




# Managing an advice business in a time of heightened risk focus

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# In this session



How do the senior managers in advice businesses understand which are critical risks and which are less significant?

How do principals in an advice business know that their risk management is grounded in solid data?

How can data and tech move licensees from a reactive to proactive approach, identifying risks before they become issues?



**"Pick important problems, fix them and tell everyone"**



# What does this mean for ASIC?



## Data

### Pick important problems

- negative consumer outcomes
- impact structural integrity
- Line in the sand

### Fix them

- Nudges
- Education
- EU's
- Fines
- Licence conditions
- Banning
- Criminal/Civil

### Tell everyone

- 'head on sticks' deterrence

# What does this mean for advice firms and AFSLs?



**ASIC will be asking more questions and seeking more data.**

**Likely 2020 'important problems'**

- *ongoing service & FDS*
- *grandfathered commissions*
- *insurances*
- *FASEA CofE*
- *BID*
- *appropriate fees*

**Are you good or not-so-good?**

**AFSL Responsible Managers will need to be across compliance plans, data quality and risks.**

**The silver lining ?**



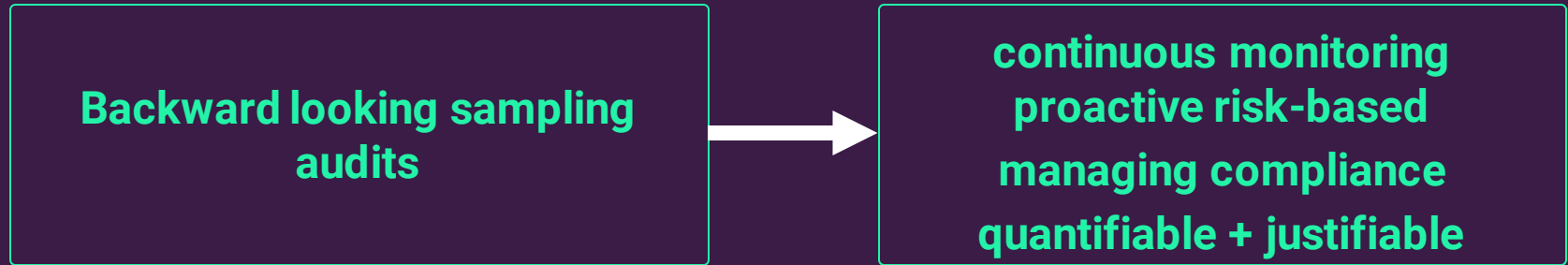
**How do the senior managers in advice  
businesses understand which are critical  
risks and which are less significant?**

**and fix them!**



# Reactive to proactive compliance

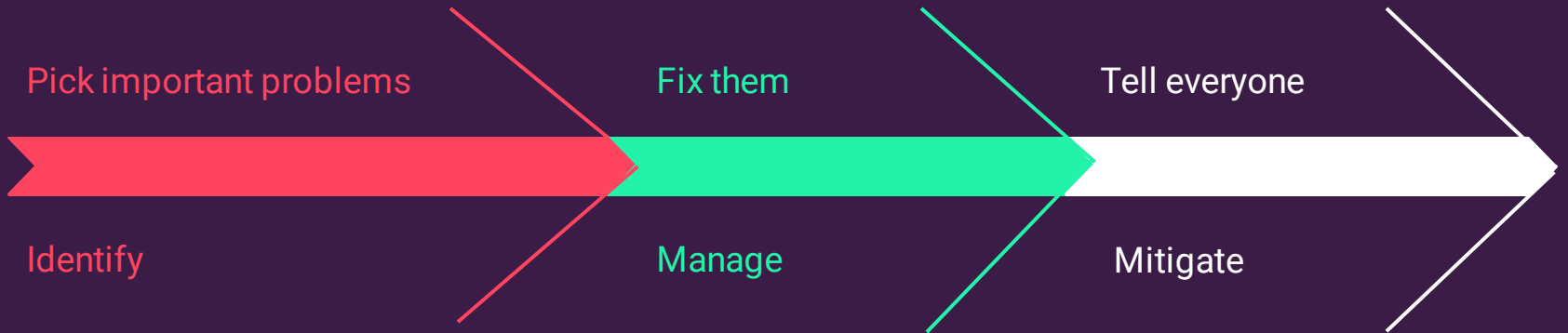
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# Proactive risk-based compliance methodology



