

**SUMMARY OF
SUBMISSIONS IN RESPONSE TO:**

**The Code Committee Consultation Paper on Continuing
Professional Training for Authorised Financial Advisers**

ABOUT THIS DOCUMENT

- This document summarises 36 submissions received from the public in response to the Code Committee’s consultation paper on the proposed minimum standards of continuing professional training.
- All submissions relating to continuing professional training have been summarised and considered by the Code Committee. This document contains no comment from the Code Committee on the submissions.
- Submissions that were marked confidential were summarised and considered by the Committee but do not appear in this document. All submitters’ details have been made anonymous. A full list of the organisations who submitted on these consultation papers is provided in a separate document on the Code Committee website www.financialadvisercode.govt.nz.
- Submissions on topics outside the Code Committee’s ambit (such as suggested amendments to the Financial Advisers Act 2008) have not been recorded in this document.

ACRONYMS AND KEY TERMS

AFA	Authorised Financial Adviser
CPT	Continuing Professional Training
FSP	Financial Services Provider
National Certificate	National Certificate in Financial Services (Financial Advice) (Level 5)
NQF	National Qualifications Framework
PDP	Professional Development Plan
QFE	Qualifying Financial Entity

Table of Contents

EXECUTIVE SUMMARY	4
QUESTION ONE (Key objectives of Continuing Professional Training)	9
QUESTION TWO (Continuing professional training hours and period)	13
QUESTION THREE (Structured and unstructured continuing professional training hours)	19
QUESTION FOUR (Structured and and unstructured categories)	21
QUESTION FIVE (Professional development plan and self-recording system)	30
QUESTION SIX (Recognised continuing professional training providers)	34
QUESTION SEVEN (Compulsory training Categories)	40
OTHER MATTERS	47

EXECUTIVE SUMMARY

OBJECTIVES

- Most submitters agreed that the objectives are appropriate. However a significant number of submitters stated that objective B (*“to allow sufficient flexibility to enable AFAs to select training that is individually appropriate, relevant, valuable and accessible”*) is not reflected in the Continuing Professional Training (CPT) standards as the standards are too prescriptive.

MINIMUM CPT HOURS AND CPT PERIOD

- Most submitters agreed that a minimum of 20 CPT hours is appropriate however a number of submitters suggested that there should be concessions for particular circumstances ie AFAs on parental leave, sick leave, or on sabbatical. They stated that this could be done by pro-rating the CPT requirements for the period worked.
- Some submitters stated that the minimum number of CPT hours should differ according to the type of AFA. Some examples cited were those working part-time, those who only advise on a limited range of products and lawyers and accountants who are not full-time financial advisers.

Two-three year rolling CPT period

- There was some disagreement regarding the appropriate CPT period. Most submitters stated that a 12 month period is too short and would result in AFAs choosing unsuitable CPT activities in order to comply with the prescriptive requirements.
- A number of submitters suggested that a rolling period should be implemented. For instance some suggested a two year rolling period whereby an AFA must complete 40 CPT hours within the two year period. Others suggested a three year rolling period with AFAs required to complete 60 hours over that time. It was submitted that allowing AFAs to spread the hours over a three year period would reduce the prescriptive nature of the regime and ensure that AFAs can access CPT opportunities that are suited to their type of services. It was thought that this could also assist those on parental leave, sickness leave or on sabbatical.

Standardised CPT period starting date or variable CPT period starting date

- A range of submissions were made regarding whether a standardised CPT period should be imposed or whether AFAs (or their employers) should be able to choose the CPT period. More submitters were in favour of allowing AFAs to choose.
- Submitters stated that the advantage of a standardised CPT period for all AFAs is that there would be less confusion and administration work involved in tracking individuals' chosen CPT period. However submitters also stated that allowing AFAs

to choose the start date of the CPT period would mean that AFAs could align it with their employer's performance review year.

- It was also suggested that allowing AFAs to choose their CPT period starting date will mean that CPT periods would end on a rolling basis rather than all at once. It was suggested that this would allow the Commission to monitor CPT compliance on an ongoing basis.

Transition phase for CPT and cure period

- A number of submitters stated that during the first phase of implementation, CPT options may be limited. It was pointed out that many training providers will be fully engaged in ensuring that AFAs meet the competence, knowledge and skills standards and may not have had the capacity to develop courses suitable for CPT.
- It was suggested that CPT standards be brought into force in a transitional manner. However it was noted that if a rolling two or three year period is implemented a transition phase would probably not be necessary.
- Some submitters suggested that if the 12 month CPT period is chosen, there should be a cure period which gives those who have mistakenly failed to satisfy the CPT standards an extra period to rectify the oversight before the matter is notified to the disciplinary committee.

STRUCTURED AND UNSTRUCTURED LEARNING CATEGORIES

- A number of submitters stated that an equal split (10/10) would be more appropriate than a 12/8 split due to the restricted nature of the structured learning categories.
- Some submitted that a different split between structured and unstructured hours may be appropriate depending on the type of AFA. It was submitted that less structured hours may be appropriate for those who are not client-facing.
- A number of submitters stated that there should be greater flexibility so that AFAs can choose CPT activities that are relevant to their role.

Structured Learning Categories

- The general feedback was that the structured categories are too narrow with only three categories outside studying via coursework that count towards the structured CPT hours.
- It was submitted that tertiary qualifications that are not registered on the NQF should be included in structured category 1
- In relation to category 3 ("attendance at NQF and/or registered professional organisations seminars/courses and workshops") it was submitted that more CPT hours should be awarded for attendance at a full day seminar, course or workshop.
- Some submitters noted that very few AFAs would have the opportunity to teach, lecture or present (category 4) or participate in a technical committee, governing body, focus group or taskforce (category 5). It was also suggested that these two

categories should be removed as they do not demonstrate an increase in the AFA's knowledge or skills.

Additional structured categories

It was suggested that the following structured learning activities should be included:

- attendance at presentations on market information by economists, analysts and fund managers;
- formal training not directly focused on financial services; and
- reading a publication and completing an online test of comprehension.

It was also submitted that seminars, forums and conferences run by industry bodies should form part of structured learning.

Unstructured learning categories

- A number of submitters suggested that in-house training, seminars, courses and workshops (category 1) should be included as a structured learning category.
- Clarity was requested regarding whether category 3 includes time spent presenting the seminars/workshops.
- Regarding category 4 ("participation in (work place or external) tutorials, mentoring and/or adviser training") a number of submitters suggested that this should be a structured learning category. It was also submitted that "coaching" should be included in this category. Clarity was also sought regarding whether those who *provide* the mentoring, tutorials or training could claim CPT credit.

Additional unstructured categories

- Submitters suggested that development of learning tools and work experience should be included as unstructured learning categories.
- Several submitted that where the structured and unstructured learning activities can be completed in an online environment this should be recognised.

SELF-RECORDING AND PROFESSIONAL DEVELOPMENT PLANS (PDP)

Self-recording

- Queries were raised regarding whether greater safeguards need to be imposed on small operators to ensure that CPT is completed (such as regular audits).
- Some suggested that it should be made explicit that AFAs can use recording mechanisms provided by professional bodies.

PDPs

- Some submitters suggested that AFAs should be permitted to choose whether to have a PDP.

- It was also submitted that if a PDP is required it should be acknowledged that the development of a PDP needs to be ongoing. Submitters stated that this is because AFAs will not know what courses will be available throughout the year and changes in the industry may mean that different CPT is necessary i.e. changes in products or law or client needs.

Verification

- Two submitters suggested that the means of verification of CPT are too narrow and that the following should be considered to be sufficient: attendance records, registration forms or confirmation of registration in a learning activity; confirmation by an instructor, mentor, tutor; published work; and confirmation of participation on a committee or board by a committee or board member.
- It was also submitted that verification by the “AFA’s employer” could include an AFA’s direct manager who may not necessarily be part of the senior management.
- Two submitters suggested that the Code should impose a length of time that CPT records must be kept.

CRITERIA FOR RECOGNITION AS A CPT PROVIDER

General criteria

- Most suggested that organisations would need to demonstrate that they have appropriate training methods, course content and appropriately qualified tutors.
- Several submitters stated that the organisation must have CPT standards that are “equivalent” to, or higher than, those required by the Code.

Eligibility of particular types of organisations

- Some submissions indicated that only professional organisations that have a history of operating, maintaining and enforcing CPT should become “recognised” but others submitted that product providers and QFEs should also be able to become “recognised” provided that the CPT programme was of a sufficient standard.
- One submitter stated that those that provide the National Certificate should be recognised.
- A number of submitters emphasised that the “recognised” organisations should not be restricted as there is a need to ensure that there is a wide variety of CPT.
- Several submitters noted that industry bodies are able to provide CPT that is specialised and cutting edge that may not easily be available from general training providers.
- Several submitters stated that QFEs should be assessed and accredited as recognised training providers as part of the QFE application process.

