

## Appendix E: Corporations Regulations

### Compensation arrangements if financial services provided to persons as retail clients (Act s 912B)

**7.6.02AAA(1)** For paragraph 912B(2)(a) of the Act, arrangements mentioned in subsection 912B(1) of the Act are, unless the financial services licensee is an exempt licensee, subject to the requirement that the licensee hold professional indemnity insurance cover that is adequate, having regard to:

- (a) the licensee's membership of a scheme (or schemes) mentioned in paragraph 912A(2)(b) of the Act, taking into account of the maximum liability that has, realistically, some potential to arise in connection with:
  - (i) any particular claim against the licensee; and
  - (ii) all claims in respect of which the licensee could be found to have liability; and
- (b) relevant considerations in relation to the financial services business carried on by the licensee, including:
  - (i) the volume of business; and
  - (ii) the number and kind of clients; and
  - (iii) the kind, or kinds, of business; and
  - (iv) the number of representatives of the licensee.

**7.6.02AAA(2)** For paragraph 912B(3)(c) of the Act, a matter that ASIC must have regard to, before approving particular arrangements under paragraph 912B(2)(b) of the Act, is whether those arrangements provide coverage that is adequate, having regard to matters of the kind mentioned in subregulation (1).

**7.6.02AAA(3)** In this regulation, exempt licensee means:

- (c) a company or institution of any of the following kinds:
  - (i) a general insurance company regulated by APRA under the *Insurance Act 1973*;
  - (ii) a life insurance company regulated by APRA under the *Life Insurance Act 1995*;
  - (iii) an authorised deposit taking institution regulated by APRA under the *Banking Act 1959*; or
- (d) a licensee (related licensee):
  - (i) that is related to a company or institution mentioned in paragraph (a); and

- (ii) in respect of which the company or institution has provided a guarantee that:
  - A. ensures payment of the obligations of the related licensee to its retail clients; and
  - B. is approved in writing by ASIC.

### **Financial Services Guide given by financial services licensee: compensation arrangements**

**7.7.03A(1)** For paragraph 942B(2)(k) of the Act, the Financial Services Guide given by the financial services licensee must include a statement about:

- (a) the kind of compensation arrangements that the licensee has in place: and
- (b) whether those arrangements satisfy the requirements for compensation arrangements under section 912B of the Act.

**7.7.03A(2)** This regulation commences, for a particular financial services licensee, on the date that subregulations 7.6.02AAA(1), (2) and (3) take effect for that licensee.