



ASIC
Australian Securities &
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Financial adviser exam

Exam preparation guidance

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Executive summary

On 1 January 2022, ASIC began administering the financial adviser exam. The exam was previously administered by the former Financial Adviser Standards and Ethics Authority (FASEA).

ASIC has contracted the [Australian Council for Educational Research](#) (ACER) to develop and administer the exam.

The exam will test the practical application of the candidate's knowledge in the following competency areas:

1. financial advice regulatory and legal obligations, including Chapter 7 of the *Corporations Act 2001* (Cth) (Corporations Act), the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act), the *Privacy Act 1988* (Cth) (Privacy Act) and the *Tax Agent Services Act 2009* (Cth) (TASA)
2. applied ethical and professional reasoning and communication – incorporating the [Financial Planners and Advisers Code of Ethics 2019](#) (Code of Ethics) and how to comply with the Code of Ethics
3. financial advice construction – the suitability of advice aligned to different consumer groups, incorporating consumer behaviour and decision making.

This document provides guidance on how to prepare for the exam across the following:

1. curriculum – provides additional detail for each of the competency areas
2. reading list – suggested reading and extension reading
3. exam preparation – studying and exam techniques.

There are also prepared practice questions to provide you with guidance on the types, structure and responses to the questions in the exam. Please refer to [The financial adviser exam: FG004 Practice question guidance](#).

Curriculum

Financial advice regulatory and legal obligations

The financial advice regulatory and legal obligations knowledge area includes key regulatory and legal requirements that all financial advisers would be expected to be using on a day-to-day basis when providing personal advice to retail clients, and of which they must have a good understanding.

At a high level, the regulatory and legal requirements include:

1. the Corporations Act, primarily focusing on Chapter 7
2. the AML/CTF Act
3. the Privacy Act
4. subdivision 50-AA of the TASA.

The learning outcomes include:

- Apply Chapter 7 of the Corporations Act to case studies/scenarios and identify responsible provider obligations and breaches of those obligations.
- Apply Chapter 7 of the Corporations Act to key advice documentation.
- Determine the consequences of breaches of the disclosure obligations under Chapter 7 of the Corporations Act for themselves, for clients, and for industry.
- Evaluate case studies and identify breaches of the disclosure obligations under Chapter 7.
- Demonstrate knowledge and identify breaches of Chapter 7 and subsequent notification obligations.
- Demonstrate knowledge of legal requirements for both the individual and the licensee.
- Apply legal requirements of AML/CTF legislation to scenarios/case studies.
- Evaluate scenarios in terms of the legal requirements and how to apply the Privacy Act.
- Demonstrate knowledge of the civil penalty provisions for the provision of tax (financial) advice services in subdivision 50-AA of the TASA.

Applied ethical and professional reasoning and communication

Applied ethical and professional reasoning and communication is critical in restoring the trust and confidence of consumers in the financial advice profession. This knowledge area will test, at a high level, the Code of Ethics and ethical frameworks in practical client advice scenarios and dilemmas.

The learning outcomes include:

- Demonstrate knowledge and understanding of the Code of Ethics and its importance to the industry.
- Apply the Code of Ethics to dilemmas/scenarios, identify compliance and non-compliance and consequences to the practitioner, the client and industry.
- Identify scenarios that meet legal requirements of relevant laws/Acts (e.g. the Corporations Act) but that do not comply with the Code of Ethics.
- Demonstrate understanding of the relationship of the Code of Ethics to the professionalism of the entire industry.
- Apply different/multiple ethical frameworks to dilemmas and issues in scenarios.
- Apply the best interests duty and related obligations to clients in scenarios and identify consequences (practitioner, client, industry) of not acting in the client's best interests.
- Identify when and under what conditions a practitioner should refer a client.
- Evaluate the importance of the best interests duty to a financial planner, their clients, their licensee and the industry.
- Analyse and identify individual biases and their influence on decision making.
- Analyse sources of judgement and biases and their influence on financial advice.
- Apply the legal requirements with regards to maintenance of client files.
- Evaluate examples of file maintenance in terms of the Code of Ethics.
- Demonstrate an understanding of what 'due diligence' means in terms of practice.

