

**PROPOSED MINIMUM REQUIREMENTS OF CONTINUING
PROFESSIONAL TRAINING FOR AUTHORISED FINANCIAL ADVISERS**

19 January 2010

Due date for submissions: 5pm Friday 12th February 2010

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1. THIS CONSULTATION PAPER

This consultation paper includes:

- an introduction (Part 2); and
- an outline of the key objectives of the *proposed* minimum requirements of continuing professional training (CPT) for Authorised Financial Advisers (AFAs), (Part 3); and
- an outline of the *proposed* minimum requirements for CPT (Part 4); and
- an outline of the *proposed* professional groups and other organisations whose continuing education programmes are eligible for cross crediting of CPT activity (Part 5); and
- eligibility of NQF registered training for CPT (Part 6); and
- requirement for a professional development plan (Part 7); and
- proposals for recording and monitoring of CPT (Part 8); and
- particular consultation questions relating to the *proposed* CPT requirements (Part 9); and
- how to provide submissions and feedback in relation to this consultation paper with submissions due **5pm Friday 12th February 2010** (Part 10).

Terms used

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| Act | the Financial Advisers Act 2008. |
| AFA | an authorised financial adviser under the Act, being an individual who is: <ul style="list-style-type: none">• registered under the Financial Service Providers (Registration and Dispute Resolution) Act 2008; and• authorised by the Securities Commission under the Financial Advisers Act 2008. |
| Code | the Code to be made under the Act providing minimum standards of professional conduct for AFAs (including specifying minimum requirements of continuing professional training). |
| Code Committee | the committee appointed under the Act to prepare a draft Code. |
| CPT | Continuing Professional Training required to be specified in the Code for AFAs. |
| NQF | the New Zealand National Qualifications Framework. |

2. INTRODUCTION

The purpose of the Financial Advisers Act 2008 is “to promote the sound and efficient delivery of financial advice, and to encourage public confidence in the professionalism and integrity of financial advisers”. One of the ways the Act will achieve this is by requiring, when it comes fully into force, that all AFAs comply with a Code providing minimum standards of professional conduct.

The Act requires that the Code must provide for continuing professional training (CPT) for AFAs and must specify minimum requirements that an AFA must meet for the purposes of CPT. This consultation paper seeks your views on the proposed requirements for CPT.

This is the third paper in a series of consultation papers issued by the Code Committee. The first consultation paper was released on 23 October 2009 entitled “Proposed Minimum Standards of Competence, Knowledge and Skills for Authorised Financial Advisers”. The second paper was released on 17 November 2009 entitled “Proposed Minimum Standards of Ethical Behaviour and Client Care”.

Your feedback and submissions on these consultation papers will inform the development of the draft Code. The release of the draft Code in early 2010 will then trigger a further round of consultation.

Who must comply with these requirements?

It is proposed that all AFAs must comply with these requirements including those who only make investment transactions. However, as announced by the Minister of Commerce on 13 October 2009, the Ministry of Economic Development is conducting targeted consultation on the regulation of investment transactions. It is possible, therefore, that regulation of this activity may change in the future.

What is the timeframe?

The Securities Commission has indicated to the Committee that its provisional timing expectations are that:

- a draft Code is to be prepared by the Code Committee by early 2010; and
- following this, the Code is to be approved by the Commissioner for Financial Advisers and then by the responsible Minister.

Once this Code has been approved by the responsible Minister, the Commissioner for Financial Advisers will determine the date on which it is to come into force.

Future standards and requirements

It is likely that the Code Committee will review the standards in the Code including CPT requirements from time to time and, in particular, after it has seen how the standards and requirements are working in practice. Under the Act, any proposed changes to the Code will require consultation.

3. WHAT ARE THE KEY OBJECTIVES OF THE PROPOSED CPT REQUIREMENTS?

The Code Committee proposes designing a CPT programme for AFAs that will meet the following key objectives:

- To further promote the sound and efficient delivery of financial advice and further encourage public confidence in the professionalism of AFAs by ensuring all AFAs maintain and improve their professional competence by participating in a program of continuing professional training,
- To allow sufficient flexibility to enable AFAs to select training that is individually appropriate, relevant, valuable and accessible,
- To recognise achievement by AFAs working towards the Level 5 National Certificate in Financial Services (Financial Advice), or any of its deemed equivalent qualifications set out in the Code, or any higher level qualification relevant to an AFA's area of practice,
- To recognise and leverage continuing education opportunities within certain recognised professional and other organisations, and enable cross crediting of appropriate training activity,
- To encourage AFAs to self determine professional development pathways within the minimum requirements set out in the Code,
- To ensure appropriate record keeping and monitoring of CPT activity.

