

# MONITORING AND SUPERVISION POLICY

**Version 2.01**

**Last updated 08.01.18**

## THE AIM OF THIS POLICY

The aim of this policy is to assist in managing financial planning compliance risk with the aim of protecting the reputation of Insight Investment Partners. This is achieved through:

- Assessing whether advisers are consistently providing quality financial advice.
- Assessing whether advisers are providing advice in line with all relevant regulatory requirements as well as all licensee advice policy and process requirements.
- Providing advisers with compliance guidance and coaching in relation to the provision of quality financial advice and adherence to a robust advice process.

## WHO THIS POLICY APPLIES TO

This policy applies to all staff of Insight Investment Partners.

## WHAT THIS POLICY COVERS

This policy covers:

- What is the compliance review process?
- Do I need to be available for the whole compliance review?
- What will be reviewed at a compliance review?
- How many files will be reviewed?
- What is the agenda for the compliance review?
- General expectations.
- Quarterly Spot Checks
- Targeted reviews.
- What is the scoring and review rated system?
- Compliance review report (Advice Assurance Report).
- Compliance action plan requirements (Remediation Action Summary)

## WHAT IS THE COMPLIANCE REVIEW PROCESS?

You will receive a minimum of one compliance review per year. More frequent reviews may be required and will be dependent on the result of your last compliance review. The two types of reviews that you will receive are:

- Compliance review: A full review done at least annually.
- Follow-up review: A scoped review driven by the outcome of the last review, focusing mainly on the higher risk areas previously found.

You will be contacted at least two weeks prior, to schedule a suitable date and time for your review. Once an agreeable date and time has been confirmed you will be sent an email confirming the details of the appointment; the review process and an outline of what to expect on the day of your review.

### **DO I NEED TO BE AVAILABLE FOR THE WHOLE COMPLIANCE REVIEW?**

Your compliance review is not intended to disrupt your daily activities, so you may generally continue with this whilst your files are reviewed. However, you are expected to be present for both the initial briefing and the final debriefing components of your review. It is highly recommended that support staff such as para-planners who actively assist with the advice process are also present, to ensure that the issues are well understood and addressed at all levels.

As compliance reviews are an essential requirement under the Insight Investment Partners licence, there are only exceptional circumstances where a confirmed review may be rescheduled. If exceptional circumstances mean that you are not available at the time the review is conducted, you must ensure that there is access to your client files so that the review can proceed in your absence.

### **WHAT WILL BE REVIEWED AT A COMPLIANCE REVIEW?**

In advance of your review, Insight Investment Partners will select the client files to be reviewed using information available to Insight Investment Partners including (but not limited to) your commission statement. A cross section of different types of advice will generally be reviewed however, if you specialise in a particular area of advice or identified higher risk strategies, additional files may be selected from this pool.

All files will potentially be subject to review, unless generally:

- the file has been recently inherited from another adviser and you have not been involved in the advice process; or
- the advice was provided prior to your last review.

The following documents (not limited to) will form part of your review:

- Previous Compliance Action Plans (CAPs);
- Advice documents (SoA, RoA);
- File notes;
- Execution Only letters;
- Financial Planning Questionnaire (including risk profile questionnaire);
- Documentation/declarations confirming that clients have received a FSG and Adviser Profile prior to advice being provided;
- Documents confirming correct disclosure of fees, benefits and other important information;
- Application forms;
- Research papers; and
- Quotes.

### **HOW MANY FILES WILL BE REVIEWED?**

During a compliance review, up to six files will be reviewed. Four of the six files will be subject to a full review, while the remaining two will undergo a key document review only. If serious issues are found, the key document review files may be checked in full, and/or additional files may be requested and reviewed to determine the extent of the issue.

For a follow-up review, 2-3 files will be selected and reviewed in full, with the main focus being to ensure that issues raised at the previous review have been fully addressed and are not recurring. In most cases these reviews will take place remotely and you'll be asked to submit your documents by email to your Compliance Manager.

### **WHAT IS THE AGENDA FOR THE COMPLIANCE REVIEW?**

The agenda below is for general guidance purposes only. Due to unforeseen events, this might not be strictly adhered to, however it provides you with some transparency in relation to what to expect and plan for.

Average time	Action
30 minutes	Briefing
2-4 hours	File Review
30 minutes	Debriefing

#### **Briefing**

The purpose of the initial briefing session is to take you through the agenda and the process for your review. Your Compliance Review Manager will also ask questions to help familiarise themselves with the nature of your files. The initial briefing also provides you with the opportunity to raise any upfront concerns or questions you might have in relation to the review itself.

#### **File Review**

Your Compliance Review Manager will work through each file in detail, reviewing all relevant documentation. The contents of the files will be assessed in accordance with regulatory requirements, internal compliance policies and business rules to ensure they are compliant and would stand up in the event of a complaint or regulator review. Your file content will help determine whether you have a robust and repeatable advice process in place for consistently delivering quality advice to your clients.

Each file will be reviewed against a fixed set of compliance questions using a standard compliance review checklist. This is discussed in more detail under 'Compliance Review results' below.