ASIC - risk based regulation



AFSL - risk based compliance



# What does proactive risk-based look like?

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**Accurate data**

Advice process

Adviser behaviour

Advice given

# What does this look like for an AFSL?

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**Accurate data**

Advice process

Adviser behaviour

Advice given

**Continuous  
monitoring**

# What does this look like for an AFSL?



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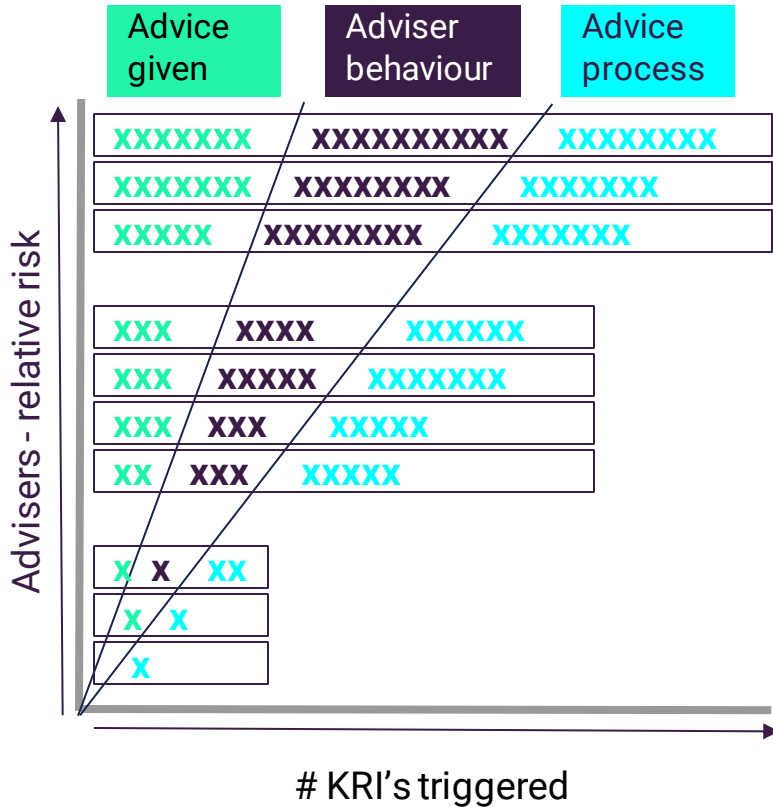
**Continuous  
monitoring**

**Risk-based  
compliance plan**

high-risk advisers &  
clients

thematic risks for  
your AFSL

# Proactive Risk Based Compliance - Data Driven



High Risk - detailed review of adviser across all of advice, adviser and process

Potential Risk - thematic review of these advisers/clients (e.g. Advice, Adviser Behaviour, Advice process based thematic reviews)

Low Risk - good Advisers so limited annual review required

# What does this look like for an AFSL?



**Accurate data**

Advice process

Adviser behaviour

Advice given

**Continuous  
monitoring**

**Risk-based  
compliance plan**

high-risk advisers &  
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thematic risks for  
your AFSL