4. PROPOSED MINIMUM REQUIREMENTS OF CPT

The Code Committee proposes that the draft Code will require all AFAs to complete *a minimum* of 20 hours of continuing professional training in each CPT year. The first CPT year will be the 12 month period commencing from the date of an AFA's initial authorisation by the Securities Commission. Subsequent CPT years will be each 12 month period of authorisation thereafter.

CPT hours can be spread across 'Unstructured' and 'Structured' Learning. Structured Learning means any training relevant to the provision of financial adviser services that:

- a) forms part of a tertiary qualification, or
- b) forms part of an NQF registered training programme, or
- c) is provided by any recognised* financial services industry body or professional organisation.

Further details on Structured Learning categories are provided in the table below.

Unstructured Learning means any other training relevant to the provision of financial adviser services that falls outside of the scope of Structured Learning which may include non-NQF registered training and any informal training such as employer provided seminars and workshops, self-led reading and research, participation in product launches and presentations, and adviser mentoring/training. Further details on Unstructured Learning categories are provided in the table on page 8.

The Code Committee proposes that the draft Code will require AFAs to include a minimum of 12 hours of Structured Learning in each CPT year. (Note: up to 100% of annual CPT requirements may be met from Structured Learning categories).

**Question 6 on page 12 seeks comments on the basis for recognising financial services industry bodies and professional bodies for this purpose*

| A. STRUCTURED LEARNING CATEGORIES | |
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| ACTIVITY TYPE | ALLOCATION OF CPT HOURS |
| NQF registered degree, diploma or certificate relevant to the provision of financial adviser services including the National Certificate in Financial Services (Financial Services) (Level 5) and any other qualification | 10 CPT hours per paper attained |

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| recognised as contributing towards satisfying competency, knowledge, and skills requirements under the Code. | |
| Study towards earning a professional designation/certification (relevant to the provision of financial adviser services) of a recognised professional organisation (eg IFA, CFA, CA, CLU, NZX, NZILE) | 20 CPT hours per certification or 10 CPT hours per paper attained |
| Attendance at NQF and/or recognised professional organisations seminars/courses/workshops relevant to the provision of financial adviser services (other than courses for which credit has already been claimed under either of the preceding 2 categories) | 1 hour = 1 CPT hour 1 full day attendance = 5 CPT hours 2 day course = 10 CPT hours 3 day course = 15 CPT hours |
| Tertiary Level teaching, lecturing , or presenting in topic areas relevant to the provision of financial adviser services (includes preparation of course material, delivery and evaluation of student performance) | 1 hour = 1 CPT hour |
| Participation in/membership of a technical committee/governing body/ focus group/taskforce of a recognised financial services industry body. (actual committee meeting time only, excludes time spent on routine administration) | 1 hour = 1 CPT hour |
| B. UNSTRUCTURED LEARNING CATEGORIES (Note: Activities undertaken in each category of Unstructured Learning will be recognised for CPT programme purposes up to a maximum of 5 hours per year.) | |
| ACTIVITY TYPE | ALLOCATION OF CPT HOURS |
| Participation in non NQF registered in-house or externally provided training/seminars/courses and | 1 hour = 1 CPT hour |

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| workshops in financial services related topic areas | |
| Self guided reading or research in financial services related topic areas | 1 hour = 1 CPT hour |
| Preparing for presenting/seminars/workshops | 1 hour = 1 CPT hour |
| Participation in (work place or external) tutorials, mentoring and/or adviser training. | 1 hour = 1 CPT hour (subject to a maximum of 3 CPT hours per year) |
| Financial Product launches and/or road shows | 1 hour = 1 CPT hour |
| Writing articles/research papers relevant to the provision of financial adviser services, for publication in a recognised financial services industry publication, website or forum. | 1 hour = 1 CPT hour |
| C. COMPULSORY TRAINING CATEGORIES | |
| In selecting areas of learning within the Structured and Unstructured categories above, the Code Committee proposes that CPT activity must include training in the following areas and for the specified minimum CPT hours: | |
| ACTIVITY TYPE | ALLOCATION OF CPT HOURS |
| Regulation and Legislation relevant to the provision of financial adviser services including any changes to the Code Of Professional Conduct | Minimum of 2 CPT hours per CPT year |
| Ethics and Professional conduct training | Minimum of 2 CPT hours per CPT year |
| Client focused professional skills. (Mandatory for retail-facing AFAs, optional for other advisers) | Minimum of 2 CPT hours per CPT year |
| Specialist financial advice and product knowledge relating to an adviser's specialist area (investments, life insurance, general insurance, mortgages) | Minimum of 5 CPT hours per CPT year |

