

## NOTICE OF FILING

### Details of Filing

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Registry:	VICTORIA REGISTRY - FEDERAL COURT OF AUSTRALIA



*Sia Lagos*

Registrar

### Important Information

This Notice has been inserted as the first page of the document which has been accepted for electronic filing. It is now taken to be part of that document for the purposes of the proceeding in the Court and contains important information for all parties to that proceeding. It must be included in the document served on each of those parties.

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**Concise Statement**

No. VID



Federal Court of Australia  
District Registry: Victoria  
Division: General

**IN THE MATTER OF INTERPRAC FINANCIAL PLANNING PTY LTD (ACN 076 093 680)**

**AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION**

**Plaintiff**

**INTERPRAC FINANCIAL PLANNING PTY LTD (ACN 076 093 680)**

**Defendant**

**A. IMPORTANT FACTS GIVING RISE TO THE CLAIM**

Background

1. Since 2004, the defendant (**Interprac**) has carried on a business of authorising individuals and companies to give financial product advice under its Australian financial services licence (**AFSL**). The plaintiff (**ASIC**) alleges that Interprac contravened ss 912A and 961L of the *Corporations Act 2001* (Cth) (**Act**) between 1 January 2021 and 15 August 2025 (**Relevant Period**) by: (a) failing to take reasonable steps to ensure its authorised representatives complied with the best interests obligations contained in ss 961B, 961G, 961H and 961J of the Act in giving financial advice to retail clients to invest their superannuation in the **Shield Master Fund** and the **First Guardian Master Fund** (together, the **Funds**); and (b) failing to have adequate risk management systems in place.
2. At all relevant times, Interprac's authorised representatives included Mr Ferras **Merhi**, **Venture Egg** (a corporate partnership), Mr Rhys **Reilly** and Rhys Reilly Pty Ltd (**RRPL**) (together, the **Authorised Representatives**). Venture Egg and Merhi advised 2,930 retail clients to invest a total of \$243 million in First Guardian between January 2021 and August 2024, and advised 2,664 retail clients to invest a total of \$173 million in Shield between January 2022 and December 2023. RRPL and Reilly advised 1,396 retail clients to invest a total of \$148 million in First Guardian between April 2021 and May 2024, and advised 1,139 retail clients to invest a total of \$114 million in Shield between January 2022 and December 2023. In total, around 6,843 retail clients invested about \$677 million in the Funds on the advice of the Authorised Representatives. This was approximately 50% of the total superannuation investments made by retail clients of the Authorised Representatives on their advice in the same periods.
3. At all relevant times, Interprac has been a subsidiary of **Sequoia** Financial Group Limited. Mr Garry **Crole** is, and at all material times has been, the CEO and Managing Director of Sequoia and Interprac, and Responsible Manager for Interprac's AFSL. Mr Michael **Butler** was Head of Advice and Compliance at Sequoia and Interprac from January 2020 to 31 August 2023, and was a director of Interprac from 21 April 2023 to 31 October 2024.

Filed on behalf of (name & role of party)	The Plaintiff, Australian Securities and Investments Commission		
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### Shield and First Guardian

4. Shield and First Guardian were managed investment schemes. Shield was registered on 24 May 2021, and its responsible entity was **Keystone** Asset Management Limited (in liquidation). It was available for investment through platforms of retail superannuation funds, of which **Macquarie** Investment Management Limited and **Equity Trustees** Superannuation Limited were the trustees. First Guardian was registered on 23 August 2019, and its responsible entity was **Falcon** Capital Limited (in liquidation). It was available for investment through platforms of several retail superannuation funds including a fund of which Equity Trustees was the trustee.
5. No competent financial adviser could have recommended investment in Shield or First Guardian because the Funds: (a) lacked a significant performance track record; (b) invested in opaque underlying funds; (c) had product disclosure statements (**PDSs**) that did not adequately identify the allocation of investment assets; (d) were not well rated by any research agency; (e) had potentially significant exposure to risky and/or illiquid investments, such as property development; (f) had ownership and investment structures which created potential conflicts of interest; (g) had high fees; and (h) were available to invest through platforms which had many other comparable investment products that did not have these deficiencies.
6. Since early 2024, most investors in Shield and First Guardian have been unable to redeem their investments. In February 2024, ASIC halted new investments in Shield because of concerns about its PDSs. Soon after, Keystone suspended redemptions from Shield. On 27 August 2024, receivers and managers were appointed to Keystone. On 2 December 2024, creditors of Keystone resolved that it be wound up and liquidators appointed. Shield was terminated by notice on 10 April 2025. In May 2024, Falcon suspended the processing of applications for and redemptions from First Guardian, subject to some limited exceptions. On 9 April 2025, liquidators were appointed to Falcon.