Financial advice construction

Financial advice construction is critical in the applied practice of personal advice to retail clients and brings all knowledge areas together. This knowledge area will test, at a high level, the suitability of advice for different consumer groups and behavioural finance concepts.

The learning outcomes include:

- Demonstrate an understanding of the context in which financial advice is given and requested and how this impacts decision making.

- Identify misconduct and inappropriate advice; evaluate why it is inappropriate.
- Identify appropriate alternative courses of action to inappropriate advice.
- Identify and compare different population and community profiles at a retail client level.
- Identify different types of consumer behaviour and decision making.
- Evaluate and apply advice strategies suitable for different retail clients.
- Demonstrate an understanding of risk, including client risk tolerance.

Reading list

The following section consists of a list of statutory materials, research articles and books as guidance, which have been categorised as suggested reading or extension reading. Suggested readings should be considered by all new financial advisers and existing providers, whereas extension reading is for those who would like to extend their knowledge.

You are not expected to memorise the content in the listed materials. However, it is recommended that you have read and understood the content and how it applies to the provision of financial advice. You will be provided with relevant statutory content as part of the questions in the exam (e.g. a relevant section in the Corporations Act, a relevant standard of the Code of Ethics).

Suggested reading – Financial advice regulatory and legal obligations

1. *Corporations Act 2001* – [Volume 4](#)
 - *Corporations Act 2001* (Chapter 7)
 - a. Part 7.1 – [Preliminary](#)
 - b. Part 7.6 – [Licensing of providers of financial services](#)
 1. Division 1 – [Preliminary](#)
 2. Division 3 – [Obligations of financial services licensees](#)
 3. Division 5 – [Authorised representatives](#)
 4. Division 6 – [Liability of financial services licensees for representatives](#)
 5. Division 8 – [Banning or disqualification of persons from providing financial services](#)
 6. Division 8A – [Professional standards for relevant providers](#)
 7. Division 8B – [Actions against relevant providers](#)
 8. Division 8C – [Registration of relevant providers](#)

Note: Divs 8B and 8C were updated by the [Financial Sector Reform \(Hayne Royal Commission Response—Better Advice\) Act 2021](#).
 9. Division 10 – [Restrictions on use of terminology](#)
 - c. Part 7.7 – [Financial services disclosure](#)
 - d. Part 7.7A – [Best interests obligations and remuneration](#)
 - e. Part 7.8 – [Other provisions relating to conduct etc. connected with financial products and financial services, other than financial product disclosure](#)
 1. Division 1 – [Preliminary](#)
 2. Division 2 – [Dealing with clients' money](#)
 3. Division 3 – [Dealing with other property of clients](#)

4. Division 4 – [Special provisions relating to insurance](#)
 5. Division 4A – [Special provisions relating to margin lending facilities](#)
 6. Division 7 – [Other rules about conduct](#)
 7. Division 8 – [Miscellaneous](#)
 - f. Part 7.8A – [Design and distribution requirements relating to financial products for retail clients](#)
 1. Division 3 – [Distribution of financial products](#).
2. *Corporations Act 2001* – Volume 5
- *Corporations Act 2001* (Chapter 7)
 - a. Part 7.9 – [Financial product disclosure and other provisions relating to issue, sale and purchase of financial products](#)
 1. Division 1 – [Preliminary](#)
 2. Division 2 – [Product Disclosure Statements](#)
 3. Division 3 – [Other disclosure obligations of the issuer of a financial product](#)
 4. Division 4 – [Advertising for financial products](#)
 5. Division 5 – [Cooling off periods](#)
 6. Division 5A – [Unsolicited offers to purchase financial products off market](#)
 7. Division 7 – [Enforcement](#)
 - b. Part 7.10 – [Market misconduct and other prohibited conduct relating to financial products and financial services](#)
 - c. Part 7.10A – [External dispute resolution](#)
 - *Corporations Act 2001* (Chapter 9)
 - a. Part 9.4 – [Offences](#)
 - b. Part 9.4B – [Civil consequences of contravening civil penalty provisions](#)
 1. Division 1 – [The Court may make declarations of contravention, pecuniary penalty orders, relinquishment orders, refund order and compensation orders](#)
3. Life insurance commissions:
- [ASIC Corporations \(Life Insurance Commissions\) Instrument 2017/510](#).
4. *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* – AUSTRAC guidance:
- [AML programs](#)
 - [Customer identification and verification](#)
 - [AML reporting obligations](#)
 - [AML Act record-keeping obligations](#)
 - [Exemptions from obligations under the AML Act](#)
 - [Consequences of not complying](#).

