

Morgan Stanley Wealth Management Continuing Professional Development ("CPD") Policy

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Scope

This policy applies to Morgan Stanley Wealth Management Australia Pty Ltd ("MSWM"), to address the requirements of the *Corporations (Relevant Providers Continuing Professional Development Standard) Determination 2018*. Specifically, this policy applies to all relevant providers of retail client advice (Financial Advisers, Financial Planners & Portfolio Associates collectively referred to as "Advisers") employed by MSWM.

Purpose

Continuing Professional Development ("CPD") is an essential component of being an Adviser and encourages a culture of lifelong learning. This policy embeds a CPD framework and outlines the CPD requirements set out in the *Corporations Amendment (Professional Standards of Financial Advisers) Act 2017* (Cth) and *Corporations (Relevant Providers Continuing Professional Development Standard) Determination 2018*, both of which require all individuals identified as 'relevant providers' or otherwise referred to as Advisers to meet the requirements for CPD set by the Financial Adviser Standards and Ethics Authority Limited ("FASEA").

This document outlines MSWM's overarching CPD policy and provides a summary of the relevant provider requirements.

This policy embeds the following principles that CPD will:

- maintain the currency of technical knowledge;
- enhance and extend knowledge and skills;
- involve critical reflection and development;
- be relevant and flexible; and
- be integral to ethical and professional practice.

Definitions

Act: Corporations Amendment (Professional Standards of Financial Advisers) Act 2017

CPD year: The 12-month period beginning on the first day of the calendar year (e.g. 1 January).

Relevant provider / Adviser: a person is a *relevant provider* if the person is noted on the ASIC Financial Adviser Register under MSWM's licence. This includes all *Retail* Financial Advisers and Financial Planners employed by MSWM. This term is interchangeable with Financial Adviser.

For the purposes of the Act a person is a *relevant provider* if the person is:

- (a) is an individual; and
- (b) is:
 - (i) a financial services licensee; or
 - (ii) an authorised representative of a financial services licensee; or
 - (iii) an employee or director of a financial services licensee; or
 - (iv) an employee or director of a related body corporate of a financial services licensee; and
- (c) is authorised to provide personal advice to retail clients, as the licensee or on behalf of the licensee, in relation to relevant financial products.

Provisional relevant provider: a relevant provider who is undertaking work and training in accordance with subsection 921B(4) of the Act. This includes all MSWM's Provisional Financial Advisers.

Formal relevant education: includes any of the following:

- (a) a degree or equivalent qualification approved under the *Corporations (Relevant Providers Degrees, Qualifications and Courses Standard) Determination 2018*
- (b) a course determined in a legislative instrument under paragraph 1546B(1)(b) of the Act
- (c) education or training provided or approved by a professional association

- (d) formal education or training study towards qualifications or designations relevant to practice as a relevant provider.

Professional or technical reading: reading of relevant magazines, academic readings or journal articles that is unstructured and does not contain an assessment.

CPD Year

MSMW's CPD Year runs from 1 January to 31 December and will be included under notice provided to ASIC under section 922HA of the Corporations Act 2001.

CPD obligations of Advisers

Total minimum target: 40 hours of 'qualifying CPD' per calendar year.

For **Part-time Advisers**, reduced CPD requirements will apply; the Adviser must be working part-time for the whole of the CPD year and must obtain prior written consent from MSWM. The total minimum target will instead be 36 hours of 'qualifying CPD' per calendar year.

Qualifying CPD activities must include a minimum in the following areas:

CPD Area	Minimum requirement
Technical Competence	5 hours
Client Care and Practice	5 hours
Regulatory Compliance and Consumer Protection	8 hours
Professionalism and Ethics	9 hours
General	No set minimum hours

CPD areas

A CPD activity must relate to one of the following CPD areas:

Item	CPD Area	Definition
1.	Technical Competence	The activity is designed to enhance participants' technical proficiency and ability to develop and provide advice strategies that are appropriate to the objectives, financial situations and needs of different classes of retail clients.
2.	Client Care and Practice	The activity is designed to enhance participants' ability to act as a client-centric practitioner in advising retail clients.
3.	Regulatory Compliance and Consumer Protection	The activity is designed to enhance participants' understanding of applicable legal obligations and how to comply with them. This will include MSWM's Quarterly Compliance Training.
4.	Professionalism and Ethics	The activity is designed to enhance participants' capacity to act as an ethical professional.
5.	General	The activity is designed to maintain and extend participants' professional capabilities, knowledge and skills, including keeping up to date with regulatory, technical and other relevant developments, but is not in an area referred to in another item of this table.