COMPULSORY TRAINING CATEGORIES

- Most submitters stated that the spread of categories is inappropriate as it is too complex and prescriptive.

- Many stated that the prescriptive nature of the standards would increase costs and would prevent AFAs from tailoring their CPT requirements to their unique business environment. Some stated that the minimum allocated hours may create a compliance culture where AFAs seek two hour courses to fulfil the requirements.

Alterations to compulsory training categories

- One suggestion to ameliorate this prescription was to merge some of the categories so that AFAs are not required to complete CPT on a repetitive year on year basis:
 - For instance it was suggested that the regulation, legislation, ethics and professional conduct (categories 1 and 2) could be merged so that AFAs are only required to complete a minimum of two hours within that category.
 - It was also suggested that professional skills, specialist knowledge and current market conditions (categories 3, 4 and 5) could be merged into one category with the AFA required to complete eight hours.
- Another suggestion was that the Committee could require AFAs to complete a certain number of CPT hours on regulation, legislation and ethics in years of major regulatory change but that in years where there is no such change it may be inappropriate to impose a minimum number of hours.
- Another suggestion was that these categories should be guidance only.
- In relation to category 3 (“client focused professional skills”) it was thought that AFAs should decide whether or not they need training in this area.
- In relation to category 4 (“specialist financial advice and product knowledge”) some thought the number of hours should be reduced and some thought the number of hours should be increased.
- In relation to category 6 (“business practices, processes and governance”) several stated that it is inappropriate for the Code to require compulsory minimum CPT requirements for business practices/processes.

OTHER MATTERS

- Several submitters stated that wholesale AFAs should not be required to meet the CPT standards at all or that they should be required to meet less demanding standards.
- It was also stated that accountants will find it difficult to cross-credit CPT that they are required to undertake by NZICA as the proposed Code standards are too restrictive.
- One submitter expressed concern that the CPT requirements would be inappropriate for credit union AFAs.

QUESTION ONE

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

INDIVIDUAL SUBMISSIONS

Objectives are appropriate

Approximately half of those who made submissions simply agreed with the objectives.

Another submitter endorsed the objectives and stated that the draft standards provide structure to what some firms are already doing.

One submitter stated that the objectives are appropriate and are consistent with the CFA Institute's approach of practical, relevant and flexible CPT.

One submitter supported the key objectives and stated that the objectives address the issues of quality assurance and consumer confidence. They also stated that the objectives advocate a level of flexibility and recognise considerable learning that many AFAs will have to go through to gain authorisation. They stated that the objectives also recognise the role that professional and other organisations have in providing training and continuing education and encourage self-determination and appropriate record keeping.

One submitter stated that professionalism represents living your life in a way which results in earning respect from others. That submitter stated that with this qualification, the key objectives are appropriate.

One submitter stated that the objectives are appropriate. They stated that ongoing professional development is vital to ensuring the ongoing confidence of investors and customers.

Comments on individual objectives

Objective A: *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 programme of continuing professional training*

One submitter expressed agreement with objective A.

Another submitter agreed that a key purpose of CPT is to ensure that "all AFAs maintain and improve their professional competence". However they stated that this objective implies that all AFAs permitted to offer services already meet a minimum standard of professionalism and CPT is a way to update and extend their skills and knowledge. They stated that CPT standards should only be developed and assessed on that basis.

Objective B: *to allow sufficient flexibility to enable AFAs to select training that is individually appropriate, relevant, valuable and accessible*

One submitter stated that they particularly support this objective.

Mismatch between CPT standards and Objective B

One supported objective B but stated that it does not align with some of the Committee's proposals i.e. the prescriptive allocation of CPT hours on pages 9 and 10 of the consultation paper.

One submitter stated that one of the objectives of the CPT standards should be to tailor the CPT programme towards the AFA's particular business environment. They stated that the diversity of the financial advisory sector is such that it is not practical to develop very specific guidelines for CPT as each AFA has different needs depending on the services they provide.

One submitter stated that the proposed CPT standards are too prescriptive and AFAs should be able to select a training programme (structured or unstructured) that is individually appropriate and relevant to their role. They submitted that the current approach may create a ticking box approach to CPT and that this could result in many technical breaches of the Code which will then need to be referred to the Securities Commission and dealt with via a disciplinary process.

That submitter stated that the detailed provisions are best left with the industry body to determine rather than including them in the Code. They stated that the Australian Securities and Investments Commission requirement best meets the legislative objectives: "Licensees must implement policies and procedures to ensure that they and their advisers undertake continuing training to maintain and update the knowledge and skills that are appropriate for their activities."

One submitter stated that AFAs like other professionals need to search out the CPT opportunities that are most relevant to their personal and business needs, always taking into account their client base. They stated that the more specific the required activity type, the more this will crowd out the cost effective application of more relevant CPT. They also stated that rather than training, AFAs should be looking for professional development as the former prepares them for a career whereas the latter keeps their skill set relevant to the business/client requirements.

That submitter stated that being so specific will give rise to a "training industry" that meets the needs of the CPT "tick the box" requirements rather than the professional development requirement that is really needed.

One submitter stated that prescriptive compliance will not necessarily benefit customers. It was submitted that advisers undertake CPT because they are passionate about development and growing their business and therefore the CPT standards should embrace the voluntary culture of CPT.

One submitter stated that the CPT standards need to be less prescriptive without losing the key focus on CPT i.e. to encourage public confidence in the professionalism of AFAs by ensuring that all AFAs maintain and improve their professional competence.

One submitter expressed concern regarding flexibility and the need to recognise that different advisers have different training and development requirements that are borne out of the types of services they provide their clients.

One submitter stated that the proposals are too prescriptive and complex with the structured, unstructured and compulsory sections, and instead the standards should be principle-based to ensure advisers can meet the CPT requirements in a flexible manner. They stated that CPT should operate to ensure that the minimum standards of competence are maintained and that relevant market, regulatory and any other developments are understood and integrated into that core competence level.

One submitter stated that the standards proposed do not promote flexibility and do not enable AFAs to select training that is individually appropriate, relevant and valuable. They stated that the proposal requiring AFAs to undertake compulsory training in six pre-determined categories with minimum hours for each category is in conflict with this objective.

Flexibility should be limited

One submitter stated that requirements for CPT must be set at an appropriate level for the type of advice that financial advisers as a profession offer and not just at the lowest common denominator. They stated that while they accept objective B, they stated that this has been taken too far in the proposals. They suggested that the needs of professionals are generally similar and those whose needs may differ widely are those who have not yet reached a professional standard.

Objective C: *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*

One submitter supported objective C if it applies to the “adviser in training” class of AFAs. They stated that they do not understand how this objective could apply to fully authorised advisers as presumably an adviser should be deemed competent and be authorised before undertaking any CPT.

That submitter stated that objective C leads them to believe that the AFA competence requirements will recognise qualifications relevant to an AFA’s area of practice and the submitter expressed support for this.

One submitter stated that they do not support this objective. That submitter interpreted this as allowing those who have not yet met the minimum objective standards of competence, knowledge and skills to practise. However they did not disagree with the second part of the objective “to recognise...any higher level qualification”.

One submitter noted that this objective implies that an adviser may become an AFA without holding the National Certificate or any of the recognised alternative qualifications and designations, which presumably means there will be a transitional period for obtaining this qualification.

Objective D: *to recognise and leverage continuing education opportunities within certain recognised professional and other organisations, and enable cross crediting of appropriate training activity*

One submitter stated that they did not disagree with this.

Objective E: *to encourage AFAs to self-determine professional development pathways within the minimum requirements set out in the Code.*

Two submitters stated that they did not support objective E.

Another submitter stated that they did not disagree with this.

Objective F: *to ensure appropriate record keeping and monitoring of CPT activity*

One submitter supported objective F.

Another submitter stated that they did not disagree with this.

One submitter stated that “ensuring records are kept” should be deleted as this is not an objective.

Additional objectives

One submitter stated that the objective “to promote investor protection and sound advice based on independent and objective research” could be added.

One submitter stated that the Committee should consider including an objective regarding the vision of the developing professional. It was submitted that in their experience reinforcing an expectation of “lifelong learning” assists in fostering the culture of the professional.

One submitter stated that one additional objective should be “maintaining competence”.

General comments

One submitter stated that a key feature of a profession is commonality of knowledge and skill amongst practitioners. It was submitted that if this standard is met the ongoing training needs of practitioners will be similar too i.e. awareness of new market, legislative and ethical developments. Therefore that submitter was pleased to see an attempt in the proposed CPT standards to narrow down the topic areas that must be covered in the CPT.

One submitter stated that the Code Committee should note the requirement for NZX firms to provide appropriate training for their role and responsibilities and to have ongoing training to ensure that they are kept up to date with changes in securities law, security exchange and market rules, practices and technology. They stated that these rules have been in place for some time and NZX firms keep records of such training.

QUESTION TWO

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?

INDIVIDUAL SUBMISSIONS

20 hours is appropriate

Nine submitters stated that 20 hours is appropriate.

