Section B.4 of these procedures for guidance.
- 3.3 Inadequate processes, procedures and/or resources will not be considered an appropriate reason for the non-supply of the annual compliance statement. Members are referred to Section 3.4 of FSC's Code of Ethics and Code of Conduct which outlines the practices an FSC member should have in place.

B.4 Breach of Standards

- 4.1 Where FSC has good reason to suspect that a member has breached an FSC Standard, FSC reserves the right to request evidence be produced by a member to confirm actual compliance with the FSC Standards.
- 4.2 FSC members should seek guidance from FSC immediately on becoming aware of the potential breach of any FSC Standard.
- 4.3 An FSC member may, depending on the materiality of the breach, be subject to disciplinary action for breaching any FSC Standard.

B.5 Applying for exemption from compliance with aspects of the Standards

- 5.1 If, during the course of the year members become aware they do not comply with specific aspects of the Standards they should notify FSC and apply for an exemption.
- 5.2 In applying for an exemption from compliance with sections of specific FSC Standards:
- The member's Board must satisfied itself that they are not reasonably able to correct their systems to ensure compliance ('System' includes, but is not limited to any policy, procedure, document, resource or IT system used by the FSC member); and
 - The member's Board must satisfy itself that no individual or group of clients/investors will be disadvantaged by the act of non-compliance.
- 5.3 The member applying for the exemption must follow the following procedure:
- Apply for the exemption in writing to FSC's CEO.
 - The application must provide details of the reason/s for any inability to comply, including evidence substantiating the claim. Where elements of the application are confidential, these elements must be highlighted.

FSC Standard No 1: Code of Ethics & Code of Conduct

- The application is made no later than 30 August each year so that the Application can be submitted for consideration by the September meeting of the appropriate Board Committee and a decision reached prior to 30 September.
 - The application is signed by the relevant person responsible for the co-ordination of compliance with FSC Standards.
- 5.4 FSC will respond to the member within 14 days of receipt of the application indicating the proposed course of action and timeframe for consideration. Best efforts will be made to resolve issues within a reasonable timeframe.
- 5.5 To avoid any conflicts of interest, an FSC Board Committee member who is also a representative of a member or related party applying for exemption, or appealing a decision not to allow exemption, shall be excluded from all discussion and voting on the issue.
- 5.6 Where an exemption is granted, it may not be appropriate for the FSC member to continue to show the FSC logo without qualification. This will be resolved on a case by case basis.
- 5.7 Where an application for exemption is denied, the reasons for the denial of an exemption request will be provided.
- 5.8 Where an application for exemption is denied, the FSC member must comply with the Standard within a period of time, determined by the FSC Secretariat, from the date of denial of the exemption application.
- 5.9 An FSC member denied an exemption must advise the FSC CEO, in writing, of their compliance with the Standard within the time specified under Clause 5.7. Failure to do so may result in sanctions applied under Appendix C of the FSC Code of Ethics and Code of Conduct.
- 5.10 The FSC member may appeal against any decision made. Refer to Appendix C.7 of the FSC Code of Ethics and Code of Conduct for guidance on the appeal process.
- 5.11 Where a compliance issue is ongoing, and exemption has previously been granted, the FSC member must reapply for exemption every subscription year. Approval of exemptions for a particular year is no guarantee of future exemptions being granted.
- 5.12 Any subsequent applications for exemption must address how the member has attempted to comply and why the compliance failure continues.
- 5.13 When assessing an application for exemption, the FSC Secretariat may seek advice from FSC member(s) or supporting member(s) or other expert(s) prior to making a decision.

FSC Standard No 1: Code of Ethics & Code of Conduct

- 5.14 Advice requested under Clause 5.13 will be made on a 'no names' basis. Any cost incurred in this process will be at FSC's expense.
- 5.15 FSC reserves the right to make the terms of any exemption public on a 'no names' basis.
- 5.16 Where an issue raised in respect of an FSC Standard is an industry-wide issue, the FSC Board reserves the right to grant a 'blanket' exemption until such time as the relevant Standard can be reviewed. FSC members will not be required to request exemption for this period.
- 5.17 A report on the status of all actions and applications in relation to the FSC Standards will be provided by the Secretariat to each relevant meeting of the Standards Oversight and Disciplinary Committee.

B.6 Review of FSC Standards

- 6.1 Where the FSC secretariat determines that a particular Standard or Guidance Note requires review (eg as a result of a change in law, industry practice or consumer expectations) FSC will follow the procedures outlined in Appendix A of the FSC Code of Ethics and Code of Conduct).
- 6.2 Where any FSC member considers a Standard or Guidance Note requires review, they should provide their reasoning to FSC In writing.
- 6.3 Where FSC determines the review requested under clause 6.2 is justified, they will confirm this with the FSC member may make other members aware of the formation of a working group.
- 6.4 The process detailed under this paragraph also applies to the development of a new Standard or Guidance Note. Refer to Appendix A of the FSC Code of Ethics and Code of Conduct for detail on the Standard setting process.
- 6.5 During the period of such a review, the Standard as it is currently written, continues to apply unless FSC has granted a blanket exemption under 5.16 above.

