#### **DISCLOSURE IN PRACTICE**

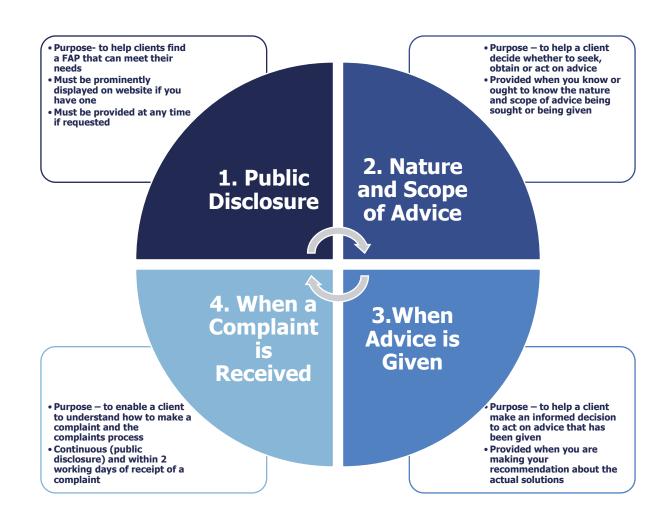
- Relevant Code Standards
- Some key guidelines –form, manner and timing
- Disclosure and the Advice Process phases
- Disclosure 2 and 3 within the body of other documents
- Engagement Agreement Letter
- Implementation Letter/Plan
- Existing Clients advice review



#### **CODE OF PROFESSIONAL CONDUCT - PART 1**

- Standard 1 Treat clients fairly
  - communicate in a timely, clear and effective manner
  - not take advantage of lack of financial knowledge
  - not apply undue pressure
- Standard 2 Act with integrity
  - describes themselves and their business
  - publishes and shares information with clients and the public
  - manages conflicts of interest
- Standard 3 Give Financial Advice that is suitable
  - the nature and scope of the financial advice
- Standard 4 Ensure the client understands the Financial Advice
  - whether the fees and costs related to the financial advice are acceptable
- Standard 5 Protect client information

### THE FOUR DISCLOSURES



### **FORM AND MANNER**

- ✓ Must be presented in a clear, concise and effective manner
- ✓ Guidance keep it succinct, to the point, without jargon and technical terms explained in plain English.
- ✓ If it is provided with other information the Disclosure components must be given prominence
- ✓ Written disclosures must be in a format, font, and font size that is easily readable
- ✓ Is provided free of charge
- ✓ Must not contain false or misleading information or contain information that is likely to mislead
- ✓ Must not omit any information required by the regulations



#### **FORM AND MANNER**

- ✓ Disclosures 2,3 and 4 can be verbal or written (if its verbal you still need to keep a record of it)
- ✓ If disclosure 2,3 or 4 is provided verbally a customer must be told it is available in writing on request
- ✓ If a customer requests the disclosure be provided in writing the request must be met
- ✓ Written disclosure can be done in text, email or letter form
- ✓ You can use a different manner for each disclosure type and for each advice service
- ✓ You can provide the disclosure (within the limitations) at the phase within the advice process when you judge it will achieve the disclosure purpose



## NATURE AND SCOPE OF ADVICE

- The customer understands your service proposition
- You understand the 'broad' parameters of the customer situation
- The customer and you have agreed on the broad objectives and the process of how you will provide your advice service
- The customer and you have agreed on any limitations to your advice

**Engagement Agreement Letter and Nature and Scope of Advice Disclosure is provided** 

#### **ADDITIONAL POINTS**

- Stage 2 and stage 3 disclosures can be made at the same time if it is appropriate for a simple advice service e.g. a medical insurance policy sale only
- Information does not have to be repeated if it has not materially changed
- Obligation to be 'brief' descriptions
- If disclosure 2 is included in the Engagement Agreement letter it needs to be able to be identified so that it is distinguished from non advice services
- No rule that requires the customer to sign Disclosures but you will need evidence you have provided them in whatever manner you provide them (record keeping tip)



# WHEN ADVICE IS GIVEN

- The customer and you have agreed on the outcomes of Financial Risk Analysis (insurance types required and sums assured)
- The customer and you have agreed on the specific insurance recommendations (insurer and premiums)
- The customer and you have agreed on any outcomes from underwriting that affect the premium they pay

Implementation Letter and When Advice is Given Disclosure is provided

### **ADDITIONAL POINTS**

- No 'brief' obligations
- If information that was disclosed in the Nature and Scope of advice has materially changed when Advice is Given you should provide updated information with Disclosure 3. This could be an updated Disclosure 2 document or an explanation of the changes
- Information does not have to be repeated if it has not materially changed and was previously disclosed in Disclosure 2
- Disclosure 3 can be included in another document such as The Implementation Letter or the Risk Plan if you are making you actual recommendation in the Risk Plan
- You are not required to show what you will earn in commissions in the actual dollar terms, but you must comply with the requirement to be **clear, concise and effective**.
- If you use percentages only **it may not meet this test** as it relies on the customer having ability to calculate what you will get paid.
- Best practice do both!