One submitter agreed that 20 CPT hours per year is appropriate as it ensures ongoing learning while not imposing a disproportionate burden on the adviser.

One submitter agreed that the minimum 20 hours is appropriate as most advisers would be committing at least this amount of time currently (although not in the specific areas of legislation and ethics).

One submitter noted that 20 hours is less than the IFA's requirements (30 hours) but that given the compulsory content in section C, advisers would not want a higher number of hours.

One submitter stated that 20 CPT hours is the maximum that should be required.

One submitter agreed that 20 hours is appropriate in light of the objectives and the ability of individuals to incorporate those hours into their normal work routines and schedules.

One submitter stated that the proposed 20 hours is a good minimum starting point.

One submitter stated that 20 hours is reasonable for a 12 month period.

One submitter stated that 20 hours is consistent with ongoing training requirements of NZFMA and NZICA.

One submitter stated that 20 hours is appropriate but that any higher requirement would impact on overall compliance and in turn negatively impact on the standards of individual CPT programmes.

One submitter stated that 20 hours are achievable in one year assuming a more flexible approach is adopted as to their completion.

One submitter stated that they do not disagree with the amount of time.

One submitter stated that 20 hours per CPT year is reasonable – it equates to less than 2% of chargeable time. They stated that it falls within indicative levels that businesses generally adopt for professional development. However they submitted that it should be regarded by employing organisations as a minimum. They noted that the Corrections Department allows for 50 hours of CPT per prison officer per year and international comparisons of CPT range from 1%-4% of chargeable time.

One submitter stated that 20 hours per annum of CPT is consistent with the approach voluntarily adopted by the NZFMA for its accreditation programme. They stated that NZFMA requires 20 hours (5 hours of which must be related to compliance and regulation).

One submitter stated that 20 hours is appropriate but that it should not be above this.

20 hours is insufficient

One submitter stated that 20 hours is insufficient. He stated that financial services are becoming more complex and therefore advisers should be required to complete 1 CPT hour per week or 50 hours per annum.

One submitter stated that the minimum number of CPT hours should be increased to 25 hours per year. They referred to the requirements for membership in NZICA (40 hours CPT) of which 20 hours are structured and 20 hours are unstructured.

Minimum hours should differ according to the AFA

One submitter stated that the minimum CPT hours are unlikely to be appropriate for all AFAs and the compulsory training categories will compound the problem. They stated that the proposed minimum CPT hours are focused on those providing financial advice in a retail environment as their core activity. They stated that the minimum CPT hours fail to take into account those AFAs who are not full time or who only advise on a limited range of products. They stated that this does not take into account the existing professional qualifications and experience of the AFA. They submitted that there are those who are not full time financial advisers or who deal only in specialist areas i.e. lawyers, accountants and mortgage brokers. It was submitted that it may be appropriate for those advisers to have different numbers of hours required.

That submitter stated that there will be years when AFAs providing specialist advice will receive little or no benefit from CPT. They submitted that if an AFA is working in a specialised area less CPT hours may be appropriate given their specialisation, their existing knowledge and professional qualifications.

One submitter stated that the Australian Securities and Investments Commission has not imposed a minimum number of hours per year for CPT. SIA submits that this is because the time required will vary according to the adviser's activities and level of experience. They agreed that the proposed minimum number of CPT hours is appropriate subject to the number being satisfied over a rolling three year period.

Concessions

One submitter agreed that 20 hours per year is appropriate for AFAs working full time. However the Code should contain reduced minimum hours for AFAs on parental or extended sick or extended annual leave as these AFAs may not be able to complete 20 hours.

One submitter stated that flexibility should be built in to allow for special circumstances i.e. pregnancy, career break or working part-time. That submitter stated that the concessionary categories: recognise that advisers have to juggle career and life; reinforce the idea of lifelong learning; and encourage greater buy-in to CPT compliance.

One submitter suggested that there should be concessions made for AFAs who take parental or sick leave so that the CPT requirements will be adjusted on a pro-rata basis to reflect the actual number of worked days in a year.

One submitter stated that there may be legitimate circumstances i.e. overseas work, sabbatical or period of illness when an AFA may wish to suspend their CPT requirements.

One submitter stated that if an AFA obtains authorisation part way through a CPT year, that AFA should only be required to complete CPT hours on a pro-rata basis.

CPT timeframe

Timeframe: calendar year

Four submitters supported a calendar year approach.

One submitter supported a calendar year approach starting on 1 October as that would align with their performance management system. They stated that on this basis each AFA could plan their CPT as part of their performance development plan. They stated that each AFA's progress would then be reviewed six-monthly and yearly. They stated that QFEs should be able to negotiate this with the Securities Commission when they seek QFE status.

One submitter stated that a calendar year would be simpler in the long-term with a pro-rata-ed shorter initial period if required.

One submitter stated that having the requirement prescribed on an annual basis is beneficial as it ensures that priority is given to CPT and that standards are maintained.

One submitter suggested that the minimum requirement of hours should apply to a 12 month period, rather than either multiple years (e.g. 60 hours every three years), or part years (i.e. five hours every quarter).

One submitter stated that the calendar year should begin after the year of initial authorisation to avoid AFA-specific CPT years. They noted that this would reduce administrative efforts and is consistent with the practices of most organisations/regulatory bodies.

Timeframe: 12 months from authorisation

One submitter stated that attaching the timing of each CPT year to each 12 month period of authorisation is preferred.

One submitter suggested that the CPT year should be a year commencing from the date of authorisation or from 1 January to 31 December following the date of authorisation.

Timeframe: rolling two year period

One submitter stated that it is pragmatic to link the AFA's annual CPT requirements to the same 12 month timeframe of their initial (and renewed) authorisation period. However they submitted that there are times when it is difficult for advisers to attain even a minimal number of appropriate CPT credits due to the paucity of structured training available and that therefore AFAs should be permitted to satisfy the CPT hours over a two year period i.e. the adviser must attain 20 hours CPT per annum on average but the 40 hours CPT can be met over a two year period. It was submitted that this might help those AFAs participating in higher level academic learning as there are often restrictions on which university papers students are eligible to take at particular times or mandatory requirements for them to take certain papers at others.

One submitter stated that CPT hours averaging 20 hours per annum over two years is more reasonable.

One submitter stated that IFA members currently are required to complete 60 hours over a two year period, half of which must be structured CPT.

One submitter suggested that the requirements be satisfied over a two year period (i.e. 40 hours over two years).

One submitter stated that the timeframe for the compulsory training requirements should be increased to two years. Otherwise they submitted that AFAs would be required to complete well in excess of 20 hours per annum in order to meet the structured/unstructured balance as well as the allocated hours in the compulsory training categories.

One submitter stated that the hours should be satisfied over a two year period. They stated that this would mean that an AFA would be required to satisfy 40 hours over two years. They stated that under this approach the AFA could decide to take a more comprehensive course or training in one year and then that AFA would not be required to complete as many hours the next year.

Timeframe: rolling three year period

One submitter stated that 12 months is too short. It was submitted that a rolling three year period should be adopted so that each participant must complete 60 hours during the three year period. It was submitted that prescribing a 12 month audit period may prohibit implementation of a meaningful continuous education programme. They stated that this rolling three year period would allow an AFA to undertake specific learning that is relevant to their CPT that does not fall neatly into the 12 month requirement.

One submitter stated that from July 2010 NZICA will be operating a three year rolling period of CPT for its members and that this allows members to spread CPT across a longer period without reducing the requirement to maintain their competence. They stated that this is consistent with international trends and supports those who are undertaking advanced study over a period of time.

One submitter supported a “rolling requirement” and stated that this would provide sufficient flexibility for AFAs and enable them to structure their CPT to reflect their personal and professional circumstances as well as developments in the industry. They stated that this could operate as follows: 60 hours of CPT required over three years with a minimum of ten CPT hours each year.

Another submitter stated that a rolling three year period (as will be implemented by NZICA) will provide sufficient flexibility for professionals to remain up to date, while balancing the requirements of their day to day responsibilities. They stated that the CPT year should be a consistent calendar year for all advisers from 1 January to 31 December.

One submitter stated that there should be a three year rolling requirement for CPT hours rather than an annual requirement. This would allow for AFAs to wait for appropriate courses to be available.

One submitter stated that the Code follow NZICA’s approach of allowing members to allocate or spread their CPT over areas that are relevant to that member provided that a minimum number of hours are completed each year. That submitter said that AFAs should be able to spread their CPT over a rolling three year period provided that a minimum number of hours is completed each year. They stated that the requirement could be a minimum of 20 hours of verifiable or non-verifiable learning per year and a minimum of 30 hours verifiable learning over a rolling three year period.

Standardised period vs AFA choice

Standardised period

One submitter did not have any preference regarding calendar year or fiscal year but they stated that the industry would benefit from a standardised period.

