



**Australian Government**

**Department of Education, Employment and Workplace Relations**

# **FNSFMK503A Advise clients on financial risk**

**Revision Number: 1**

## FNSFMK503A Advise clients on financial risk

### Modification History

Not applicable.

### Unit Descriptor

<b>Unit descriptor</b>	<p>This unit describes the performance outcomes, skills and knowledge required to determine a client's financial risk profile, assess risk management options and produce detailed reports to present findings to clients and other relevant people.</p> <p>This unit may apply to job roles subject to licensing, legislative, regulatory or certification requirements so Commonwealth, State or Territory requirements should be confirmed with the relevant body.</p>
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### Application of the Unit

<b>Application of the unit</b>	This unit applies to a range of job roles in the financial markets sector.
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### Licensing/Regulatory Information

Not applicable.

### Pre-Requisites

<b>Prerequisite units</b>		

## Employability Skills Information

<b>Employability skills</b>	This unit contains employability skills.
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## Elements and Performance Criteria Pre-Content

Elements describe the essential outcomes of a unit of competency.	Performance criteria describe the performance needed to demonstrate achievement of the element. Where bold italicised text is used, further information is detailed in the required skills and knowledge section and the range statement. Assessment of performance is to be consistent with the evidence guide.
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## Elements and Performance Criteria

ELEMENT	PERFORMANCE CRITERIA
1. Determine risk profile	<p>1.1. <b>Interpersonal skills</b> are applied to confirm <i>client's financial needs</i>, expectations and objectives in accordance with <b>organisational requirements</b></p> <p>1.2. <b>Valid and relevant information</b> is obtained to determine the complexity of client's needs and their asset and liability management framework is analysed to ensure it matches their broader strategic direction and risk profile</p> <p>1.3. The context for assessing <b>risk</b> is based on an understanding of the client's personal situation, operating environment or core business</p>
2. Assess financial risk	<p>2.1. <b>Assessment criteria</b> for measuring the level of potential or existing risk, together with an assessment of consequences are developed in accordance with organisational requirements</p> <p>2.2. Information collected is assessed using the assessment criteria and appropriate analytical techniques</p> <p>2.3. Threat, consequences and <b>vulnerability for a range of financial products</b> is compared, in accordance with client and organisational requirements</p> <p>2.4. <b>Risk management alternatives</b> are developed to include assessment of alternatives and estimation of long and short term effects</p> <p>2.5. Incidents and factors increasing or diminishing financial performance are identified, analysed and discussed with the client</p>
3. Report findings	<p>3.1. Risk management alternatives are documented in accordance with organisational requirements and <b>relevant legislation</b></p> <p>3.2. <b>Retail client disclosure documents</b> outlining client responsibilities are prepared and explained to the client</p> <p>3.3. Client information is updated, modified and accurately maintained in accordance with organisational requirements</p> <p>3.4. Risk analysis <b>documentation</b> is prepared and <b>filed</b> in accordance with organisational and legislative requirements</p> <p>3.5. All information is handed safely and securely with due regard to client confidentiality and legislative</p>

<b>ELEMENT</b>	<b>PERFORMANCE CRITERIA</b>
	and organisational requirements

## Required Skills and Knowledge

### REQUIRED SKILLS AND KNOWLEDGE

This section describes the skills and knowledge required for this unit.

#### Required skills

- well-developed communication skills to:
  - determine and confirm client risk profile, using questioning and active listening as required
  - liaise with team members and peers, share information, listen and understand
  - use language and concepts appropriate to cultural differences
- numeracy and IT skills to:
  - use comparative analysis techniques
  - use spreadsheets and databases
  - access internet information
- highly developed research and analysis skills for:
  - accessing, interpreting and managing complex information and evaluating and disseminating information to clients
  - accurately identify existing or potential risks
  - evaluating client information against risk assessment strategies
  - identifying gaps in information and gathering necessary information from alternative sources
- well-developed literacy skills to:
  - read and interpret market and product information
  - identify economic environmental factors which affect financial services and markets
  - produce reports
- judgement skills for forming recommendations in complex situations
- organisational skills, including the ability to:
  - estimate, plan and prioritise client requirements
  - plan and sequence own work
  - work effectively in a constantly changing environment
- self-management skills for complying with ethical, legal and procedural requirements and model a professional and ethical approach to clients