5. *Privacy Act 1988*.
 - Part II – [Interpretation](#)
 - Part III – [Information privacy](#)
 - Part III C – [Notification of eligible data breaches](#)
 - Part VIA – [Dealing with personal information in emergencies and disasters](#)
 - Part VIB – [Enforcement](#)
 - Schedule 1 – [Australian Privacy Principles](#).
6. *Tax Agent Services Regulations 2009*.
 - *What is a tax (financial) advice service?* – [Tax Practitioners Board \(TPB\) Information Sheet 20/2014](#)
 - [Code of Professional Conduct for Tax \(financial\) advisers](#).
7. ASIC documents and instruments:
 - *Licensing: Financial product advice and dealing* – [Regulatory Guide 36](#)
 - *Platforms that are managed investment schemes and nominee and custody services* – [Regulatory Guide 148](#)
 - *Managed discretionary accounts* – [Regulatory Guide 179](#)
 - *Breach reporting by AFS licensees and credit licensees* – [Regulatory Guide 78](#)
 - *Licensing: Financial product advisers—Conduct and disclosure* – [Regulatory Guide 175](#)
 - *Ongoing fee arrangements* – [Information Sheet 256](#)
 - *Conflicted and other banned remuneration* – [Regulatory Guide 246](#)
 - Ongoing fee consent legislative instrument and explanatory statement: [ASIC Corporations \(Consent to Deductions – Ongoing Fee Arrangements\) Instrument 2021/124](#) and explanatory statement
 - [Example written consent form \(ongoing fees\) and annotations](#) (PDF 137 KB)
 - [Example written consent form \(non-ongoing fees\) and annotations](#) (PDF 88 KB) and [ASIC Superannuation \(Consent to Pass on Costs of Providing Advice\) Instrument 2021/126](#) and explanatory statement
 - [ASIC Corporations \(Disclosure of Lack of Independence\) Instrument 2021/125](#) and explanatory statement
 - [FAQs: Non-ongoing fee consents](#)
 - [ASIC guidance on financial advice](#)
 - *FAQs: Regulation and registration of relevant providers who provide tax (financial) advice services* – [Information Sheet 268](#)
 - [Fines and penalties](#).

Disclaimer:

The extension and suggested readings below include materials that are not ASIC or the Australian Government publications ('third party materials').

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This disclaimer applies in addition to the general disclaimer on page 2 of this document.

Extension reading – Financial advice regulatory and legal obligations

1. [Anti-Money Laundering and Counter-Terrorism Financing Act 2006](#).
2. [Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 \(No. 1\)](#).
3. [Tax Agent Services Act 2009](#).
4. Hayne KM, [Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry: Final report](#), 4 February 2019. See:
 - the recommendations in Volume 1
 - the case studies in Volume 2.
5. [Financial Sector Reform \(Hayne Royal Commission Response No. 2\) Act 2021](#).
6. CCH (2020), *Australian Master Financial Planning Guide 2020/21*, 23rd edn, Wolters Kluwer, Sydney.
7. Black A and Hanrahan P (2021) *Securities and financial services law*, 10th edn, Lexis Nexis, Sydney.
8. Herzberg A, Lipton P and Welsh M, (2019), *Understanding company law*, 20th edn, Lawbook Co., Sydney.

Suggested reading – Applied ethical and professional reasoning and communication

1. [Financial Planners and Advisers Code of Ethics 2019](#) and explanatory statement
 - *Financial Planners and Advisers Code of Ethics 2019 guidance* – FASEA Guidance FG002 (available from the [TROVE website](#))
 - *Financial Planners & Advisers Code of Ethics 2019 guide* (available from the [TROVE website](#)).

