

Code of Professional Conduct for Financial Advice Services

Submission Template

Submissions close Monday 30 April 2018

Please send submissions to:

code.secretariat@mbie.govt.nz or

Code Working Group
c/o Code Secretariat (Poppy Haynes and Max Lin)
Ministry of Business, Innovation & Employment
PO Box 1473
Wellington 6140
New Zealand

Submissions process

The Code Working Group (CWG) seeks written submissions on the issues raised in this document by **5pm on Monday 30 April 2018**

We welcome submissions on any or all consultation questions. You are welcome to comment only on the issues most relevant to you.

Where possible, please include evidence to support your views, for example references to independent research, facts and figures, or relevant examples.

Please direct any questions that you have in relation to the submissions process to code.secretariat@mbie.govt.nz.

Use of information

The information provided in submissions will be used to inform the CWG's development of the draft Code. We may contact submitters directly if we require clarification of any matters in submissions.

Release of information

The CWG intends to upload PDF copies of submissions received to MBIE's website at www.mbie.govt.nz. The CWG will consider you to have consented to publication of your submission, unless you clearly specify otherwise in your submission.

If your submission contains any information that is confidential or you otherwise wish us not to publish, please:

- indicate this on the front of the submission, with any confidential information clearly marked within the text
- provide a separate version excluding the relevant information for publication on our website.

Submissions remain subject to request under the Official Information Act 1982. Please set out clearly in the cover letter or e-mail accompanying your submission if you have any objection to the release of any information in the submission, and in particular, which parts you consider should be withheld, together with the reasons for withholding the information. The CWG will take such objections into account and will consult with submitters when responding to requests under the Official Information Act 1982.

Private information

The Privacy Act 1993 establishes certain principles with respect to the collection, use and disclosure of information about individuals. Any personal information you supply to the CWG in the course of making a submission will only be used for the purpose of assisting in the development of the draft code. Please clearly indicate in the cover letter or e-mail accompanying your submission if you do not wish your name, or any other personal information, to be included in any summary of submissions that the CWG may publish.

Information about you

<i>Share your details</i>	
i.	Please provide your name and (if relevant) the organisation you represent Annabel Riley – Kepler Group Southland Limited
ii.	Please provide your contact details S 9 (2) (a)
iii.	Please provide any other information about you or your organisation that will help us understand your perspective (e.g. the financial advice situations you have experience with) Our organisation provides insurance, investment and holistic personal financial planning services, and also is a DIMS provider
iv.	Please indicate whether your submission contains any information that is confidential or whether you do not wish your name or any other personal information to be included in a summary of submissions. (See page 2 of this document) No restrictions

Ethical behaviour

Ethics training

A.	<p>Should ethics training requirements apply to all officers and employees of a Financial Advice Provider, as appropriate to their role and contribution to the process of financial advice provision? If not, please state your reasoning.</p> <p>Training for all officers and employees (not just those directly providing the advice) is vital for a robust ethics process, especially where the advice process may be more of an aggregation of skills as proposed in this paper.</p> <p>Part of any ethical business is also to educate and empower ‘whistle-blowers’, and having this form of training provided should help provide some level of self-regulation.</p>
B.	<p>Should there be a requirement for ongoing refresher training on ethics?</p> <p>It surely goes without saying that a Financial Advice provider’s ethical processes are not simply set and forget, but something the organisation lives and breathes.</p>

General competence, knowledge and skills

<i>Share your views</i>	
C.	<p>What do you think are the disadvantages of this approach to general competence, knowledge and skills?</p> <p>While the ability to aggregate combined expertise has significant merit, even to a smaller adviser practice, we feel the point made in 168 is very important. The customer outcome from combined expertise must be at least equivalent to what would be received if dealing with solely one suitably qualified individual.</p> <p>We feel the guidance provided by the Code must be such that it does not place undue higher costs on smaller, non-aligned advisers, nor should it be open to abuse from larger vertically integrated organisations.</p>
D.	<p>What factors should we consider in determining whether to make the proposed unit standard a renewing obligation?</p> <p>Cost, accessibility for advisers and ability of providers</p>

Particular competence, knowledge and skills

<i>Share your views</i>	
E.	<p>What are the advantages and disadvantages of our approach of identifying two types of financial advice? What impact would it have on the type of advice you give and on your compliance costs?</p> <p>As existing AFA's we see our compliance costs are likely to increase slightly, but the type of advice we provide would remain unchanged.</p> <p>We do believe there is a risk that decisions that really require more detailed financial advice could be disguised as product advice, especially with the removal of the category 1 and 2 product classification. While this would not be in the spirit of the Code it needs to be remembered that within any form of regulation these will always be those that only function on the bare minimum standards.</p>

F. What alterations, if any, would you suggest to the baselines we have nominated: specialist strand for product capability, Level 5 for discipline capability, and relevant degree (or other degree plus Level 6) for planning capability?

The rationale for introducing a degree seemed to stem from other jurisdictions moving towards a similar level, however financial planning involves a set of 'softer skills' that are more than purely academic or technical. Currently this is reflected by the CFP mark, which seems to have been ignored in the context of this paper. As an internationally awarded pinnacle mark, governed by an international standards board, surely this should be included in the baseline. Additionally this is supported by a Graduate Diploma which has the advantage of being currently available, and also available extramurally.

Whatever minimum standard is finally set by the Code consideration must be given to the ability of education providers to cater to the significant numbers that will need to upskill