#### Required knowledge

- client and organisational confidentiality requirements
- financial information sources and products
- financial markets risk characteristics
- organisational policies and procedures
- relationship between ethics and regulatory requirements

**REQUIRED SKILLS AND KNOWLEDGE**

- relevant legal principles and disclosure and compliance requirements
- risk standards, assessment techniques and processes
- roles and operations of financial markets
- taxation issues in relation to the products and markets in which they operate
- the economic environment, including:
  - characteristics and impacts of economic and business cycles
  - government monetary and fiscal policies
  - interest rates, exchange rates and inflation
- theories of management of investment and risk

## Evidence Guide

<b>EVIDENCE GUIDE</b>	
<p>The Evidence Guide provides advice on assessment and must be read in conjunction with the performance criteria, required skills and knowledge, range statement and the Assessment Guidelines for the Training Package.</p>	
<b>Overview of assessment</b>	
<b>Critical aspects for assessment and evidence required to demonstrate competency in this unit</b>	<p>Evidence of the ability to:</p> <ul style="list-style-type: none"> <li>• determine the risk profile of client</li> <li>• interpret and comply with relevant legislation</li> <li>• assess the impact of financial risks to the client and the organisation and recommend strategies to control risk</li> <li>• accurately review and prepare risk assessment findings in a format suitable for presentation including client disclosure documents</li> <li>• provide up to date advice on the risks and benefits of financial products and services.</li> </ul>
<b>Context of and specific resources for assessment</b>	<p>Assessment must ensure:</p> <ul style="list-style-type: none"> <li>• competency is demonstrated in the context of the financial services work environment and conditions specified in the range statement either in a relevant workplace or a closely simulated work environment</li> <li>• access to and the use of a range of common office equipment, technology, software and consumables</li> <li>• access to financial services product information.</li> </ul>
<b>Method of assessment</b>	<p>A range of assessment methods should be used to assess practical skills and knowledge. The following examples, in combination, are appropriate for this unit:</p> <ul style="list-style-type: none"> <li>• evaluating an integrated activity which combines the elements of competency for the unit or a cluster of related units of competency</li> <li>• verbal or written questioning on underpinning knowledge and skills</li> <li>• setting and reviewing workplace projects and business simulations or scenarios</li> <li>• evaluating samples of work</li> <li>• accessing and validating third party reports.</li> </ul>
<b>Guidance information for assessment</b>	





## Range Statement

### RANGE STATEMENT

The range statement relates to the unit of competency as a whole. It allows for different work environments and situations that may affect performance. Bold italicised wording, if used in the performance criteria, is detailed below. Essential operating conditions that may be present with training and assessment (depending on the work situation, needs of the candidate, accessibility of the item, and local industry and regional contexts) may also be included.

<p><b><i>Interpersonal skills</i></b> may include:</p>	<ul style="list-style-type: none"> <li>• establishing knowledge level of the client</li> <li>• explaining the adviser's role</li> <li>• explaining the services offered</li> <li>• listening actively to what the client is saying and requesting</li> <li>• questioning to clarify and confirm the client's needs</li> <li>• seeking feedback from the client to confirm understanding of needs.</li> </ul>
<p><b><i>Clients</i></b> may include:</p>	<ul style="list-style-type: none"> <li>• borrowers</li> <li>• exporters</li> <li>• importers</li> <li>• investors</li> <li>• traders.</li> </ul>
<p><b><i>Financial needs</i></b> may include:</p>	<ul style="list-style-type: none"> <li>• acquisition and disposal of financial assets</li> <li>• cash flow management</li> <li>• foreign currency receipts and payments</li> <li>• foreign currency risk management</li> <li>• funding</li> <li>• interest rate risk management</li> <li>• trading profits.</li> </ul>
<p><b><i>Organisational requirements</i></b> may be outlined and reflected in:</p>	<ul style="list-style-type: none"> <li>• assessment and equity principles and practice guidelines</li> <li>• business and performance plans</li> <li>• complaints and dispute resolution procedures</li> <li>• ethical standards, codes of practice</li> <li>• goals, objectives, plans, systems and processes</li> <li>• legal and organisational policies and guidelines</li> <li>• mission statements, strategic plans</li> <li>• policies and procedures in relation to client services</li> <li>• product or service development</li> <li>• quality and continuous improvement processes and standards</li> <li>• quality assurance and procedure manuals.</li> </ul>