One submitter noted that starting the CPT year from the date of the professional’s authorisation is not common with other professional organisations. They stated that most maintain a single practising year as a variable year creates challenges of tracking individuals according to their registration/authorisation date. They stated that this will be a monitoring issue for the Securities Commission as well. The submitter and other professional bodies manage variable entry dates by expecting part-requirements for CPT in the first year in order to facilitate easier administration and compliance checking by re-aligning re-registration dates.

One submitter stated that the base period be uniform amongst all AFAs to promote transparency and avoid ambiguity or mistakes i.e. a calendar year, a fiscal year or an annual subscription date.

One submitter preferred an option that allows AFAs to choose when their CPT year starts but they submitted that if the Committee prefers all AFAs to have a uniform period for compliance, their preferred option is for this to be a calendar year with CPT hours calculated on a pro-rata basis for those AFAs who become authorised during the year.

AFA choice of CPT period

One submitter stated that advisers and QFEs should be permitted to choose an appropriate timeframe such as a calendar year, or a year from the date of authorisation, or a year from the date of employment.

One submitter suggested that the current proposal would require an employer of multiple AFAs to manage different CPT year end dates for each AFA according to the date of authorisation of each AFA. They stated that it would be helpful to select, with the AFA's consent, a common CPT year end date for all AFAs it employs. It was submitted that this would simplify record keeping and make it easier for the employer to monitor compliance with CPT requirements and align it with other regulatory milestones i.e. the review process carried out by registered banks.

That submitter noted that giving employers the flexibility to nominate a single CPT year end date would be consistent with the objective of ensuring appropriate record keeping and monitoring of CPT activity.

One submitter stated that there needs to be flexibility to allow businesses to determine the annual period i.e. the submitter's company administers their CPT requirements on a calendar year.

One submitter stated that AFAs should be able to determine when their 12 month period begins (this could be stated in the terms and conditions of AFAs' authorisations). That submitter stated that a 12 month period is easier for AFAs to plan for and comply with. AFAs could decide to align the year with their business financial year and QFEs could align CPT periods for all their AFAs so they can better supervise the completion of CPT. They stated that this will ensure that while the new financial advisers regime is in its early stages, AFAs will undertake training on their new regulatory and Code obligations every year.

One submitter stated that permitting AFAs to choose the starting months would allow the Commission to audit AFAs' compliance on a rolling basis rather than auditing all AFAs' compliance at the end of a uniform period.

One submitter suggested that each organisation should be able to nominate an annual reporting period and that newly approved AFAs have a requirement to complete their CPT on a pro rata basis for year 1 while they align into the organisation's annual reporting period.

Transition phase for CPT

One submitter stated that it may be that training providers of structured learning may have limited capacity to provide CPT points for a period immediately after the financial advisers regime comes into force as much of their capacity will be utilised in assisting AFAs to obtain the minimum levels of competence. It was submitted that it may be that the CPT hours will need to be reduced for the first period. However they stated that this will be a lesser issue if a rolling three year period is introduced.

One submitter stated that there may need to be flexibility for the first year of operation as depending on when advisers are first authorised in 2010, they could easily be having to complete their first CPT early in the second half of 2011. They also submitted that this is too soon considering the recent authorisation and the likely stress on training organisations through the authorisation rush.

Another submitter expressed concern that training providers and industry bodies will initially be committed to the provision of training to meet the competence requirements and there may be a dearth of available training for some time after the initial rush to compliance making it difficult for AFAs to satisfy their CPT standards. To alleviate this the submitter suggested that it may be more appropriate to implement a rolling requirement for CPT hours like NZICA.

In the alternative that submitter suggested that the 20 hour requirement could begin to run some time after 2011 to allow for capacity to be built into the industry to be able to meet the demand with relevant and timely CPT structured learning opportunities. They stated that there could be interim requirements over the intervening period i.e. 2011 (5 hours), rising to 10 hours in (2010) and then 20 hours in 2013.

One submitter stated that given that significant training would be undertaken in the period up to authorisation, CPT requirements should commence from 1 January 2012 or the calendar year following authorisation.

Cure period

One submitter stated that there should be leniency in application of the 20 hours requirement. They suggested that if it is not possible in one year to complete all 20 hours, the AFA should be permitted to fulfil the requirements the next year. They stated that there is a risk that the Securities Commission's resources will be diverted towards monitoring compliance and checking whether the prescriptive hours requirements have been satisfied and whether accurate records have been maintained. It was submitted that this would not encourage consumer confidence and would not indicate that the adviser is competent.

One submitter stated that there may be circumstances when an AFA completes unstructured learning in the misguided but reasonably held belief that the relevant training qualifies as structured learning. They submitted that the Code should provide for a "cure period" ie within six months of the relevant CPT year end or audit date, so that further CPT can be completed to rectify mistakes.

QUESTION THREE

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?

INDIVIDUAL SUBMISSIONS

Split between structured and unstructured is appropriate

Six submitters stated that the split is appropriate.

One submitter stated that the split of 12/8 for structured/unstructured is realistic.

One submitter stated that the split is appropriate provided that it is spread over a three yearly rolling period i.e. AFAs must complete 36 hours of structured CPT over 3 years and 24 hours of unstructured CPT.

One submitter generally agreed that the split is appropriate, but submitted that the requirements could be imposed over a “rolling period”.

One submitter agreed that the balance of structured/unstructured learning is broadly appropriate (12 out of 20 for structured is reasonable). However they stated that it will be difficult to achieve the required composition of structured learning (see submissions set out in question 7). They suggested that it would be more practical to adopt the approach that a minimum level of 12 hours CPT is required to be met by Structured Learning. Of those, two thirds (8 hours) must be attained from the Compulsory Training Categories in whatever balance possible.

One submitter stated that subject to whether QFEs and industry experts will be able to provide structured CPT, they agreed that 12 hours structured learning per year is appropriate.

One submitter stated that a minimum of 12 hours structured learning seems appropriate. They noted that this presumes that greater value is placed on structured learning. They submitted that if an AFA completes more structured learning than is required in one year then that should count toward structured learning in the next year.

Split is not appropriate

One submitter noted that the compulsory training categories outlined in section C total 15 hours. They submitted that subject to their comments on the need for more flexibility on compulsory training, it would be simpler if the structured training requirements aligned with compulsory training categories (i.e. 15 hours p.a.).

One submitter stated that the split of 12/20 has already been compromised as section C will require AFAs to complete 13-15 hours on compulsory topics with no flexibility. They stated that in order to comply with section C, AFAs will need to attend structured courses.

Another submitter stated that unstructured learning is more appropriate in many cases provided it is well recorded. He submitted that many tertiary institutions and professional bodies are not up-to-date enough or are unable to respond in a timely fashion to rapid market changes. Therefore he stated that unstructured training without the constraints of the NQF can provide more appropriate contemporary best practice which ultimately protects the investor.

More structured hours should be required

One submitter stated that at least 15 of the CPT hours should be met by structured learning. However they make this submission on the basis that the categories of structured learning are

expanded. If the categories are not expanded the submitter agreed that the proposed split is appropriate.

One submitter advocated for an increase in CPT hours to 25 hours per year and that 15 of these should be structured hours.

Split should be equal

Five submitters stated that it should be an equal split.

Two submitters were ambivalent about the 8/12 split and stated that they would be happy with a 50/50 split.

One submitter stated that an equal split will reduce the potential for confusion.

One submitter stated that an equal split would enable individuals who are in remote places (where seminars and courses do not often occur) to comply.

Different standards for different classes of AFAs

One submitter stated that depending on the AFA's role, a different percentage of structured or unstructured CPT may be appropriate. He stated that less structured hours may be appropriate for those who do not have direct contact with clients. He suggested that research analysts may find it difficult to meet the structured training requirements as they are not client-facing.

One submitter stated that the appropriate ratio of structured/unstructured will depend on the requirements of the individual AFA and their area of work.

QUESTION FOUR

Should the structured/unstructured categories be changed in any way?

INDIVIDUAL SUBMISSIONS

Structured Learning Categories

Structured category 1

<p><i>NQF registered degree, diploma or certificate relevant to the provision of financial adviser services including the National Certificate in Financial Services (Financial Advice) (Level 5) and any other qualification recognised as contributing towards satisfying competence, knowledge and skills requirements under the Code.</i></p>	<p><i>10 CPT hours per paper attained</i></p>
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One submitter stated that the allocation of CPT hours should reflect the academic level of the paper rather than treating papers towards degrees, diplomas and certificates equally in terms of the allocation of CPT hours.

One submitter stated that the Code should differentiate CPT hours based on quality and content of study.

One submitter stated that advisers should be able to cross-credit some unit standards taken to satisfy the competence, knowledge and skills standards otherwise the workload will be excessive to the detriment of the AFA's business.

One submitter stated that for AFAs in training, the training undertaken to achieve the competence, knowledge and skills standards should count as satisfying the CPT for those AFAs. They submitted that this would reduce the initial cost of becoming an AFA.