#### **Debrief**

The issues identified from the file review will be discussed with you, to provide an indication as to the content of your final report. The purpose of this session is for your Compliance Review Manager to provide you with the necessary feedback in relation to their findings.

Any identified weaknesses or gaps in your advice documentation or advice process will be raised, and coaching provided to help aid your understanding if required. Clarification or additional

information will be sought where information is unclear or ambiguous. Additionally, any required remediation will be explained and documented in your Remediation Action Summary.

The session will also provide you with the opportunity to ask any questions and to discuss any exceptions identified during your review.

Once the debriefing has taken place your report will be finalised in the form of an Advice Assurance Report and, if necessary, a Remediation Action Summary.

### **GENERAL EXPECTATIONS**

You are expected to participate in the briefing and debriefing in a receptive, transparent, professional and co-operative manner. Your Compliance Review Manager will provide you with constructive and beneficial feedback during your debriefing session. This feedback will be delivered in a professional and approachable manner.

### **QUARTERLY SPOT CHECKS**

The Compliance Manager will carry out quarterly spot checks. During a spot check, up to two files will be reviewed. If serious issues are found, and additional files may be requested and reviewed to determine the extent of the issue.

In most cases these reviews will take place remotely and you'll be asked to submit your documents by email to your Compliance Manager.

### **TARGETED REVIEWS**

The majority of reviews form part of the annual licensee compliance program however occasionally, you might be subject to a targeted review. This will usually focus on either a particular advice type or aspect of the planning process, for example product selection. A targeted review might be triggered as a result of a request from the Insight Investment Partners management as a result of the following:

- specific issues having been identified by Insight Investment Partners;
- consistent low scoring for consecutive compliance reviews;
- a complaint by a client;
- a pattern of client complaints; or
- a specific request for information or client files from a regulator (e.g. ASIC).

Where you are contacted directly by a regulator (e.g. ASIC) for information or copies of client files, you should immediately contact your Compliance Manager.

Where a targeted review is required, a similar process as noted in this document will apply. However, the number of files reviewed, the time and number of attendees required at the review, and any remediation, may vary. We will communicate the process and these expectations with you, should the need to conduct one of these reviews arise.

## WHAT IS THE SCORING AND REVIEW RATING SYSTEM?

During your review your Compliance Review Manager will use a standard set of questions to assess your client files and documentation. This checklist is based upon the requirements set out in the Insight Investment Partners policies, and captures key legal and policy requirements. To maximise the chances of a successful compliance review outcome, it is recommended that you regularly review your advice processes against Insight Investment Partners policy requirements. Each question is assigned a rating depending on the level of risk that non-compliance will potentially expose you and Insight Investment Partners to. Your Compliance Review Manager will respond to each of these questions with a Yes, No, or In-Part response. Depending on the response or the severity of the issue identified, your compliance review will result in one of the following outcomes.

Rating	Trigger	Follow-up review	Full Review
Green	No issues Low rated issues and/or 1 Medium rated issue	n/a	12 months
Orange	2 or more Medium rated issues	n/a	12 months
Red	1 or more High rated issue, which may include 1 or more breaches.	3 months	6 months*

*\*Note that more than 1 red rating will trigger a follow up review three months from this date, and a full review six months from the date of the last full review.*

***\*\*2 consecutive reviews of more than 1 red rating will be referred to the Responsible Manager for performance management.***

The following table provides particular examples of where requirements have been met and how the weighting of each might impact your overall compliance review result. Note that the examples are not an exhaustive list.

Weighting	Concern	Examples of Issues
High	Breach of legal or regulatory requirements where an adviser has failed to complete a key legal requirement.  Breach of legislation where adviser has attempted to complete key legal requirement but has failed to meet legal obligations.	No FSG / SoA. Inappropriate advice / no reasonable basis. Recommendation of non-approved products. Key element of SoA missing. Incorrect disclosure of commissions (greater than +/- 10%).
Medium	Breach of Insight Investment Partners business rule that is 'best practice' but not a regulatory requirement.	ATP not signed.

Low	Failure to follow best practice or minor issues identified.	Comprehensive file notes not kept for each instance of client contact.
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### COMPLIANCE REVIEW REPORT

A Compliance Review Report will normally be provided to you at the end of your compliance review or within 5 business days of your review having been completed. A copy of this report will also be provided to Insight Investment Partners.

The report will include the following key components:

- Cover Page;
- Report Summary - A brief summary of key review information and a final rating.
- Files Reviewed - A list of the client files reviewed a list of brief observations on each file.
- Observations – Detailed observations of the findings in relation to each of the client files.
- Remediation Actions Summary if applicable - a list detailing any remediation required where exceptions have been identified.

### COMPLIANCE ACTION PLAN REQUIREMENTS

When an exception is identified in the files reviewed, a Remediation Actions Summary will be prepared by your Compliance Review Manager. Your Practice Manager and Responsible Manager will be able to provide guidance throughout this process if required.

A Remediation Actions Summary must be closed within 60 days of your review. ***Failure to complete the Remediation Actions Summary will result in escalation to a High Risk Issue which will be reported to the Responsible Manager for performance management.***