<b>RANGE STATEMENT</b>	
<b><i>Valid and relevant information</i></b> may include:	<ul style="list-style-type: none"> <li>• cash flows:               <ul style="list-style-type: none"> <li>• required</li> <li>• projected</li> </ul> </li> <li>• client activities and functions</li> <li>• client current and proposed operating environment, assets and systems</li> <li>• details of clients needs and objectives for:               <ul style="list-style-type: none"> <li>• income</li> <li>• security</li> <li>• liquidity</li> <li>• time period</li> </ul> </li> <li>• existing client risk management strategies</li> <li>• individual investment preferences and a version or tolerance to risk</li> <li>• other client details such as:               <ul style="list-style-type: none"> <li>• employment security</li> <li>• likely events and their impact on the client</li> <li>• age</li> <li>• other products they have</li> </ul> </li> <li>• relevant personal, financial and business details</li> <li>• taxation obligations.</li> </ul>
<b><i>Risk</i></b> to be identified may include:	<ul style="list-style-type: none"> <li>• credit risk</li> <li>• funding risk</li> <li>• legal risk</li> <li>• market risk</li> <li>• operational risk</li> <li>• reputation risk</li> <li>• settlement risk</li> <li>• delivery risk.</li> </ul>
<b><i>Assessment criteria</i></b> may be based on:	<ul style="list-style-type: none"> <li>• prioritised G30 recommendations for managing derivatives risk</li> <li>• AS/NZS 4360: Risk Management</li> <li>• qualitative factors</li> <li>• quantitative factors</li> <li>• semi-quantitative factors</li> <li>• Supply Chain Operations Reference (SCOR).</li> </ul>
<b><i>Vulnerability for a range of financial products</i></b> may relate to:	<ul style="list-style-type: none"> <li>• access restrictions on product</li> <li>• borrowing risk or gearing</li> <li>• economic impact</li> </ul>

<b>RANGE STATEMENT</b>	
	<ul style="list-style-type: none"> <li>• liquidity risk</li> <li>• market and sector risks:               <ul style="list-style-type: none"> <li>• economic cycle</li> <li>• fixed interest</li> </ul> </li> <li>• risk factors and return expectations</li> <li>• specific product risk</li> <li>• volatility of income and capital.</li> </ul>
<b><i>Risk management alternatives</i></b> may include:	<ul style="list-style-type: none"> <li>• comparative analysis</li> <li>• forecasting</li> <li>• periodic reporting</li> <li>• quantification of risks</li> <li>• referral to decision making authorities.</li> </ul>
<b><i>Relevant legislation</i></b> may include:	<ul style="list-style-type: none"> <li>• applicable State and Territory legislation and regulations</li> <li>• Australian Securities and Investments Commission (ASIC) Act, policy guidelines</li> <li>• Banking Act</li> <li>• Commonwealth Criminal Code</li> <li>• contract law</li> <li>• Corporations Act</li> <li>• Financial Corporations Act</li> <li>• Financial Services Reform Act (FSRA)</li> <li>• Financial Transaction Reports Act</li> <li>• industry codes of practice</li> <li>• legislation and regulations administered by Australian Prudential Regulation Authority (APRA)</li> <li>• Privacy Amendment Act (Private Sector)</li> <li>• Reserve Bank Act</li> <li>• Superannuation Acts and regulations</li> <li>• Taxation Acts and regulations</li> <li>• Trade Practices Act.</li> </ul>
<b><i>Retail client disclosure documents</i></b> may include:	<ul style="list-style-type: none"> <li>• financial services guide</li> <li>• product disclosure statement</li> <li>• statement of advice.</li> </ul>
<b><i>Documentation</i></b> may include:	<ul style="list-style-type: none"> <li>• advice</li> <li>• general correspondence</li> <li>• legal, government and professional documents</li> <li>• meeting notes</li> <li>• recommendations</li> <li>• records of telephone conversations</li> <li>• references to all evidence/information considered</li> </ul>

<b>RANGE STATEMENT</b>	
	<ul style="list-style-type: none"> <li>• reports.</li> </ul>
<b>Filing</b> of information may include:	<ul style="list-style-type: none"> <li>• electronic</li> <li>• manual.</li> </ul>

### Unit Sector(s)

<b>Unit sector</b>	Financial markets
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### Competency field

<b>Competency field</b>	
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### Co-requisite units

<b>Co-requisite units</b>		