Maximum restrictions

In any CPD year, no more than the specified hours in each activity below may be counted as follows:

- 30 hours of formal relevant education
- 4 hours of professional or technical reading

Assessment and approval of CPD plans

All MSWM Advisers are required to create and maintain a personal CPD plan for the CPD year. Each Adviser's plan documents the focus areas of their CPD efforts for the year, as well as the activities they will be undertaking to meet their CPD requirements.

MSWM has produced a Template CPD plan documenting the standard CPD requirements for all Advisers. Advisers are able to customise this plan and return to the MSWM Compliance Team for internal filing. These plans will be considered approved once received, provided no concerns have been raised by Compliance in relation to any activities noted.

CPD plans should be provided to the MSWM Compliance Team by no later than 15 December for the following year, with the exception of 2019 whereby they must be submitted by close of business 29 March 2019. Failure of the Adviser to provide their CPD plan by the required deadline is in doing so indicating that the Adviser believes that the template CPD plan is applicable to their circumstances as it stands and they have no additional changes to make at that stage. Specific target areas for the individual's CPD efforts should be added to this template plan as soon as practicable where applicable.

MSWM will provide the template CPD plan to be used by Advisers for ease of making necessary additions / modification. All revised plans must include at minimum:

- Areas in which the Adviser would like to improve over the year. These can be a broad or specific as the Adviser deems fit. Examples include:
 - "Completion of the internal SMA unit"
 - "Broadening my knowledge of structured products"
 - "Working on my skills in client engagement"
- Examples of proposed CPD activity for 2019. This will automatically include training available on the Kaplan Professional Ontrack ("Kaplan Ontrack") portal including in-house training created by MSWM Compliance (as per the template plan), however Advisers can also add any seminars or conferences they plan to attend or formal education they plan to undertake over the course of the year.

If there are any changes to Advisers circumstances over the course of the year, these plans can be amended by the Adviser at any time. Amendments can be arranged by sending a revised version of the plan to the MSWM Compliance Team.

Approval of qualifying CPD activities

70% of all CPD activities undertaken by Advisers must be assessed and approved by MSWM. This includes content created by MSWM Compliance and material hosted on the Kaplan Ontrack portal.

The following approval process is required:

Activity	Approval process
Kaplan Ontrack content	Automatically approved
Kaplan higher education subjects	Automatically approved to a maximum of 30 hours per subject
MSWM Compliance Training	Automatically approved

Assessment of qualifying CPD activities

Assessment of qualifying CPD activities will be conducted by Kaplan for all Kaplan Ontrack content and Kaplan higher education subjects. A CPD activity must meet and provide evidence of the following requirements to be approved as a “qualifying CPD activity”:

- Clearly defined aims and learning outcomes
- Clearly defined, logical structure that follows adult learning principles
- Is current, accurate and up-to-date
- Relates to one of the FASEA CPD areas
- Is the appropriate learning level and has appropriate technical or practical content
- Deals primarily with matters related to the provision of financial product advice, financial advice services and financial advice business
- Is led or conducted by one or more persons with appropriate expertise, academic qualifications and practical experience
- Enhances advisers’ knowledge and skills, and/or contributes to the maintenance of knowledge and skills in areas relevant to the provision of financial product advice and financial advice services
- Includes one or more of the following: workshop, face-face presentation, multimedia, worked examples, activities, case studies, tips, warnings, and if appropriate, reference to relevant legislation
- Preference is given to activities with a structured assessment component. Evidence of the successful completion of the assessment is required

Evidence requirements

For approval to be granted for a “qualifying CPD activity” led by an external provider (e.g. CPD activity which makes up the 30% of content not required to be approved by the Licensee) the following evidence is required:

- Proof of attendance/completion (e.g. CPD certificate, digital record, transcript), which includes as a minimum:
 - The name of the activity and the provider
 - The date the activity was undertaken
 - An overview of the activity
 - Information regarding the person(s) who developed or presented the activity
 - The CPD area to which it relates
 - The duration in minutes/hours of the activity

The letterhead and/or signature of the provider or an appropriate authorised person, or otherwise evidence that the certificate was provided by the named provider

Evidence of the activities accreditation by an established industry body (i.e. the FPA)

MSWM will accept at a minimum as many activities as will enable a relevant provider to comply with their CPD requirements. However, MSWM will not approve an activity unless the activity meets the qualifying CPD activity requirements and evidence requirements set out in this policy.