2. [Corporations \(Relevant Providers Continuing Professional Development Standard\) Determination 2018](#) and explanatory statement
 - *Continuing professional development policy* – FASEA Policy Statement FPS004 (available from the [Treasury website](#)).
3. [Corporations \(Work and Training Professional Year Standard\) Determination 2018](#) and explanatory statement
 - *Work & training requirement (professional year) policy* – FASEA Policy Statement FPS003 (available from the [Treasury website](#)).
4. [Corporations \(Provisional Relevant Providers—Expressions\) Determination 2018](#) and explanatory statement.
5. Pompian M (2012), [Behavioural finance and investor types: Managing behaviour to make better investment decisions](#), Wiley, New York.
6. Markkula Center for Applied Ethics, [A framework for ethical decision making](#), webpage, Santa Clara University.

Extension reading – Applied ethical and professional reasoning and communication

1. [Financial Planning Research Journal](#) (PDF 5.62 MB), vol. 5(1), 2019.
2. Markkula Center for Applied Ethics, [Ethical decision making](#), website, Santa Clara University.
3. Ethics Unwrapped, [Moral reasoning](#), webpage, University of Texas.

Suggested reading – Financial advice construction

1. *Doing financial services business in Australia* – [Regulatory Guide 121](#).
2. *Licensing: Financial product advisers—Conduct and disclosure* – [Regulatory Guide 175](#).
3. *Giving information, general advice and scaled advice* – [Regulatory Guide 244](#).
4. *Example Statement of Advice: Scaled advice for a new client* – [Regulatory Guide 90](#).
5. *Tips for giving limited advice* – [Information Sheet 267](#).
4. [Example Statement of Advice \(SOA\): Limited advice](#) (PDF 759 KB).
6. *FAQs: Records of Advice* – [Information Sheet 266](#).

Extension reading – Financial advice construction

1. CCH (2020), *Australian Master Financial Planning Guide 2020/21*, 23rd edn, Wolters Kluwer, Sydney.
2. Baker HK, Kumar S, Goyal N and Gaur V, [How financial literacy and demographic variables](#)

- [relate to behavioural biases](#)', *Managerial Finance*, vol. 45(1), 2019, pp. 146–168.
3. Russell S (2019), *Behavioural finance: A guide for financial advisers*, BCF Consulting Services Trust, Box Hill.
 4. Russell S (2016), *Applying behavioural finance in Australia: 12 strategies for fund managers, financial advisers, asset consultants, super funds & other sophisticated investors*, Publicious, Coolangatta.
 5. Blue L and O'Faircheallaigh C, 'Indigenous autonomy and financial decision-making in communities', *Financial Planning Research Journal*, vol. 4(2), 2018, pp. 39–50.
 6. Craft A, Taylor S, Gaffney A and Wagland S, 'Retirement outcomes for female primary carers in Australia: A literature review', *Financial Planning Research Journal*, vol. 4(2), 2018, pp. 69–91.
 7. West T, 'Equity holdings of Australian baby boomers—Comparing life cycle phases', *Financial Planning Research Journal*, vol. 3(2), 2017, pp. 87–109.
 8. Wang L, Li B and Liu B, 'Understanding the leveraged life cycle investment strategy for defined contribution plan investors', *Financial Planning Research Journal*, vol. 3(2), 2018, pp. 12–30.
 9. Iskra L and Smark C, 'Sequencing risk for baby boomers: Prosperity or poverty' *Financial Planning Research Journal*, vol. 3(1), 2017, pp. 48–47.
 10. [Financial Planning Research Journal](#) (PDF 4.46 MB), vol. 2(2), 2016.
 11. Hunt K, 'Investment risk profiling: Lessons from psychology', *Financial Planning Research Journal*, vol. 2(2), 2016, pp. 49–63.
 12. Wagland S and Taylor, 'The conflict between financial decision making and Indigenous Australian culture', *Financial Planning Research Journal*, vol. 1(1), 2015, pp. 33–54.
 13. Plous S (1993), *The psychology of judgment and decision making*, McGraw-Hill, New York.
 14. Baker HK and Nofsinger JR (eds) (2010), *Behavioural finance: Investors, corporations, and markets*, Wiley, New York.
 15. Forbes W (2009), *Behavioural finance*, Wiley, New York.
 16. Brocas I and Carrillo JD (eds) (2003), *The psychology of economics decisions*, Oxford University Press, Oxford.
 17. Pompian MM (2012), *Behavioural finance and wealth management: How to build investment strategies that account for investor biases*, 2nd edn, Wiley, New York.
 18. Evangelidis J (2012), *What do financial planning clients really want?*, Thomson Reuters, Pyrmont.
 19. Kahneman D (2012), *Thinking fast and thinking slow*, Penguin, London.
 20. Barberis N and Thaler R, 'A survey of behavioral finance', *Handbook of the economics of finance: Volume 1*, Elsevier, Oxford, pp. 1053–1128.
 21. Foerster S, Linnainmaa JT, Melzer BT and Previtro A, 'Retail financial advice: Does one size fit all?', *The Journal of Finance*, vol. 72(4), 2017, pp. 1441–1482.