### Interprac lacked an adequate process for approving financial products including the Funds

7. Interprac required its authorised representatives to recommend financial products that were on Interprac's approved product list (**APL**) or were otherwise approved by Interprac. Managed funds were taken to be added to the APL if they satisfied an "auto inclusion" criterion: a minimum rating from any of several external research agencies, relevantly including a 3.5 star rating from **SQM Research Pty Ltd**. A 3.5 star rating from SQM meant an "acceptable" but "low investment grade" product, and one that SQM suggested could be "considered" for APL inclusion. Interprac did not have a single list on which all products on its APL were specifically identified.
8. In January 2021, when it had a 3.5 star rating from SQM, Butler approved First Guardian for recommendation by Interprac's authorised representatives following a request made by Reilly. Shield was taken to be available on Interprac's APL from about September 2021, when it received a 3.75 star rating from SQM. Apart from relying on SQM's ratings, Interprac did not undertake any assessment of First Guardian or Shield before they were added to its APL. No one at Interprac considered the PDSs for either Fund until July 2023 (see [21] below).

### Interprac failed to respond appropriately to use of lead generators and connections with the Funds

9. In early 2021, Venture Egg proposed to Interprac that Venture Egg would use a referral company or "lead generator", **Imperial** Capital Group Australia Pty Ltd, as part of its business. The proposal involved the promotion of First Guardian as the preferred investment product, with Venture Egg as the means for the client to "access [First Guardian]". Interprac informed Imperial

that “you can bring [the] concept that one of the preferred funds you use is First Guardian” but “you can’t make it so that FG [First Guardian] is the underlying reason for the call and that Personal Advice (PA) is secondary to that Process”. After Interprac made revisions, it approved a call script for Imperial’s staff to use in calls with prospective clients.

10. In October 2021, Imperial presented Interprac with a proposal to change Imperial’s business model to provide advice “specific to” Shield on the basis it was “commercially more viable” to present an “actual product” to clients. The proposal to Interprac attached a proposed call script that Imperial would use to promote Shield to clients before referring interested clients to a Venture Egg adviser. The proposal also involved presenting clients with a chart showing Shield outperforming other “top superfunds” between June 2016 and June 2021, notwithstanding that Shield was not registered by ASIC until May 2021.
11. Although Interprac did not approve the proposals as initially sought, these interactions put Interprac on notice that Venture Egg and Merhi: (a) had a predisposition to recommend the Funds to prospective clients, suggesting a potential conflict of interest with the Funds; and (b) were using lead generators such as Imperial, which might promote the Funds in the course of generating advice business for Venture Egg. Having regard to those matters and the matters referred to below, Interprac failed to have in place, or adequately to enforce, appropriate rules and guidelines regarding the use of lead generators by its authorised representatives.

Interprac failed to enforce pre-vetting following a revenue spike and adverse advice audit

12. Interprac had the ability to monitor revenue generated by the Authorised Representatives and the specific products in which funds of their clients were invested. In around June 2022, Interprac noticed a significant “spike” in new business volumes from Venture Egg and RRPL, and conducted a compliance audit of Merhi and Venture Egg. The compliance audit identified numerous problems with Venture Egg’s advice, including that: (a) fact finding and client data were being obtained by an unlicensed third-party lead generator, AGAT Business Pty Ltd (in liquidation); (b) Venture Egg advisers were not verifying the information collected by the lead generator with the client; (c) Venture Egg’s advice was generally not personalised but was templated or “cookie cutter”, with clients generally presented with a model portfolio that included Shield as the “only solution”; (d) the modelling that underpinned the advice was poor, including because it was based on unrealistic returns or missing disclosures; (e) the advice appeared to be “inappropriate or unable to demonstrate reasonable basis”; (f) the fee structure was confusing and fees were “extraordinarily high”; and (g) advisers were seeing a concerning high number of clients within any given time-period.
13. Following the audit, Interprac placed Venture Egg on a two-stage “pre-vetting” arrangement commencing 27 July 2022. Venture Egg was required to: (a) submit every client advice file to Interprac for approval before preparing an SOA; and (b) submit the completed SOA to Interprac for approval before it was presented to the client.
14. Venture Egg did not comply with the pre-vetting requirements, and Interprac knew or ought to have known this by September 2022 at the latest because between 27 July 2022 and 5 September 2022, Venture Egg provided Interprac with only three SOAs for review, notwithstanding that Venture Egg advisers recommended 75 clients to invest into Shield in the same period. Despite identifying that Venture Egg must have been providing SOAs to clients without complying with the pre-vetting requirements, Interprac took no further steps to ensure compliance with pre-vetting, or to investigate or sanction Venture Egg.

