

CP6 – FINANCIAL RESOURCES POLICY

Guidance

ASIC Regulatory Guide 166

1.1 Purpose

The purpose of this statement is to ensure **TAG** has sufficient financial resources, or access to sufficient financial resources, to operate its financial services business and comply with the requirements of its Australian financial services (AFS) licence.

1.2 Person responsible

The Responsible Manager is responsible for the duties under this statement. The Responsible Manager must consider the guidance contained in Regulatory Guide 166—*Licensing: Financial requirements* when performing its duties under this statement.

1.3 Who is the Financial Controller?

The Responsible Manager is Kevin Toohey. During vacancies of this position, the role will be temporarily filled by the Compliance Officer.

1.4 Keeping of financial records

TAG must keep proper records in accordance with the applicable accounting standards, so as to—

- (a) produce true and fair financial statements, and
- (b) allow those statements to be properly and conveniently audited.

1.5 Appointment of auditor

- (a) **TAG** must ensure it has an auditor appointed to audit **TAG**'s financial statements.
- (b) **TAG** must appoint an auditor within one month after its AFS licence is issued.

1.6 Lodgement of accounts with ASIC

- (a) If **TAG** is a 'disclosing entity', then **TAG** must lodge its accounts with the Australian Securities and Investments Commission (ASIC) within three months after the end of its financial year.
- (b) If **TAG** is not a 'disclosing entity', then **TAG** must lodge its accounts with ASIC within four months after the end of its financial year.
- (c) **TAG** is not a 'disclosing entity' as at the date of preparation of this statement.

- (d) The accounts must be lodged together with an auditor's report on the accounts. If the accounts relate to the entire business of **TAG** (in addition to those matters of business for which an AFS licence is required), then the auditor's report should specify clearly its scope and the aspects of **TAG**'s business which were the subject of the audit.

1.7 Solvency

The Responsible Manager must review the financial position of **TAG** to confirm it is solvent, as follows:

- (a) Monthly—based on management accounts.
- (b) Annually—based on annual audited accounts.

1.8 Net tangible asset calculation

The Responsible Manager must perform a net tangible asset calculation on at least a monthly basis and review its net tangible asset position as follows:

- (a) Monthly—based on management accounts.
- (b) Annually—based on annual audited accounts.

1.9 Cash needs requirement

- (a) The Responsible Manager must prepare and maintain a 3-month cash flow projection to monitor the impact of **TAG**'s day-to-day activities on its ongoing cash requirements and to confirm the cash needs requirement is satisfied.
- (b) As at the date of this statement, **TAG** satisfies the cash needs requirement by preparing its cash flow projection over the next 3 month period based on a reasonable estimate of what is likely to happen over this term.
- (c) **TAG** must show, based on the cash flow projection, that it will have access to sufficient financial resources to meet its liabilities over the projected term of at least 3 months, including any additional liabilities that are projected to be incurred during that term.
- (d) The cash flow projection must be updated—
 - (i) before the current projection ceases to cover the next 3 months
 - (ii) if there is reason to suspect that an updated projection would differ materially from the current projection, or
 - (iii) if there is reason to suspect that an updated projection would show **TAG** will not have access as needed to enough financial resources to meet its liabilities or hold at all times, in cash or cash equivalents, an amount equal to or greater than the amount it is required to hold.
- (e) The cash flow projection must be approved by **TAG**'s board at least quarterly as satisfying this cash needs requirement.

1.10 Surplus liquid funds calculation requirement

- (a) If **TAG** holds client money and assets totalling more than \$100,000 at any one time, then—
 - (i) it is required to comply with the surplus liquid funds requirement and hold \$50,000 in surplus liquid assets, and
 - (ii) it must prepare the surplus liquid funds calculation on at least a monthly basis (for as long as **TAG** holds client money and assets totalling more than \$100,000).
- (b) The process by which **TAG** will calculate its surplus liquid funds is as follows:
 - (i) The Responsible Manager must determine **TAG**'s surplus liquid funds requirement and review its position as follows:
 - A. Monthly—based on management accounts.
 - B. Annually—based on annual audited accounts.
 - (ii) The Responsible Manager must obtain any financial or other information necessary to enable the assessment of **TAG**'s compliance with the surplus liquid funds requirement. The Responsible Manager will be entitled to determine the nature of the financial information to be gathered, having regard to the applicable accounting standards and AFS licence conditions.
 - (iii) If the surplus liquid funds requirement is not triggered, then the surplus liquid funds calculation is not required to be calculated.

1.11 Notifications

- (a) **TAG** is required to notify ASIC of any event that may make a material adverse change to the financial position of **TAG** as soon as possible or in any event within three business days of becoming aware of the event. The reporting must occur in accordance with **TAG**'s compliance procedures.
- (b) The Responsible Manager may notify **TAG**'s auditor of such potential event to verify whether it will have a material adverse change to **TAG**'s financial position. Any verification sought from the auditor must not prevent or delay **TAG** from lodging a notice with ASIC within the required time frame.
- (c) The Responsible Manager must report to the Compliance Officer and General Manager after becoming aware of any material adverse change that may place **TAG** in a position where it may be unable to comply with its AFS licence conditions or meet its financial obligations.

1.12 Review process

- (a) The Responsible Manager must undertake the following reviews under this statement:
 - (i) Solvency—monthly and annual reviews.

- (ii) Net tangible asset calculation—monthly and annual reviews (if required).
 - (iii) Cash needs requirements—monthly and annual reviews.
- (b) The Compliance Officer must perform an annual review to ensure the financial calculations have been performed as outlined in clause 1.12(a).