Allocation of hours

CPD hours will be assessed and allocated on the estimated time taken to complete all content components (including video and/or multimedia) *plus* the completion of the assessment, on the basis of a ‘reasonable person’, with the appropriate knowledge.

Record keeping

The Kaplan Ontrack portal will be used to record the completion of CPD activities. CPD plans will specify each relevant provider’s:

- individual overall CPD target
- minimum requirements in each CPD area
- any other specific requirements that must be met

The portal will monitor individual progress and provide reporting.

For CPD activities undertaken and completed outside the Kaplan Ontrack portal, each Adviser is required to provide details for upload into Kaplan Ontrack and submit evidence detailed above to the MSWM Legal and Compliance Administrator or to auiwm-compliance@morganstanley.com.

It is each Adviser’s responsibility to ensure the records maintained within Kaplan Ontrack are complete and accurate.

Career breaks

If an Adviser has not been practicing or authorised as an Adviser for a continuous period of two (2) years or more i.e. has not been authorised on the ASIC Financial Adviser Register under another licensee, then that person must comply with additional requirements.

Prior to resuming practice, MSWM must approve the Adviser’s CPD plan for their first year back at work. The first CPD plan may require additional CPD hours be completed to ensure MSWM is satisfied that it is appropriate to address gaps in the Adviser’s competence, knowledge and skills arising from the absence from practice.

Extenuating circumstances

In the event of extenuating circumstances impacting on your time at work i.e. family leave or extended sick leave, MSWM will assess the Adviser’s CPD plan for the impacted period. Provided these circumstances impact a period of less than 2 years, no additional CPD will generally be required upon your return to work; a pro-rata rate will apply.

Provisional Advisers

Provisional Advisers (deemed Provisional Relevant Providers in the legislation) who are completing their Professional Year are not required to meet these CPD requirements.

In the first CPD year as a Provisional Adviser, CPD requirements will be pro-rated for the period between the completion of the professional year and the CPD year.

Existing Advisers new to MSWM

Upon commencement with MSWM, new Advisers will be required to provide MSWM Compliance with, at minimum, their last three years' of CPD records with their previous licensee. MSWM Compliance will review these records to ensure adherence with FASEA's CPD standards.

Monitoring

Monitoring of the completion of CPD requirements by each Adviser will be undertaken using the reporting functionality of Kaplan Ontrack on a quarterly basis.

These CPD summary Kaplan Ontrack reports will be provided to the Branch Administration / Risk Teams each quarter by the MSWM Legal and Compliance Administrator, to be distributed by these Teams to the Advisers in their State. It will be brought to the attention of Advisers who are not keeping up with their quarterly requirements that they are behind so they are able to remedy this in the following quarter. These reports will be generated more frequently in the final quarter as required.

Non-compliance

An Adviser must comply with the CPD obligations specified in this policy.

Failure to meet the specified requirements requires the licensee to notify ASIC of the relevant provider's non-compliance with the continuing professional development standard (922HB, *Corporations Amendment (Professional Standards of Financial Advisers) Act 2017*).

922HB Obligation to notify ASIC of non compliance with continuing professional development standard

- (1) A notice must be lodged under this section, in accordance with section 922L, in relation to a person if, at the end of a financial services licensee's CPD year:
 - (a) the person:
 - (i) is the licensee; or
 - (ii) is authorised to provide personal advice to retail clients, on behalf of the licensee, in relation to relevant financial products; and
 - (b) the person is a relevant provider; and
 - (c) the relevant provider has not complied with section 921D during the licensee's CPD year.

Note 1: A financial services licensee may obtain information from a relevant provider under section 922N for the purposes of determining whether to lodge a notice under this section.

Note 2: Subsection 921D(1) requires certain relevant providers to meet the continuing professional development standard in subsection 921B(5).

- (2) The notice must state that the relevant provider has not complied with section 921D during the licensee's CPD year.

Corporations Amendment

(Professional Standards of Financial Advisers) Act 2017

Failure to comply may also result in the Adviser being subject to disciplinary action under section 7 of the MSWM Employee Handbook.