Interprac's advice audits lacked rigour, and Interprac failed to respond adequately to serious issues

15. Interprac's advice auditing procedure during the majority of the Relevant Period: (a) was not governed by any standardised process or any stand-alone audit policy; (b) between about December 2021 and June 2024, was not subject to a compliance guide, policy or manual that was available to, and used by, Interprac's compliance team; (c) allowed authorised representatives to select the client files to be audited; (d) did not involve reviewing the PDSs of the recommended investment products, nor the appropriateness of the products recommended to the client; and (e) did not require consideration of the systems and processes available to, or used by, the authorised representatives.
16. In November 2022, Interprac reviewed a further Venture Egg client file, in which the SOA recommended a 100% allocation of the client's superannuation to First Guardian. Interprac's review did not consider the appropriateness of that fund, nor that allocation. Nonetheless, it identified, among other things, that the SOA: used incorrect risk profile figures; recommended an investment that would see the client paying higher fees despite the SOA promising, and the client seeking, lower fees; and contained potentially misleading projections for First Guardian.
17. By September 2022, Interprac was aware that Venture Egg and RRPL were working together and eventually they shared a Melbourne office, with RRPL's advisers operating under the management of Merhi and Venture Egg. Despite this, Interprac did not apply appropriate compliance measures to review RRPL's advice processes and advice.
18. In May 2023, Interprac reviewed a further ten Venture Egg and RRPL client files. All but one of those files recommended significant allocations to Shield; half recommended a 100% allocation of the client's superannuation to Shield. Interprac's review did not consider the appropriateness of Shield, nor the imprudence of those high allocations, notwithstanding that data available to Interprac showed a large number of clients continuing to invest millions of dollars in Shield (and also First Guardian) every month. The review identified, among other things, that the SOAs: ignored client objectives; assumed concerningly high/unrealistic investment returns for the recommended funds; ignored insurance considerations; and contained very similar, and in some cases precisely the same, client objectives.
19. Interprac identified similar deficiencies in further files reviewed in September and October 2023, but again overlooked critical failures. The advice files of Venture Egg and RRPL clearly demonstrated that the Authorised Representatives were not complying with the best interests obligations, for reasons that Interprac identified and also for reasons it failed to identify. As to the latter, Interprac failed to engage adequately with: (a) whether the Funds were appropriate investments — they were not; (b) why the Authorised Representatives were advising such large numbers of retail clients to invest in the Funds — which raised obvious questions about conflicts of interests; and (c) claims made in various SOAs about the performance of the Funds that were unrealistic, not supported by evidence, and not credible. Interprac also failed to identify that the Authorised Representatives continued to advise clients to invest in Shield, which was still on "hold" (see paragraph 21 below). Interprac imposed no meaningful and timely consequences on the Authorised Representatives, in circumstances where Interprac's file reviews had shown for more than a year that the Authorised Representatives' advice was not meeting standards and was not improving in response to Interprac's feedback.

Butler had an inappropriate business relationship with Merhi

20. In addition to his roles as Head of Advice and Compliance and (later) director of Interprac, Butler provided paid consulting services through his company, MBCC Pty Ltd, to another company controlled by Merhi (Financial Services Group Australia Pty Ltd) from January 2023 onwards. Butler told Interprac's compliance team that Crole had approved the arrangement. The arrangement was inappropriate and created an actual and/or apparent conflict of interest.