B.7 Answering Standard and Guidance Note related questions

- 7.1 Each Standard and Guidance Note will be owned by the appropriate Board Committee within FSC and as such will be the responsibility of the relevant Senior Policy Manager.

FSC Standard No 1: Code of Ethics & Code of Conduct

- 7.2 In the event that the relevant Senior Policy Manager does not have the technical knowledge required to respond to a query, they will be able to defer to a technical expert within a member company (normally a representative that sat on the Working Group which developed or reviewed that particular Standard or Guidance Note). Where deemed appropriate, this advice will be requested on a 'no names' basis.
- 7.3 Where the question raises issues that cannot easily be dealt with, a working group may be established to address the issue.
- 7.4 All queries on FSC's Standards and Guidance Notes will be addressed to a central point within FSC and directed to the appropriate Senior Policy Manager.
- 7.5 Responses to frequently asked questions will be maintained on an FSC register and posted for member access on FSC's website.

B.8 General conditions

- 8.1 These procedures apply from 1 July 2007, except that the procedures relating to conglomerate members set out in section B.2 ("*Annual Compliance Statement*") of this Standard apply from the FSC Compliance Year commencing 1 July 2012.
- 8.2 The FSC Board reserves the right to change these procedures at any time, subject to 3 months notice to members or adequate industry consultation.

FSC Standard No 1: Code of Ethics & Code of Conduct

B.9 Example - Annual Compliance Statement

Annual Compliance Statement

Chief Executive Officer
Financial Services Council
Level 24, 44 Market Street
Sydney NSW 2000

1 September 2xxx

Dear Sir/Madam

Statement of Compliance with FSC Standards

Pursuant to the requirements of the FSC Code of Ethics and Code of Conduct and after making appropriate enquiries, to the best of our knowledge and belief, [*insert FSC Member name, and all entities that are included as part of the FSC membership application or which are required to be part of the Compliance Sign-off as part of the sign-off applying to “conglomerate members” – see B.2 of this Standard for further information*] have been subject to the compliance checking and

- Have/not been found to comply with the mandatory FSC Standards from 1 July 2xxx to 30 June 2xxx as indicated in the attached Appendix
- [Any instances of non-compliance must be detailed in the declaration]
- [Details of exemptions applied for or already approved]

For any further information, please contact [*insert name, phone number and email of person responsible for this area*].

Signed with the authority of and in accordance with a resolution of the Board of Directors.

[*Director_name*]

Director – on behalf of the Board of [*Insert FSC Member(s) name*]

encl. Standards Compliance Checklist

FSC Standard No 1: Code of Ethics & Code of Conduct

FSC Standards Compliance Checklist

The Board of Directors of «Org_Name» confirms their compliance with the following FSC Standards.

[If relevant, please list all entities that are included as part of the FSC membership application and have been subject to the compliance processes and for which this compliance statement applies].

FSC Standards	Compliance		
	Yes	No	N/A
1.00 Code of Ethics and Code of Conduct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.00 Equity Trusts - Quotation of Dividend Imputation Credits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.00 REPEALED - Investor Reporting - REPEALED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
4.00 REPEALED - Ongoing Fee Measure (OGFM) REPEALED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
5.00 Operational Capability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.00 Product Performance – Calculation of Returns	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.00 References to the FSC Logo, Membership, Standards or Guidance Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.00 Scheme Pricing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.00 Valuation of Scheme Assets and Liabilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.00 Presentation of Past Performance Information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11.00 Genetic Testing Policy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.00 REPEALED - ASIC Fee Template - REPEALED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
13.00 Proxy Voting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14.00 Alternative Forms of Remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15.00 Rebates and Related Payments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.00 Family Medical History Policy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17.00 Incorrect Pricing of Scheme Units – Correction & Compensation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18.00 Best Practice Guidance for Disclosure in the Mortgage Trust Sector	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19.00 Adviser Fees in Superannuation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The **repealed** Standards do not form part of this year's annual compliance sign off statement. They have been included for information purposes only.

Signed

Date

Appendix C: Ongoing Monitoring of Compliance, Best Practice and Disciplinary Procedure

C.1 Member compliance process

1.1 FSC expects that full member companies will undertake reasonable inquiries to ensure that they, and the entities that are included as part of the FSC membership application are complying with the Standards. Specifically, FSC's full members are required to adopt a Board resolution each year stating they are satisfied that:

- The company and its relevant entities have complied with mandatory FSC Standards for the year just completed; or
- Where the company has not complied, that an exemption has been granted by FSC in this regard; or
- The Standards are not applicable to the company's business.

