



Australian Government

Assessment Requirements for FNSASICR503 Provide 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 1.0.

Performance Evidence

Evidence of the ability to:

- interpret and comply with industry regulations and codes of practice
- analyse client needs, financial situation and risk profile, and prepare appropriate strategies or solutions relating to margin lending
- provide accurate and ethical advice on margin lending products and services
- implement the plan, policy or transaction once agreed by the client and complete documentation accurately.

Note: If a specific volume or frequency is not stated, then evidence must be provided at least once.

Knowledge Evidence

To complete the unit requirements safely and effectively, the individual must satisfy generic and specialist knowledge requirements relevant to the products and activities in which advice is given.

Generic knowledge

- analyse and provide an overview of the economic environment including:
 - characteristics and impact of economic and business cycles
 - interest rates and exchange rates
 - inflation
 - government monetary and fiscal policy
- analyse and provide a detailed explanation of the operation of financial markets including:
 - roles played by intermediaries and issuers
 - structure and interrelationships within the financial markets
 - interrelationship between industry sectors
- outline 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.

Specialist knowledge

- discuss types of margin lending facility products (encompassing standard margin lending facilities and non-standard margin lending facilities), associated risks and alternative products (derivatives where relevant)
- outline characteristics of margin lending products including:
 - how the various types of margin lending facility products operate
 - providers' and clients' rights and responsibilities
 - effect of provider taking security over clients' assets
 - effect of provider receiving a transfer of the clients' 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
- outline 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)
- discuss the legal environment including disclosure and compliance covering:
 - role of the representative or adviser
 - relevant legal principles relating to the Corporations Act, Australian Securities and Investments Commission (ASIC) Act, Privacy Amendment (Private Sector) Act, Financial Services Reform Act (FSRA) 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 any other conflicts of interest which may influence the adviser's recommendation
 - relevant industry standards and codes of conduct
 - regulators' guidelines including ASIC Regulatory Guide (RG)146 requirements
 - complaints resolution procedures (external and internal)
- explain theories of investment, portfolio management and management of investment and risk including:
 - investment concepts
 - investment strategies for margin lending, including the role of cash flow and alternative investment strategies
 - investment options using a margin lending facility

- identification of types of risk, including an awareness of the sensitivity of margin lending strategies to changes in interest rates and investment returns
- client risk profile, including an awareness of the 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
- understanding of risks associated with gearing – the relationship between levels of gearing and risks, and risks associated with double gearing
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Assessment Conditions

Assessment must be conducted in a safe environment where evidence gathered demonstrates consistent performance of typical activities experienced in the financial services and products advice field of work and include access to:

- office equipment, technology, software and consumables
- margin lending product information

Assessors must satisfy NVR/AQTF assessor requirements.

Links

Companion Volume implementation guides are found in VETNet -

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