One submitter considered that the training options under the structured learning categories will be appropriate for a large number of AFAs but for those who already have degrees, diplomas or certificates or professional designations (ie the relevant alternative qualifications and designations) are disadvantaged. They stated that AFAs who have these relevant alternative qualifications and designations are unlikely to seek or greatly benefit from further tertiary qualifications as contemplated by the structured learning categories. They referred to objective C "to recognise achievement by AFAs working towards the Level 5 Certificate or equivalent or higher qualifications". Therefore they submitted that recognition should be given to those AFAs who have obtained such relevant alternative qualifications and designations.

That submitter stated that AFAs who currently hold relevant qualifications should have greater flexibility to determine the structured learning vs unstructured learning undertaken each year. It was submitted that this will allow the AFAs to self-direct and determine professional development by selecting training or development which is individually appropriate.

One submitter stated that there is inconsistency in terminology between structured and unstructured learning categories as there is a reference to NQF registered degrees whereas elsewhere structured learning includes "a tertiary qualification". They stated that as university qualifications are typically not registered on the NQF, the term "tertiary qualification" should be added to this category.

One submitter stated that problems regarding availability of courses arise in relation to students who have already engaged in higher learning and therefore are refused entry to other technical papers from the same department.

Structured category 2

<i>Study towards earning a professional designation/certification (relevant to the provision of financial adviser services) of a recognised professional organisation (e.g. IFA, CFA, CA, CLU, NZX, NZILE)</i>	<i>20 CPT hours per certification or 10 CPT hours per paper attained.</i>
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One submitter stated that the number of CPT hours allocated to papers gained in connection with earning a professional designation/certification needs to reflect the relative academic level of the relevant paper.

Structured category 3

<i>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)</i>	<i>1 hour = 1 CPT hour</i> <i>1 full day attendance = 5 CPT hours</i> <i>2 day course = 10 CPT hours</i> <i>3 day course = 15 CPT hours</i>
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One submitter stated that the credit given for attending conferences, training sessions and workshops is inappropriate. He stated that often these courses and workshops take a full day and yet the adviser can only receive a few hours credit. He also stated that travel to attend conferences can mean that many hours are taken out of practise. He suggested that more than five hours should be credited for attendance at a one day course.

One submitter stated that it is inappropriate for the code to limit the number of structured CPT hours to a maximum of five hours per day.

One submitter stated that “conferences” be included in this category.

Another submitter welcomed the inclusion of structured category 3. That submitter also stated that it provides their members with at least 16 hours of structured workshops and seminars per year.

Structured category 4

<i>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)</i>	<i>1 hour = 1 CPT hour</i>
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One submitter stated that this category will not be applicable to many AFAs and there may not be sufficient opportunities for gaining structured learning CPT hours within the other structured learning categories. They submitted that this is a reason to increase the structured learning categories.

One submitter stated that they do not see how time spent teaching and presenting to others is going to develop the knowledge of the AFA given that they are merely relaying to the audience their

current knowledge. They stated that presentation skills are something that advisers should develop on their own time.

Another submitter sought clarification of the difference between this category and unstructured learning category 3 “preparing for presenting/seminars/workshops”.

One submitter suggested that a limit on the number of attributable hours should be placed on this category.

Structured category 5

<i>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)</i>	<i>1 hour = 1 CPT hour</i>
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One submitter stated that this category will not be applicable to many AFAs and there may not be sufficient opportunities for gaining structured learning CPT hours within the other structured learning categories. They submitted that this is a reason to increase the structured learning categories.

One submitter stated that membership of a technical committee should not count towards CPT as this is something that occurs as a normal course of business.

One submitter suggested imposing a limit on the number of attributable hours prescribed for this category.

General Comments on Structured Categories

One submitter stated that the structured and unstructured categories cover a broad spectrum of training subject matter and a diverse range of delivery (workshop/tutorial/self-study etc).

Another submitter stated that there is a significant variation in the quality of training, workshops, road shows and technical training sessions.

Structured categories are too narrow

One submitter noted that there are only three categories outside studying via coursework that count towards the structured credits (teaching and membership of committees). That submitter noted that teaching or membership of a technical committee will not be an option for 90% of advisers so that leaves one option only: attendance at NQF courses or other recognised professional organisations’ courses.

One submitter stated that the type of structured training proposed is provided by training organisations that may not be “industry current” and may not be able to provide training as needs arise. They suggested that industry participants should be able to recommend training or types of courses that may be needed as time passes.

One submitter stated that the definitions of structured/unstructured training do not reflect the ways that people can receive structured/unstructured training. It was submitted that under the current definition of structured training NZICA members will find that few of their NZICA-defined structured areas will be transferable to their requirements under AFA authorisation. The submitter noted that NZICA’s definition of structured activity are courses, conferences and seminars organised and delivered by competent individuals. They stated that structured activities often require interactive learning, sometimes they have an assessment component and involve some teaching element.

One submitter commented that structured learning seems to encompass formal study towards a qualification of some sort, the only exception being NQF or training provided by recognised professional organisations. They submitted that there is a finite amount of formal training that can be undertaken before an adviser has “done everything”, especially where some have worked for 30 to 40 years.

One submitter stated that the structured learning category definitions are limited and unlikely to meet the objective of enabling the cross-crediting of appropriate training activity. They submitted that the definition of structured CPT needs to be aligned with professional bodies such as NZICA to allow appropriate cross-crediting.

One submitter noted that IFA members will not receive a structured or unstructured credit for attending an IFA meeting unless it is a designated road show, workshop or seminar. The submitter surmised that no doubt the course presenter will need to be approved.

Structured categories are too wide

One submitter stated that the key focus of CPT should be the extension of an adviser’s knowledge and skill so that he/she can continue to provide a professional service to clients. They stated that future financial products are likely to be more complex than those offered today, so all aspects of advisers’ training (including CPT) needs to be at a level that allows them to stay up to date with market developments. Therefore they expressed serious reservations about what is proposed regarding structured and unstructured CPT and would like some categories removed. That submitter suggested that the Committee should reconsider all the categories and assess whether they extend the adviser’s knowledge and skills.

Additional structured categories

Attendance at presentations on market information by economists, analysts and fund managers

One submitter suggested that structured credits should be earned when advisers attend presentations given by recognised economists, fixed interest analysts, fund managers and others where the emphasis is on market information as opposed to product launches. It was submitted that advisers currently receive credit for this.

Seminars/forums/conferences of industry bodies

One submitter stated that recognition needs to be given to seminar/forum/conference work undertaken by industry bodies such as INFENZ. They stated that these are targeted at an awareness of industry trends, current thinking, market developments, thought leadership and experience-based presentations on topics of interest that deliver a high level development of practitioners’ skill sets, knowledge and awareness that lead to professional development. They stated that this cannot be described as training but they argued that these events are more important to develop the professionals who lead the industry as they aid the development of more skilled and knowledgeable practitioners. Therefore they suggested that CPT needs to focus less on training and more on knowledge.

Formal training not directly focused on financial services

One submitter stated that some formal training which is not directly focussed on financial services may also be beneficial for an AFA’s business (ie certificates in relation to business management). They submitted that it may be appropriate to reflect this by allowing such courses to count towards structured learning (but subject to there being a minimum number of hours that relate to the provision of financial adviser services). They stated that they understand that this is consistent with the NZICA guidelines.

One submitter also noted that advisers might engage in formal learning outside their own professional practise area (i.e. NZX programmes where the adviser does not operate within the NZX

market) and this may not contribute directly to the adviser's development within their sphere of practice but is generally of benefit.

Reading a publication plus testing

One submitter noted that reading a publication falls under the unstructured category but they submitted that short quizzes used to test understanding of the material should convert this into a structured activity.

Other possible structured activities

One submitter noted that NZICA's structured/verifiable activities may consist of:

- NZICA national conferences and courses;
- NZICA branch courses and seminars, NZICA Special Interest;
- group training events;
- training from other providers or professional bodies;
- in-house training and presentations;
- assessed distance learning;
- university courses;
- conferences – local and international;
- other structured courses;
- serving on a technical committee;
- publishing professional or academic papers, articles, research and other publications that have relevance to one's current or future work;
- participating as a speaker in conferences, briefing sessions and discussion groups;
- developing training sessions or courses; and
- facilitating and/or marking professional exams.

UNSTRUCTURED CATEGORIES

Unstructured Category 1

<i>Participation in non NQF registered in-house or externally provided training/seminars/courses and workshops in financial services related topic areas</i>	<i>1 hour = 1 CPT hour</i>
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In-house technical training should be recognised as structured learning

One submitter stated that this category should be considered to be a structured learning category.

One submitter stated that “in-house technical training” should be recognised as structured learning as it is by the IFA.

Another submitter expressed concern that in-house training programmes developed by employers of financial advisers would not be recognised as part of structured learning. They submitted that if this type of learning is not recognised it will result in a significant cost increase for NZX firms as they would need to contract for external training irrespective of the ability of individual NZX firms to deliver such training. They stated that this could result in duplication where an individual NZX firm has such training programmes in place. They noted that in some cases it is a requirement of an overseas parent or affiliated company that such internal training be undertaken. They also commented that in some instances, it will be very difficult, if not impossible, to find an external training body or professional organisation who can provide training on specialist topics.