C.2 Identification of potential compliance issues

2.1 The monitoring process may identify compliance issues, which may lead to modification of the Standards.

C.3 Exemptions

3.1 Where a member identifies significant practical compliance issues, the appropriate FSC Board Committee may, at its full discretion, grant exemptions. Where FSC does grant an exemption it retains the right to make the exemption public, on a 'no names' basis.

C.4 Identification of non-compliance

4.1 FSC will regard the following actions as examples of non-compliance and consider disciplinary action against a member in the following circumstances:

- failure to provide the annual undertaking sought, or any other undertaking sought in relation to compliance with FSC Standards;
- providing an undertaking to FSC which is false;
- taking actions which deliberately or negligently contravene FSC Standards; and
- failing to comply with FSC Standards when so directed by FSC.

FSC Standard No 1: Code of Ethics & Code of Conduct

- 4.2 Where a member's conduct in other respects appears to contravene expected standards of behaviour, FSC's Standards Oversight and Disciplinary Committee will be notified and will consider, on a case by case basis, whether disciplinary action is necessary. Because of the generality of this provision FSC will not attempt to define these situations.
- 4.3 In the event of identification of potential non-compliance with Standards by a member, the following procedures will be undertaken:
- the FSC Secretariat should notify the member in writing, within 21 days of identification, that an event of potential non-compliance has been identified (which shall be deemed to have been received three days after posting) detailing the nature of the non-compliance;
 - the FSC Secretariat should attempt to resolve any potential non-compliance directly with the member concerned. If the potential non-compliance is industry wide or highlights weakness in the Standard, the matter may be referred to the appropriate FSC Board Committee for changes to the Standard;
 - where this fails to resolve the matter, it will be referred to the FSC Standards Oversight and Disciplinary Committee to consider in the light of individual circumstances whether disciplinary action may be warranted; and
 - where this results in a recommendation from the Standards Oversight and Disciplinary Committee to the FSC Board to undertake disciplinary action then the member shall be given notice of a meeting to be held in accordance with the FSC Constitution.

C.5 Disciplinary action

- 5.1 Where the FSC Board decides upon disciplinary action, it may take the following form:
- The FSC Board may censure the member – which may take the form of either a private or public censure. If the circumstances which gave rise to the censure are ongoing the FSC Board will seek to have them resolved to its satisfaction; where the act of non-compliance is deemed to have educative value to other members, the Board may seek to publicise details of the matter in an FSC communication or publication. The form of communication would generally be on a “no names” basis.
 - where a member does not take steps to resolve the situation to the satisfaction of the FSC Board within a reasonable period then that member's membership of FSC will be suspended for a fixed period as determined by the FSC Board;

FSC Standard No 1: Code of Ethics & Code of Conduct

- if within a period after suspension of membership (that the FSC Board in its discretion has determined is reasonable) the member has not satisfied the FSC Board that it is taking steps to resolve the situation, then expulsion of the member will automatically follow; and
- in the event that membership is suspended, any officers of the member will be expected to stand down from any positions held within FSC and all other rights and services are revoked at the time and for the duration of the suspension.

C.6 Appeal process

- 6.1 Any member notified by FSC of their proposed suspension or expulsion from membership, may appeal to the FSC Board by writing to the Chief Executive Officer within 21 days of receipt of the notification (which shall be deemed to have been received three days after posting) stating the grounds of appeal.
- 6.2 No member of the Standards Oversight and Disciplinary Committee having heard the initial details of the breach shall participate in the appeals process.
- 6.3 For the purpose of hearing the appeal, the FSC Board may seek legal advice.
- 6.4 As soon as practical the Chief Executive Officer shall notify the member of the time and place for the hearing of the appeal.
- 6.5 The member shall be given reasonable opportunity to be heard and legal representation may be present at the hearing. FSC may also instruct counsel to act on its behalf during the appeal.
- 6.6 The FSC Board may proceed in the absence of the member provided it is satisfied that notice of the hearing was properly served.
- 6.7 On any appeal the FSC Board may by a simple majority vote, confirm, vary or rescind the determination. The FSC Board's decision or as appropriate the "vote by members" shall be final in accordance with the Articles.
- 6.8 All costs incurred in the appeal's process by either FSC or the member shall be borne as set out in accordance with the Articles.
- 6.9 The member should continue to pay the relevant annual subscription or levies during suspension (and any other monies owed) in accordance with the Articles.

C.7 Reinstatement of members

- 7.1 At the completion of the suspension period, the FSC Board will re-admit the suspended member at an appropriate level of membership.

FSC Standard No 1: *Code of Ethics & Code of Conduct*

- 7.2 A member who has been expelled from FSC may, upon written application be reinstated as a member at the FSC Board's discretion and at the appropriate level of membership.