Exam preparation

It is important that you prepare yourself for the exam. This will vary by individual, especially if an individual has not undertaken study or exams for a long time compared to someone who may have recently undertaken study that included exams for the assessment.

The exam is a 3.5-hour exam, including 15 minutes of reading time. The following describes the two types of questions that you will be required to answer:

Selected response

The exam will include multiple choice or true/false selected response questions, requiring you to respond in the following way:

1. Multiple choice questions – these questions require you to select the correct answer from a selection of four – (a), (b), (c) or (d). You will receive 1 mark for each correct answer.
2. True/false questions – these questions will ask you to determine whether the statement is true or false. You will need to answer all components correctly to receive 1 mark.

Short answer questions

Short answer questions will require you to respond by providing one to two short paragraphs in response to the question. Your answers will be assessed and scored as 2, 1 or zero marks.

Tips for writing exam responses

1. Read the scenario and put yourself in the shoes of the adviser. Consider what you would do if you were in this situation to comply with legislation (e.g. the Corporations Act, the Privacy Act, the TASA) and the Code of Ethics.
2. Read the question carefully. It may require you to identify concerns, issues or actions. Make sure you answer the question. Discussion that does not answer the question will not get you marks.
3. The question may ask for TWO concerns, issues or actions. If you only provide one, you can only get one mark. If you provide more than two, you can only get a maximum of two marks.

4. Relate your answer to the scenario. If the question asks for TWO actions, describe the actions you would take and explain why they are relevant in this situation. Be specific to the case study. For instance, saying 'act in the best interests of the client' is not likely to be enough to earn a mark. Explain what you would do in this case – for instance, 'act in the best interests of the client by ... (saying what you would do for this client in the scenario)'.
5. Copying words or paragraphs from the resource materials will not earn marks. You need to show why this text is important in this case.
6. Read your answer and ask yourself – have I been specific? If the answer would apply to all clients, then the answer is no. For instance, saying 'keep good records of the client conversation' applies for all clients and is not specific enough to earn a mark. Explain what you would do in this case – for instance, 'keep good records of the client conversation because ... (stating why is it important for this client/scenario)'.
7. Refer to the values or the standards of the Code of Ethics where appropriate. For instance, if the case involves a conflict of interest then you will be demonstrating your knowledge and understanding of the Code of Ethics by referring to Standard 3.
8. You are expected to understand the Code of Ethics. Making statements such as 'refer to the compliance team for advice on how to comply with the Code' is unlikely to earn you a mark.

It is recommended that you work steadily through the exam. It is not advisable that you spend too much time on any one question.

The maximum number of marks available for each question will be displayed on-screen.

If you think you know the answer to a question, answer it, even if you are not certain. Marks are not deducted for incorrect responses. Make a note of the question number and return to it later if you have time.

If you do not answer a question, the question number will not be shaded in the navigation bar at the top of the page. By using the navigation bar, the question will be easy to find and return to later if you have time.

There are practice questions to help you prepare for the exam. These are available online using the ACER exam account (refer to purchases). The answers to the questions are available on the [ASIC website](#).

Exam-taking strategies – Useful reference information

1. [Study skills – Preparing for an exam](#), webpage, University of New England
2. [Exam preparation: Five key strategies](#), webpage, Simon Fraser University
3. [How to study for exams \[Even if you're freaking out at the last minute\]](#), video, Memorize Academy
4. [Prepare for timed assessments](#), webpage, Monash University.