ASIC stated themes

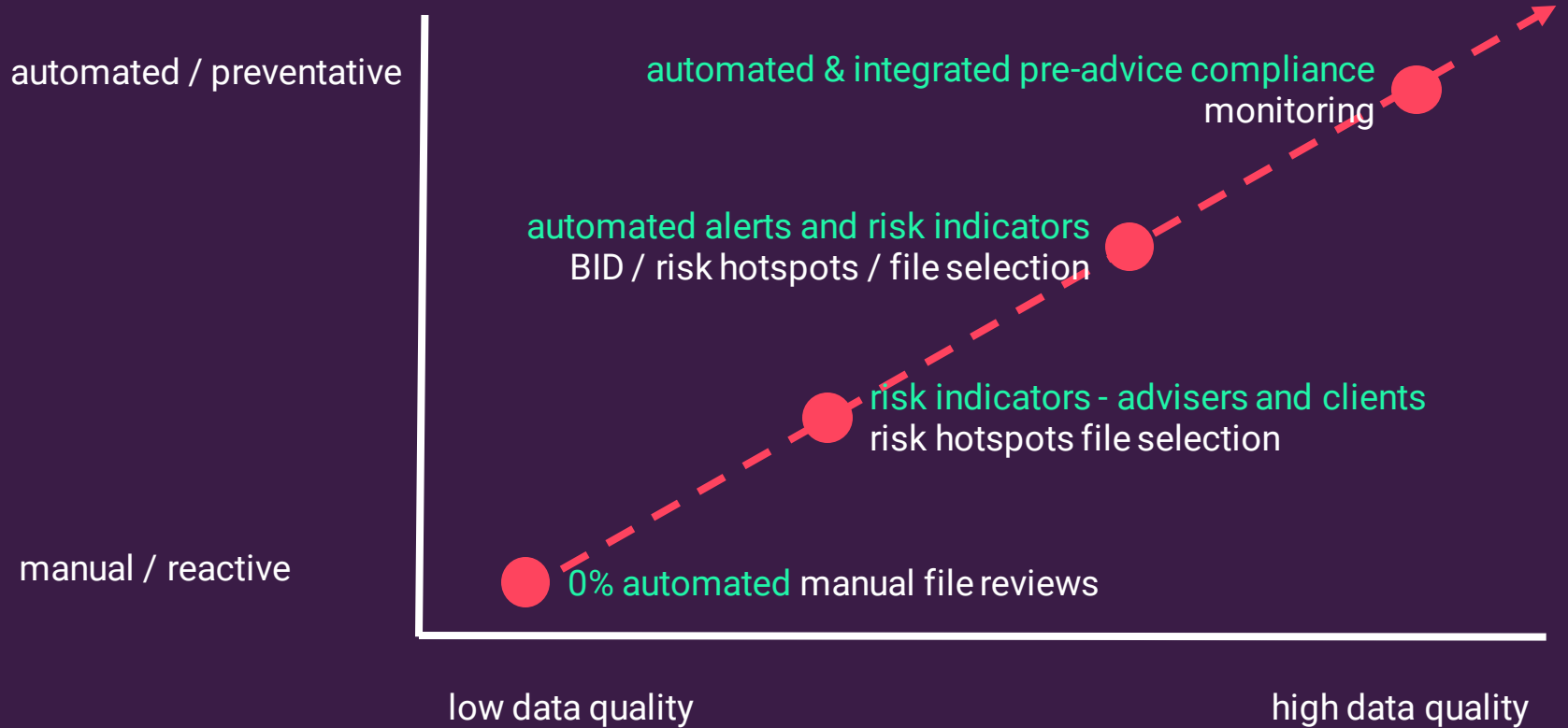
# The foundations of proactive risk-based compliance

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**Data**

# The data journey



# The foundations of proactive risk-based compliance

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**Data**

**Executive  
ownership**

**Adviser  
engagement**



# What causes these risk?

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**BAD**

**Advice process**

**POOR**

**Adviser behaviour**

**Advice given**

**NOT ALIGNED TO  
CUSTOMER**



**How do principals in an advice business know that their risk management is grounded in solid data?**

# What sort of data do you capture?



## Advice process

- systemised advice process
- data for every stage
- financial scenarios
- product investigation
- ongoing service

## Adviser behaviour

- client book profiles (vulnerable, one-size-fits-all etc)
- fees (conflicts churn, OGS etc)
- products recommended
- process adherence

## Advice given

- FF data in system (relevant circumstances)
- basis for advice
- product justification
- fees
- client  $\Leftrightarrow$  goals  $\Leftrightarrow$  objectives  $\Leftrightarrow$  products

# What do you need to have in place to capture it?

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# How do you know your data is solid?