One submitter stated that employer seminars and workshops should be considered structured learning rather than unstructured. They argued that that under the current proposal only eight hours of internal learning is possible out of 20 hours each year, which would obviously add significant costs to QFEs and financial service companies. They suggested that QFEs could be assessed and accredited as appropriate training providers by the Securities Commission as part of the terms and conditions of obtaining QFE status.

One submitter stated that CPT hours should include internal training not just external training courses. They stated that if this is not recognised a huge financial burden will be placed on them.

One submitter stated that there is an undue emphasis on training that includes assessment and that as a result many valuable and high quality training programmes will not be classified as structured CPT ie seminars, courses and workshops provided by non-NQF accredited providers such as QFEs or industry experts.

One submitter noted that under the proposed standards, some degree-level tertiary qualifications would not be considered to be CPT because they are not within the NQF framework. Therefore they submitted that structured CPT should include any specialist training that is not self-directed but is instructed by an organisation or expert individual. They observed that NZICA has recognised this by including in-house training as structured training.

Unstructured Category 3

<i>Preparing for presenting/seminars/workshops</i>	<i>1 hour = 1 CPT hour</i>
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One submitter stated that it is unclear whether unstructured category 3 includes time spent by speakers/trainers actually presenting seminars and workshops. That submitter stated that the presentation of workshops requires public speaking skills, and can be an interactive process with the presenter and audience generating new ideas.

Unstructured Category 4

<i>Participation in (work place or external) tutorials, mentoring and/or adviser training.</i>	<i>1 hour = 1 CPT hour (subject to a maximum of 3 CPT hours per year)</i>
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One submitter stated that this category should be a structured learning category.

One submitter suggested that it would be appropriate to include mentoring from approved senior industry figures as part of structured learning. They stated that this would provide tailored training and would be valuable to new entrants to the profession.

One submitter suggested that consideration should be given to including formal coaching as part of this category.

One submitter suggested that coaching (which they describe as “a method of directing, instructing and training with the aim to achieve some goal or develop specific skills”) is distinct from mentoring and can be broader than adviser training. They submitted that unstructured category 4 should be extended to specifically include coaching.

That submitter also stated that it is unclear whether those providing the training/tutorials/mentoring can claim CPT credit for the time taken to provide the training/tutorials/mentoring. They submitted that the presentation of workshops requires public speaking skills, and can be an interactive process with presenter and audience generating new ideas. They stated that the provision of training itself requires time and specialist skills and that this should qualify as unstructured learning.

One submitter stated that the AFA who provides mentoring/supervision to an AFA in training should be able to claim credit for the hours as an unstructured learning category. (The submitter stated that the IFA recognises this.)

Unstructured Category 5

<i>Financial Product launches and/or road shows</i>	<i>1 hour = 1 CPT hour</i>
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One submitter stated that road shows are generally marketing exercises and are of limited (objective) educational value and these should have no place in CPT standards.

Another submitter stated that product launches which introduce new products or changes to product features should be classified as structured not unstructured.

One submitter stated that it would be appropriate for certain technical training from product providers in relation to their products to be included as structured learning. However the relevant training courses should be required to be approved for these purposes by an appropriate body to ensure that the training is sufficiently robust.

Additional unstructured categories

Development of learning tools

One submitter suggested that development of learning tools for others to use in connection with adviser training (ie development of e-learning modules) is equivalent to unstructured categories 3 and 4 in terms of learning outcomes. They submitted that a new activity type should be added “development of material for use in connection with adviser training”.

Work experience

One submitter stated that there should be some recognition as part of the unstructured learning categories of work experience. They submitted that if an adviser is fully employed by a QFE or a

registered FSP during the year and properly supervised, the adviser should be able to claim two hours CPT annually. They stated that this would take into account workplace coaching, one-on-one learning and performance review processes that are internally used to ensure quality and professional standards are being met.

Another submitter suggested that previous experience as a financial planner should be taken into account as part of CPT.

General comments on unstructured learning categories

One submitter stated that in terms of unstructured learning, there is a further disconnect between the definition of the Code Committee and that of NZICA which is likely to be problematic for NZICA members seeking transferability of their CPT activities. The submitter stated that the following activities are recognised by NZICA as unstructured/non-verifiable activities:

- reading professional/technical articles;
- educational DVDs and webcasts;
- specific reading material that relates to practical work;
- undertaking distance learning that is not assessed;
- collegial discussion, where learning is fostered;
- discussions with, and informal training, from experts; and
- mentoring others, where learning/development also occurs for the member.

Unstructured categories should not count as CPT

One submitter stated that the structured categories be kept but that unstructured activities should not be counted as CPT activities.

One submitter did not support having a significant component of unstructured learning in the CPT standards. It was submitted that any professional operating in a competitive market can be expected to undertake unstructured learning and they see little need to regulate this aspect. They stated that unstructured learning is potentially less beneficial than structured learning.

No further categories for structured/unstructured learning

Four submitters agreed that the list of structured and unstructured categories is appropriate.

One submitter stated that there are no additional structured or unstructured categories that should be included in the list. They stated that the list should be flexible enough to be reviewed and improved if required over time.

Five submitters stated that there are no new categories required.

One submitter, however, stated that there should be flexibility for AFAs to apply to have additional course material and other experience recognised as CPT hours.

One submitter stated that nothing springs to mind but opportunities will evolve over time.

Online learning

One submitter stated that online learning and product accreditation are likely to become increasingly prevalent in the industry. They queried whether this would be covered under unstructured category 4 ("participation in tutorials") or whether there should be a separate category to cover this.

One submitter stated that it would be useful to include online learning in both the structured and unstructured categories. They also stated that many NZFMA members subscribe to a globally

recognised and market specialised online training and assessment tool. Therefore they recommended that this service be recognised within the structured learning categories.

Another submitter stated that they assumed that e-learning (ie technology-enhanced learning such as electronic and web-based training courses) and training delivered via other and/or multiple media can qualify as both structured and unstructured learning but they stated that it would be helpful if this could be confirmed by the Code.

Review of categories

One submitter stated that the areas are appropriate but that these categories should be reviewed after a period of time post-implementation to ensure that the categories provided are meeting the desired statutory outcomes.

Need for greater flexibility within the categories

One submitter noted that there should be greater flexibility in terms of the required CPT hours as some AFAs, due to their particular role, may find it difficult to fulfil for instance five hours of specialist financial advice and product knowledge relating to the adviser's specialist area.

One submitter stated that there are benefits in allowing greater flexibility regarding CPT in that there will be improved compliance as individuals will be able to undertake learning that is relevant to the financial services sector that they are employed in. Secondly they stated that if the ultimate aim of ongoing education is to improve the standard of financial services, it is appropriate that advisers undertake learning that is specific to the services they provide.

One submitter suggested that a flexible approach to categorisation of activities is more likely to encourage a higher level of acceptance and compliance by members, and manageable administration of the advice and compliance process.

One submitter stated that the prescription of portions of time for structured/unstructured learning in each year may be too restrictive given the objective of "flexible" learning. They stated that the proposal makes the assumption that structured learning is more valuable but this may not necessarily always be the case. That submitter stated that 70% of development and learning occurs "on the job" through coaching, mentoring, and gaining experience. It was also suggested that the hours should be a guide rather than mandatory (although the submitter recognised that there is a need to avoid an individual completing all CPT via self-guided reading only).

One submitter stated that the categories and hours are too prescriptive and are contrary to the objective of providing flexibility. They submitted that the CPT requirements need to be relevant to the AFA's work, the adviser's role within various organisations and the needs of the consumers they serve.

One submitter stated that the standards are unduly prescriptive and will be likely to remove the enjoyment factor from CPT. They stated that a principle-based approach may be better ie that AFAs must complete CPT annually but how an adviser attains the 20 hours is up to the adviser provided that they document and record their participation.

Clarification

One submitter would like to clarify whether "attendance" includes seminars and courses presented by live video conference or via web-based products.

QUESTION FIVE

Is the proposed professional development plan (PDP) and self-managed recording system appropriate? If not, what would be a practical alternative?

INDIVIDUAL SUBMISSIONS

The requirements are appropriate

Six submitters supported the proposed professional development plan (PDP) and self-managed recording system.

One submitter stated that the self-recording system and PDP places the right level of responsibility on AFAs. They also stated that by not requiring a prescribed format, the PDP and recording system requirements can be incorporated into the performance objectives of an employer where the AFA is an employee.

One submitter agreed that this is appropriate and they stated that they already require each employee to annually prepare and be evaluated against a PDP. That submitter plans to enhance its organisation-wide learning management system to record the CPT of individual AFAs.

One submitter stated that the self-managed recording system is appropriate and is consistent with their online CPT tracking system they offer to members.

