



Australian Government

Assessment Requirements for FNSFPL607 Prepare advice in margin lending

Release: 1

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Modification History

| Release | Comments |
|-----------|---|
| Release 1 | This version first released with FNS Financial Services Training Package Version 5.0. |

Performance Evidence

The candidate must demonstrate the ability to complete the tasks outlined in the elements, performance criteria and foundation skills of this unit, including evidence of the ability to:

- prepare accurate and ethical advice on margin lending for financial plans for at least two different clients.

In the course of the above, the candidate must:

- analyse client needs, financial situation and risk profile, and prepare appropriate strategies and solutions relating to margin lending
- document recommendations on margin lending products and services
- prepare policy or transaction once agreed by the client and complete documentation.

Knowledge Evidence

The candidate must be able to demonstrate knowledge to complete the tasks outlined in the elements, performance criteria and foundation skills of this unit, including knowledge of:

Generic knowledge

- economic environment, including:
 - characteristics and impact of economic and business cycles
 - interest rates and exchange rates
 - inflation
 - government monetary and fiscal policy
- operation of financial markets, including:
 - roles played by intermediaries and issuers
 - structure and interrelationships within financial markets
 - interrelationship between industry sectors
- financial products, including:

- concept of a financial product: general definition, and specific inclusions and exclusions
- types of financial investment products
- types of financial risk products
- aspects of ongoing service provision, including:
 - reporting on performance
 - communicating comprehensively and clearly
 - reviewing of solution, plan, policy or transaction.

Specialist knowledge

- legal environment, including disclosure and compliance covering:
 - role of the authorised representative or adviser
 - relevant legal principles relating to the Corporations Act, Australian Securities and Investments Commission (ASIC) Act, Privacy Amendment (Private Sector) Act, and Competition and Consumer Act
 - relationship between ethics and regulatory requirements, including good faith, faith, utmost good faith, full disclosure of remuneration and fees, and other conflicts of interest that may influence authorised representative's recommendation
 - relevant industry standards and codes of practice
 - regulatory guidelines
 - internal and external complaints resolution procedures
- characteristics of margin lending products, including:
 - various types of margin lending facility products and their operation, including standard margin lending facilities and non-standard margin lending facilities
 - associated risks and alternative products, including derivatives where relevant
 - provider and client rights and responsibilities
 - effect of provider taking security over client assets
 - effect of provider receiving a transfer of client assets
 - calculating loan-to-value ratios of both individual products and the overall portfolio
 - consequences of issuers altering the loan-to-value ratio of individual products
 - margin calls: ways of making a margin call, consequences of margin calls and how they may be resolved, and strategies by which the borrower may avoid margin calls
 - approved product list: consequences of removing a product from the approved products list
- taxation issues in relation to margin lending facilities, including:
 - deductibility of costs associated with margin lending, including interest payments
 - liability for capital gains tax (CGT)
- theories of investment, portfolio management and management of investment and risk, including:
 - investment concepts

- investment strategies for margin lending, including role of cash flow and alternative investment strategies
- investment options using a margin lending facility
- identification of types of risk, including sensitivity of margin lending strategies to changes in interest rates and investment returns
- client risk profile, including source and stability of clients' income source, the source of funding for the investment and risk profiles unsuited to margin lending facility products
- stress testing of proposed client portfolio
- risks associated with gearing, including relationship between levels of gearing and risks, and risks associated with double gearing.

Assessment Conditions

Skills in this unit must be demonstrated in a workplace or simulated environment where the conditions are typical of those in a working environment in this industry.

This includes access to:

- organisational equipment, technology, software and peripherals
- margin lending product information.

Assessors of this unit must satisfy the requirements for assessors in applicable vocational education and training legislation, frameworks and/or standards.

Links

Companion Volume Implementation Guide is found on VETNet -

<https://vetnet.gov.au/Pages/TrainingDocs.aspx?q=c7200cc8-0566-4f04-b76f-e89fd6f102fe>