## Data Quality Assurance



### Data Quality Exception Totals

LinkTableName	FileName	ExceptionName	ColumnName	ExceptionResult	COUNT(*)
Clients	Clients	Next Opt In Date Missing	[NextOptInDate]	Fail	89726
Clients	Clients	FSG Version Date Missing	[FSGVersionDate]	Fail	83636
Clients	Clients	Next FDS Date Missing	[NextFDSDate]	Fail	83522
Clients	Clients	Opt In Status Missing	[OptInStatus]	Fail	78860
Clients	Clients	Disclosure Statement Required Missing	[DisclosureStatementRequired]	Fail	55267
Clients	Clients	Opt In Required Missing	[OptInRequired]	Fail	54353
Clients	Clients	Client Category Missing	[ClientCategory]	Fail	25078
Clients	Clients	Client Age Out of Range	[ClientAge]	Fail	19674



**How can data and tech move licensees from a reactive to proactive approach, identifying risks before they become issues?**

# Some examples

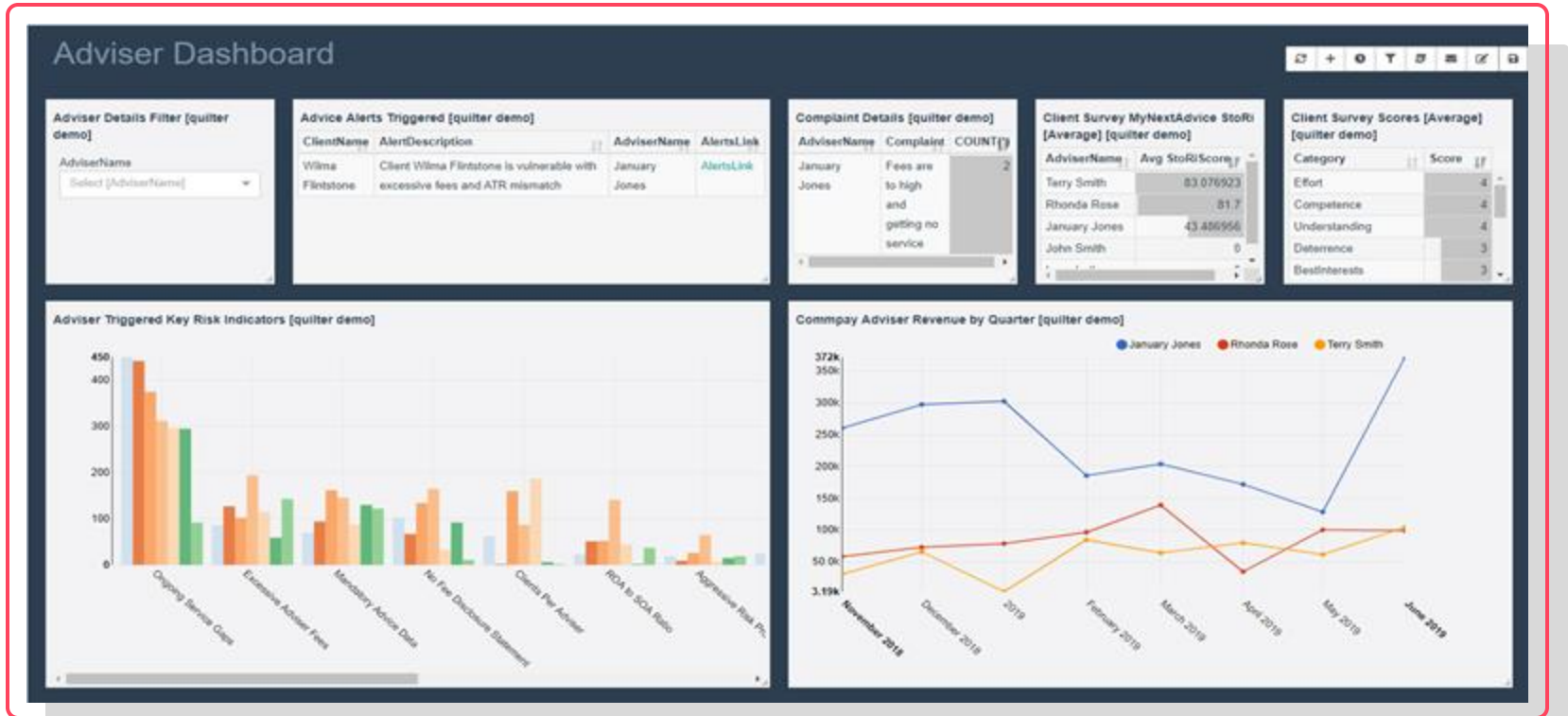
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## How Iress Lumen clients are applying a data driven proactive risk based compliance approach