One submitter stated that the PDP and self-managed recording system is laudable. The submitter pointed out that NZICA requires its own members to maintain a record of their CPT activities and to maintain this for five years. The submitter strongly recommended a development plan. They also noted that NZICA will be providing an online CPT log for members.

One submitter stated that as the industry moves into a professional environment it is important that this area is “managed for advisers to ensure competency and skill increases”.

One submitter stated that the prescribed format for recording and maintaining records is practical.

Not appropriate

One submitter stated that the PDP and self-managed recording system would impose compliance costs and may be burdensome in terms of effort. It was submitted that larger organisations may have learning management systems but most will not. They stated that records will become ad hoc and inconsistent. They also stated that a centralised AFA learning management system (even web based) would make record-keeping and enforcement easier.

Safeguards for small operators

One submitter expressed concern regarding smaller operators who may not have the same level of support available. They also expressed concern regarding protection for clients of small operators or sole-trader AFAs in this situation and asked whether regular audits will be carried out or whether an annual license will be issued upon verification of the existence of an up-to-date PDP and training log? The submitter stated that this issue could be alleviated by requiring AFAs to belong to a recognised organisation that can itself be monitored ie as in the accountancy, law and medicine professions.

One submitter queried whether a sole trader should be entitled to verify his/her own CPT.

Self-managed recording system

Three submitters agreed that the self-recording system is appropriate. One of those submitters stated that this mirrors the IFA process that is currently being used and they commented that this works well.

One submitter stated that the maintenance of the training log by the AFA is appropriate provided the profession is aware that advisers are being audited. That submitter stated that this system is used by the IFA but advisers get no feedback on the outcome of audits and are not notified if any advisers have been suspended for not fulfilling the CPT requirements.

Requirements are too prescriptive

One submitter stated that the requirements for record keeping are too prescriptive. They expressed concern regarding whether an inadvertent failure to keep the exact record required will be a breach of the code, leading to disciplinary action. They submitted that if requirements are too prescriptive the regulator's efforts will be diverted from the key focus of actual competence to a "check box approach". It was also suggested that a more generic standard be included "maintain a record of course attendance that is in a form that is capable of demonstrating compliance with the CPT standards and that can be produced for review when required".

AFAs should be permitted to use recording mechanisms provided by professional bodies

One submitter stated that they have invested considerable money in building a CPT points recording system for members. They stated that this instils the notion that ongoing CPT is important. They emphasised that the recording of data and ensuring compliance is something that professional bodies can assist with but these professional bodies need to have centrally controlled records.

Additional matters that should be recorded

One submitter stated that the learning outcome achieved should also be recorded. Therefore they suggested that the record should note the name of the activity; whether it is structured or unstructured; area of training; learning outcome achieved; date completed; CPT hours; training provider; and verification.

Online recording system

One submitter stated that an online recording system should be created that can be accessed by both the AFA and the regulator. They stated that this would permit easy monitoring and auditing.

One submitter stated that a standardised online or paper based recording system/training log would be more beneficial to the regulator as well as to the adviser. They stated that advisers would be able to log their CPT hours plus supporting evidence to verify that they have met the CPT standards, while the regulator or nominated third party could review this record remotely and on an ad hoc basis, or in the case of paper-based recording, the regulator or nominated third party could request this for inspection from time to time in a common format.

Disclosure of CPT records

One submitter stated that they would like advisers' CPT logs to be publicly disclosed so consumers can see what the minimum 20 hours per year was spent on.

QFEs

One submitter stated that they presume that QFEs will be permitted to use company-wide internal systems to record this information for their AFA employees. They also stated that they assume that the regulator would approach QFEs for this information rather than approach the individual AFAs where the AFA is a member of a QFE.

Professional development plan (PDP)

One submitter stated that a PDP is desirable to ensure a tailored learning journey for each AFA. They suggested that the primary objective of all CPT programmes is to assist professionals in maintaining

and further developing the skills and knowledge they require for their professional practice. They submitted that a PDP helps individuals ensure they meet their CPT objectives. They also observed that most member firms of the NZFMA are employers of sufficient size to have annual performance processes with embedded development plans, usually set at the commencement of an annual period with a mid-cycle review.

AFAs should choose whether to have a PDP

One submitter stated that the PDP and requirement to “document and review achievements” is unnecessary. They also stated that this is not likely to work in practice and they suggested that guidelines should be provided on how AFAs can best target their development through use of a gap analysis.

One submitter stated that the code should not be regulating PDPs. They submitted that the Code’s purpose is to ensure that AFAs maintain a minimum standard. They noted that the wording of the Financial Advisers Act is “continuing professional training” rather than continuing professional development.

Another submitter stated that whether an AFA prepares and reviews an annual PDP should be left up to the individual AFA. They suggested that some AFAs will work for employers who already produce PDP plans that cover CPT. They stated that the Committee should recognise that those employees will continue to plan and review their AFAs’ CPT programmes particularly in order to fit those plans within each AFA’s wider career progression.

A PDP should not be required for senior advisers

One submitter stated that this requirement makes sense for those early in their professional development but it is difficult for those who have taken their professional development as far as they wish. It was suggested that once particular qualifications i.e. CFP or CLU have been completed, advisers may not have aspirations to complete a degree in the financial services field.

That submitter suggested that the requirement for a PDP should cease to apply at some point in the professional development pathway i.e. it should apply until the AFA is a CFP or CLU etc. They stated that once this is achieved then the CPT requirements should operate to ensure that the knowledge gained and skill base does not remain static and the AFA keeps up to date.

Timeframe for writing PDP (living document)

One submitter stated that developing a PDP in theory is fine but it is not practical. They stated that the majority of CPT will be completed in seminars which are normally notified two or three months before they are held. They also submitted that CPT requirements or focus will normally change during the year as a result of regulatory or market developments.

One submitter did not support the requirement for the PDP in the form that is currently proposed. They stated that the PDP will be difficult to complete at the beginning of the year as courses are not known and it is not common practice among other professional bodies such as NZICA and IFA. They stated that recording CPT on completion of courses attended will soon highlight other requirements within the compulsory categories that require more work and advisers will typically satisfy those other requirements relatively quickly where they can.

One submitter stated that what is outlined is too specific especially before the year begins. He stated that this also raises the question of who will define and identify learning gaps.

One submitter noted that much emphasis is placed on planning activities ie details of courses etc. But in reality, an adviser’s practice may often be dictated by market trends, economic forces and client needs. Therefore they stated that an adviser needs to show some responsiveness to the

developing context in which they work and can only “plan” to a point. They stated that it is not always possible to source the appropriate training every year to meet one’s CPT needs. Therefore they recommended that the PDP should be a guidance document rather than a regulated requirement.

Review of PDP

One submitter stated that some AFAs will need to review their PDP more frequently than others. They submitted that at different points in the AFA’s career more frequent or less frequent reviews will be necessary.

Means of verification

One submitter stated that the means of verification are too few, and do not allow for alternatives. The submitter suggested that this could be a barrier compliance. They referred to NZICA’s guidance that verification of CPT can be evidenced by:

- attendance records, registration forms or confirmation of registration in a learning activity;
- independent assessment by a competent individual that a learning activity has occurred;
- confirmation by an instructor, mentor or tutor of participation in a learning activity;
- confirmation by an employer of participation in an in-house programme, including firms’ CPT logs;
- published research work; and
- confirmation by other Committee or Board member/s of participation on a Committee or Board.

Additional recording requirements

One submitter suggested that the Committee’s requirement for a plan could also incorporate the concept of a continuous cycle of planning, action, evaluation and reflection. They referred the Committee to a paper entitled “Approaches to CPD Measurement” by the International Accounting Education Standards Board of IFAC.

How long records should be kept

One submitter stated that CPT records should only be kept for seven years and AFAs should be excused from keeping CPT records if they are employed by QFEs and the QFE keeps the CPT records.

One submitter stated that the Code should set a period for which the AFA must retain their training logs. They noted that the NZICA Guidelines contain a requirement that training logs be kept for a minimum of five years.

General comments

One submitter stated that the fact that an AFA meets the CPT requirements and maintains records over many years is not an assurance of competence.

Another submitter noted that it will be important that compliance is monitored sufficiently and that there are consequences for non-compliance. They suggested that depending on the logistics involved it might be appropriate for training logs to be submitted when an application is made for renewal of an AFA’s authorisation.

One submitter stated that in-house education, should be considered an integral part of CPT. Therefore the Code should provide a detailed framework for the recording of in-house educational activities.

QUESTION SIX

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

INDIVIDUAL SUBMISSIONS

Suggested criteria

Evidence of appropriate training and systems

One submitter stated that these organisations should be able to demonstrate existing history of involvement in operating and maintaining member compliance with a professional development programme that is similar in concept to that proposed in the Code. They suggested that these professional bodies should be required to demonstrate a prior history of enforcing professional development requirements (e.g. membership or licences being revoked or supervised re-training for breaches).