Interprac placed Shield and First Guardian on "hold" but failed to enforce or maintain it

21. On 6 July 2023, following a letter from ASIC raising concerns about financial advice Venture Egg provided about the Funds, Interprac placed the Funds on hold for new business starting 11 July 2023. The hold was to prevent any further money being invested into the Funds. On 7 July 2023, Crole stated at a compliance managers' meeting that: (a) he believed the Funds were "heavily conflicted" and their charges were "awful"; (b) the Funds "invest in their own products", including their "own property investments" which posed a real liquidity issue; (c) understanding all the different costs of the Funds required "read[ing] the PDS really [carefully]"; (d) there was a person related to this investment about whom he was nervous; and (e) the advisers "must stop putting money into [the Funds] with immediate effect" and "must start withdrawing the funds slowly without creating a panic that the fund is collapsing". Interprac communicated the hold on investments to the relevant advisers, but did not convey Crole's concerns about the Funds.
22. Interprac's compliance team did not monitor whether advisers continued to advise clients to invest in either Fund. While the Funds were on hold between July and August 2023, around 1,389 retail clients of the Authorised Representatives invested around \$67.3 million of their superannuation in First Guardian and from July 2023 onwards, around 2,358 retail clients invested around \$75.6 million of their superannuation in Shield. In September 2023, Interprac conducted a further audit, and one of the SOAs reviewed, dated 7 August 2023, recommended the client invest almost all their superannuation in Shield. Interprac's review did not consider the appropriateness of recommending that Fund, which was on "hold" when the SOA was issued.
23. In September 2023, following requests from Merhi, Interprac lifted the hold on First Guardian without adequate basis and after it had been on hold for only two months.

Interprac failed to respond appropriately to payments from First Guardian and Shield to Merhi

24. On or about 6 June 2024, Merhi provided a statement to Interprac in which he admitted that companies he controlled had received more than \$19 million from entities associated with First Guardian and \$500,000 from an entity associated with Shield. Despite this, Interprac permitted Venture Egg and Merhi to remain as its authorised representatives until 31 May 2025, and permitted RRPL and Reilly to remain as its authorised representatives until 15 August 2025.

Interprac provided inadequate template responses to client complaints

25. Starting in around September 2024, Interprac began to receive complaints from retail clients about advice of the Authorised Representatives to invest in Shield or First Guardian. Instead of properly engaging with and investigating the complaints, Interprac deployed a "template" response that asserted the relevant advice had been appropriate.

Interprac improperly approved the use of "negative consent"

26. In around August 2022, and again in February 2024, Interprac permitted Venture Egg to use a practice known as "negative consent". This allowed Venture Egg to rebalance or alter a client's

investment portfolio without the client's actual (as opposed to presumed) consent, by issuing a record of advice and stating that the client would be taken to have consented to rebalancing unless the client explicitly instructed otherwise within a short timeframe. This included, in around October 2022 and September 2023, Venture Egg advisers using "negative consent" to invest retail clients' superannuation into the Funds without the clients' actual (as opposed to presumed) consent.

## **B. THE RELIEF SOUGHT FROM THE COURT**

27. ASIC seeks the relief set out in the accompanying Originating Process, namely: declarations that Interprac contravened s 961L and s 912A(1)(a), (h) and (5A) of the Act and orders that Interprac pay pecuniary penalties for its contraventions of s 961L and s 912A(5A). ASIC also seeks injunctive relief pursuant to ss 1101B(1) and 1324(1) of the Act.

## **C. THE PRIMARY LEGAL GROUNDS UPON WHICH RELIEF IS SOUGHT**

28. In the circumstances outlined above, in the Relevant Period, in contravention of s 961L, Interprac failed to: (a) take reasonable steps to ensure that the Authorised Representatives complied with ss 961B, 961G, 961H and 961J, including because Interprac did not have an adequate process for deciding whether to include or retain financial products on its APL; (b) adopt and implement robust compliance systems and practices; and (c) investigate and respond adequately to numerous warning signs about the advice and practices of the Authorised Representatives. Interprac's conduct also contravened s 912A(1)(a) and (h) of the Act, such that Interprac contravened s 912A(5A).

## **D. ALLEGED DETRIMENT**

29. In the circumstances, Interprac has caused harm to clients of the Authorised Representatives by its conduct which resulted in approximately \$677 million of retirement savings being invested into the Funds by around 6,843 clients. Those clients have now been exposed to significant losses given that Shield has been terminated and liquidators have been appointed to Falcon, subject to any compensation they may have subsequently received. Interprac benefited by receiving fees from the Authorised Representatives without adequately ensuring that the financial services provided under its AFSL complied with the financial services law.

Date: 12 November 2025

This Concise Statement was prepared by S R Senathirajah, G Ayres and J Forrest of Counsel.



Signed by Gina Wilson  
Solicitor for the Australian Securities and Investments Commission