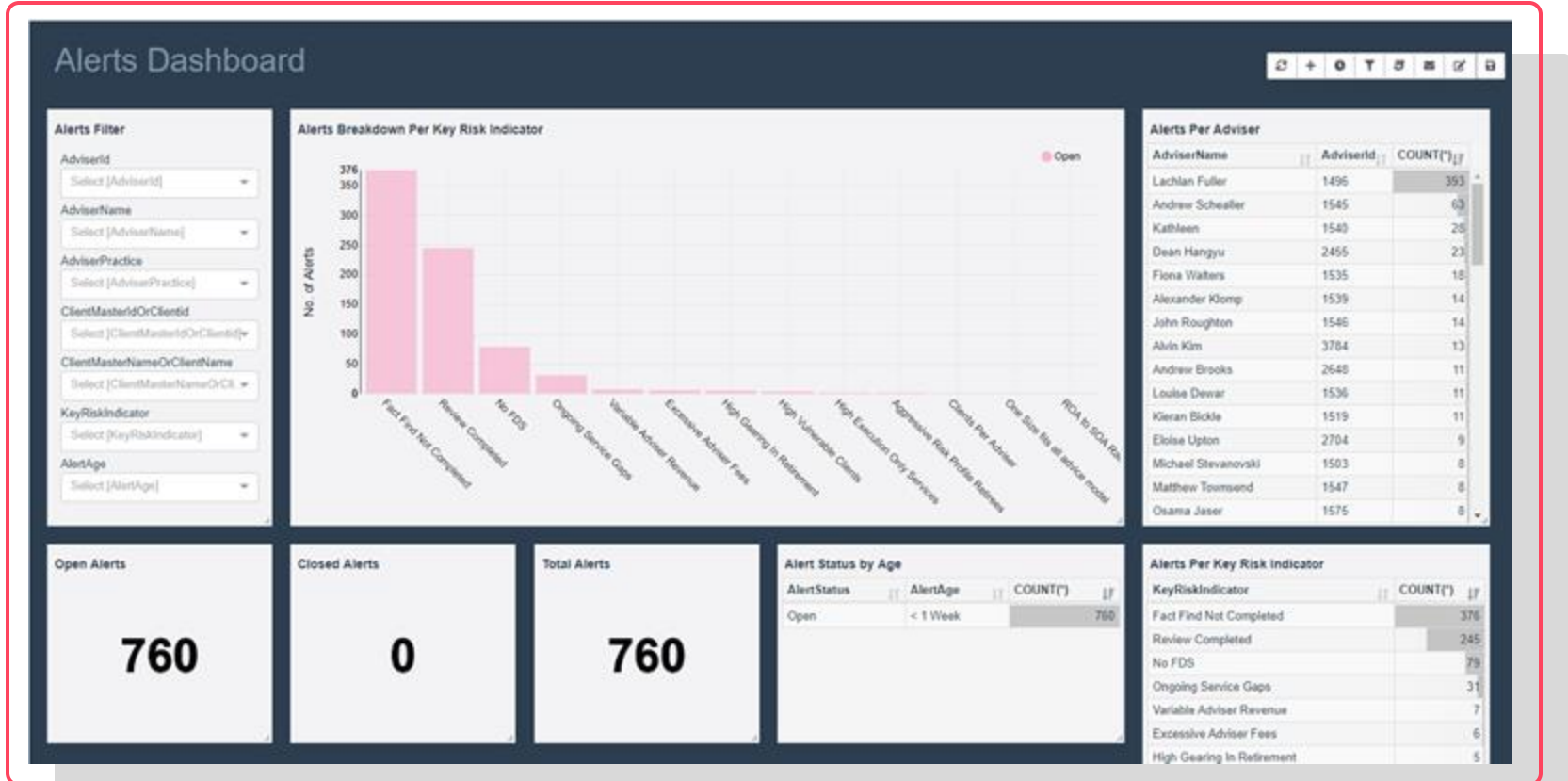
- Adopting a risk-based approach to file selection and adviser audits
- Continuous monitoring of 100% of all advice - identifying advice or products not supported by Licensee standards
- Offboarding practices
- Responding to ASIC notices for data