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| Training on current financial market environment (mandatory for investment advisers, optional for other advisers) | Minimum of 2 CPT hours per CPT year. |
| Financial Adviser business practices, processes and governance | Minimum of 2 CPT hours per CPT year |

5. PROFESSIONAL GROUPS' AND ORGANISATIONS' CPT PROGRAMMES

The Code Committee recognises that many professional organisations have existing training or continuing education programmes that will meet some or all of the CPT training requirements specified in the Code. Any relevant training offered by recognised professional organisations can be used by AFAs to fulfil their CPT obligations, however, AFAs are responsible for ensuring that they adhere to the requirements specified in the Code.

6. NQF REGISTERED TRAINING

Any financial services provider, training organisation or any other company or organisation may offer training and learning opportunities relevant to financial services. Where such training has been registered on the NQF, it will automatically be recognised as Structured Learning for the purposes of the Code.

7. PROFESSIONAL DEVELOPMENT PLAN

One of the key objectives of the proposed CPT programme is to encourage AFAs to self evaluate and self determine appropriate training opportunities. The Code Committee proposes that Code will include a requirement for every AFA to develop and maintain a professional development plan for each CPT year. The plan must clearly state professional development objectives, identify any learning gaps, training opportunities, and where possible include details of courses, seminars, workshops and any other training to be undertaken to meet the development objectives stated in the plan.

The Code Committee proposes that all achievements against the plan must be clearly documented and must be reviewed and updated on at least a half yearly basis.

8. RECORDING AND MONITORING OF CPT REQUIREMENTS

The Act places a statutory obligation on all AFAs to meet the CPT requirements established by the Code. The Code Committee proposes that each AFA will be responsible for maintaining their own detailed CPT training log of all training undertaken, including dates of training and number of CPT hours completed.

It is not proposed that the Code will prescribe a particular format for recording and maintaining records of CPT activity. However, it is proposed that the Code will require training logs to contain the following type of information:

- Name of activity
- Category - structured/unstructured
- Area of training
- Date completed
- CPT hours
- Training Provider
- Verified by

It is proposed that a copy of each AFA's current professional development plan and CPT training log must be able to be produced for inspection at any time. The process for any future monitoring of CPT compliance and inspection of training records will be confirmed at a later date.

For the purposes of the training log, all Structured Learning must be verified by one of the following:

- a) course provider
- b) manager or principal of an Advisory firm
- c) the AFA's employer (if different from above)
- d) authorised signatory/secretary/chief executive of professional body

Any records produced from an electronic CPT recording and monitoring system administered by any recognised professional body will be acceptable for verification purposes.

All Unstructured Learning can be self certified but must be recorded.

9. PARTICULAR CONSULTATION QUESTIONS

The Code Committee welcomes submissions on all aspects of the proposed minimum requirements for continuing professional training. It would, however, be grateful if the submission could also respond to the following particular questions:

1. Do you think the key objectives of the proposed CPT requirements are appropriate?

2. Do you think that the proposed minimum number of CPT hours (20 per CPT year) is appropriate, if not, what would be an appropriate number of hours? How would you prefer this to be structured, for example 1 calendar year or more?

3. Do you think the split of Unstructured and Structured Learning is appropriate (12 of the 20 CPT hours per year are required to be met by Structured Learning) and if not, what would be appropriate?

4. Are there any other Structured or Unstructured Learning categories that you would like to see included in the list provided?

5. Is the proposed professional development plan and self managed recording system appropriate? If not, what would be a practical alternative?

6. On what basis do you think financial services industry bodies and professional organisations should be recognised for the purpose of CPT requirements?

7. The Compulsory Training categories in Part C of the Table on page 9 and 10 are intended to ensure an appropriate spread of training activity in each year. Do you think the compulsory spread proposed is appropriate and if not, what would be appropriate?

10. HOW TO MAKE SUBMISSIONS AND GIVE FEEDBACK

Submissions on proposed minimum CPT requirements

We encourage you to provide a submission on the proposed minimum CPT requirements by:

- emailing us at consultation@financialadvisercode.govt.nz; or
- writing to:
Code Committee
c/o Securities Commission
PO Box 1179
Wellington 6011

Your submission must include: your name, address and contact phone number.

You must specify in writing if you require your submission, or part of it, to remain confidential to the Code Committee and the Secretariat, subject to any overriding statutory obligation.

Your submission on this consultation paper must be made by: 5pm Friday 12th February 2010.

The Code Committee's website is www.financialadvisercode.govt.nz. All consultation papers and other documents released by the Code Committee can be downloaded from this website.