# Identifying high risk advisers





# Continuous monitoring of 100% of all advice



# Off-boarding practices - Ongoing Service Fees



# Responding to ASIC requests - FDS



## No Fee Disclosure Statement

### No Fee Disclosure Statement Filter

AdviserId  
Select [AdviserId] ▼

AdviserName  
Select [AdviserName] ▼

AdviserPractice  
Select [AdviserPractice] ▼

ClientMasterId  
Select [ClientMasterId] ▼

ClientMasterName  
Select [ClientMasterName] ▼

ClientCategory  
Select [ClientCategory] ▼

### No Fee Disclosure Statement Alerts Per Adviser

Adviser Name	No. of Alerts
Lachlan Fuller	46
Andrew Schneider	5
Fiona Waters	3
John Roughton	3
Kathleen	3
Kieran Brodie	2
Alan Kim	1
Andrew Brooks	1
Fiona Waters2	1
Fran Burns	1
Hannah Snowden	1
Heather Janyang	1
Anika Gorenstetter	1
Devin Hengru	1
Devin Hengru2	1
Elaine Lipson	1
Louise Dewar	1
Michael Stronowski	1
Orasma Jasser	1
Phil Pham	1
Ray Au	1
Tim Bakkenes	1
Toot d'Yvone	1

### No Fee Disclosure Statement Details

Show 100 entries

AdviserId	AdviserName	AdviserPractice	ClientMasterId	ClientMasterName	ClientCategory	DisclosureStatementRequired	NextFDSDate	NoteType	NoteSubtype	NoteSubject	TotalOngoing	DaysSinceFDS
1496	Lachlan Fuller	LF	1602	Kal Stump	Bronze						966.8	0
1496	Lachlan Fuller	LF	1607	Patrick Del Fabbro	Silver						1855.4	0
1496	Lachlan Fuller	LF	1612	Alicia Balle	Silver						1445.56	0
1496	Lachlan Fuller	LF	1614	Archie Perivolaris	Bronze						1042.80	0
1496	Lachlan Fuller	LF	1615	James Mullan	Silver						1312.37	0
1496	Lachlan Fuller	LF	1616	Ethan Gordo	Silver						1646.16	0

# But HOW have they done this?

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**1** Executive buy-in

**2** Got serious about data

**3** Put tech in place to analyse it

**4** Behavioural change

**5** Risk-based compliance plan

**6** Transparency

# In summation

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**Data is now a core compliance capability**

**Risk based compliance, informed by data, is the only way an AFSL can survive**



**Questions?**

**Visit Iress at lunch and afternoon breaks to see  
Lumen in action**