One submitter stated that organisations would need to register and provide evidence of appropriate training and systems i.e. NZX firms could potentially establish and employ their own training specialists to provide training to advisers within the industry and also banks and insurance companies could do this. The submitter also noted that this would lead to a competitive environment for the provision of training.

One submitter stated that CPT requirements should be focused away from industry bodies and some professional bodies unless those bodies can clearly state that they have the resources to provide contemporary CPT capability. They suggested that a conflict of interest may arise where the objectives of an industry body and professional organisation result in biased training to maintain the status quo.

One submitter stated that financial services industry bodies and professional organisations that offer training/education applicable to the industry should be recognised for the purposes of CPT requirements if the training/qualifications are comparable to that recognised by the Code. They submitted that organisations would need to provide evidence of appropriate training.

One submitter stated that financial services industry bodies should be recognised if they can demonstrate that they have processes and structures in place to approve and record CPT for their members. They noted that the CFA Institute administers an approved provider programme that enables external organisations to pre-qualify their programming for CPT credits.

That submitter was also interested in whether there are plans to have some sort of structure/administrative process to approve organisations and/or pre-qualify programmes offered. They stated that having such a system in place may reduce the burden on the individual AFAs in securing/providing “proof” of structured activities.

One submitter stated that they support the definition of recognised professional organisation to be wide enough to allow formally structured training by product providers to be included in the structured learning categories ie seminar series and technical training. They said that industry bodies and professional organisations should be recognised based on the quality of the training they provide. They also suggested that this recognition should be via an accreditation process, which certifies an establishment’s training (in whole or in part) as meeting the CPT requirements. They also stated that the structured CPT may need to include an assessment component to ensure the AFA has understood the training, as opposed to just attending.

One submitter stated that an objective assessment of their training methods, course content and teaching qualifications should be made prior to recognition.

One submitter stated that such assessment may include qualifications, competence, and experience of employees providing the training. That submitter suggested that they should also have systems and processes in place within the organisation that ensures the quality of the training and/or processes for assessment of external providers. However they stated that at the outset of the new regulatory regime, the approval process should not be particularly detailed. They said that the Securities Commission should monitor progress and development and amend the regime as appropriate.

One submitter stated that formal recognition helps to improve the perception of the industry and would enable employers to have confidence in the selection of providers. They stated that organisations should be recognised based on:

- their skill and competence to provide, develop, deliver and monitor compliance with the Financial Advisers Act and professional standards; and
- their skill and competence in the delivery of learning to adults either face-to-face or by distance; and
- the performance of the tasks and processes covered by the Financial Advisers Act.

One submitter stated that they believe that without any regulatory responsibility there is unlikely to be independent scrutiny of financial industry bodies and professional organisations. Therefore they stated that some ongoing process of recognising the training that such organisations provide will be required. They submitted that, provided the quality of training meets the required standard and the provider is reputable, then this category should not be restricted to industry bodies and professional organisations. They said that QFEs will have invested heavily in training systems and procedures and therefore should be recognised as structured learning providers.

Well-regarded professional organisations with minimum professional standards for entry, a pathway for accreditation/qualification and a code of ethics

One submitter suggested that the criteria for recognition should be that:

- the organisation has a membership made up of individuals and entities within the financial services sector;
- the organisation requires their members to meet CPT requirements equivalent or higher to those required by the Code;
- they are an acknowledged contributor and stakeholder with respect to issues relevant to, and matters arising for, the financial services sector.

One submitter stated that industry bodies and professional organisations need to meet the minimum requirements to offer CPT. They stated that these requirements should be similar to existing professional bodies i.e. ANZIIF, ICANZ.

One submitter suggested that each body approved would need to demonstrate that it meets commonly agreed requirements for a genuine professional body i.e. client first, educational requirements, demonstrably enforced Code of Ethics.

Those providing the National Certificate should be able to provide CPT

One submitter stated that any organisation that is approved to deliver the National Certificate should be recognised for the purposes of CPT.

Recognition of CPT providers should not be restrictive

One submitter stated that organisations beyond existing registered training organisations should be approved. They noted that significant costs will be involved in complying with the CPT standards and therefore a number of organisations should be registered to provide structured learning on an internal basis. Specific training could then be tailored more specifically to the requirements of the organisation.

One submitter queried what problem the Committee is attempting to address by limiting training to bodies that are recognised? They stated that this would increase market share of training for those recognised organisations and reduce market opportunity for other training providers who may be providing a very worthwhile product. They also stated that while they could benefit from the proposal, the submitter questioned the genuine benefit to AFAs and to consumers of effectively placing a limit on the supply of training.

They stated that they had considered this issue in the past (recognising training providers) but did not move down that track because (1) the bureaucracy involved to administer this process has not been justifiable; and (2) inconsistencies are created. Instead the submitter stated that they provide guidance to members about what “structured” activity means and expects its members to apply those guidelines in an appropriate manner (ie choose appropriate training from appropriate providers).

One submitter stated that there are a range of organisations and individuals (that are not QFEs) that may need to be able to issue credits or certify CPT ie a recognised financial services industry body or non-QFE product provider. They observed that some may not even work or operate in the New Zealand financial services environment and are not financial services providers (ie academics, financial services individuals and organisations from other jurisdictions).

That submitter stated that it is desirable that as many industry bodies, professional organisations and individuals who wish to provide such training be permitted to do so provided the training is of sufficient quality. They stated that this will ensure that the varied needs of advisers providing a diverse range of financial advice services are met.

That submitter noted that NZICA does not specify which organisations’ training and events qualify for CPT credits and that other than providing guidelines, it is left to the members’ judgement as to what qualifies and members keep a log which may be audited during a practice review. They observed that NZICA members are also required to make an annual CPT declaration on the Annual Return.

That submitter also stated that there should be some accrediting system for organisations that wish to provide CPT. They referred to the Australian system which requires licensee organisations to be responsible for establishing policies and procedures on CPT for their AFAs including keeping records.

One submitter stated that they are keen to become a recognised body as they feel it is important for CPT to be tailored to reflect their culture and the particular products and services they offer. They stated that the criteria for recognition should not be set prohibitively high so as to discourage employers from obtaining recognition for in-house training programmes. They noted that in-house training programmes can involve both external and internal training.

Another submitter stated that if there is a restricted list of those who can be recognised as CPT providers then this will increase costs for advisers.

Importance of recognising industry bodies and professional organisations

One submitter stated that industry bodies and professional organisations play an important role in communicating best practice initiatives to their members and stakeholders. In addition they stated that economies of scale often make it feasible for training events to be arranged for an industry audience where a single company may not have sufficient numbers to make events viable. Therefore

they supported the recommendation that training provided by industry bodies and professional organisations be recognised as structured learning providers within the Code's proposed CPT framework. They also stated that they are able to provide industry-specific training that may be difficult to obtain from general training providers. They observed that training provided by industry bodies will be more cost effective than training provided by general training providers.

One submitter stated that any financial services industry body that is recognised in the Code (i.e. NZX, NZFMA) should be recognised for the purposes of CPT.

One submitter stated that advisers who belong to a professional body that has an efficient CPT programme with its own internal processes for auditing CPT, should not also be required to have their CPT hours audited by external auditors. They suggested that IFA members should be automatically recognised as meeting the requirements of the Code in relation to CPT.

One submitter stated that the requirement for the professional organisation to be recognised in order to provide structured CPT is inappropriate. They stated that a number of potential AFAs ie lawyers and chartered accountants may attend courses that are of relevance to their AFA activities but are not targeted at financial advisers so may not meet the proposed definition of structured hours.

Application process to become a recognised body

One submitter stated that financial services industry bodies and professional organisations who wish to provide CPT should:

- apply to the Securities Commission for authority to issue CPT credits;
- reapply every two years;
- demonstrate that they have the internal resources to provide and/or assess CPT; and
- keep a detailed record of the training content, the person(s) who provided it and include a record of AFAs who attended, place, time and date.

One submitter stated that it would be helpful if a general application for recognition could be made for a particular entity rather than specific applications for recognition for each training programme offered by that entity.

QFEs

One submitter stated that QFEs should be assessed and accredited as recognised CPT providers by the Securities Commission as part of the terms and conditions of obtaining QFE status. They stated that they assume that QFEs, once assessed, would then be able to offer structured learning to advisers.

One submitter suggested that an application for general recognition could be incorporated into an application for QFE status, as much of the same supporting material may be required.

One submitter supported allowing approved bodies and professional organisations to provide structured CPT. They stated that QFEs and industry experts who are able to provide high quality and focussed training analogous to that provided by structured training providers should also be categorised as structured CPT providers. That submitter stated that QFEs have considerable knowledge and expertise and given their existing role as providers of CPT, they will be able to provide CPT at a lower cost than most general training organisations. They also submitted that tight restrictions on which institutions can provide structured CPT may result in there being too few training providers to train AFAs who will be required to complete at least 12 hours of structured CPT per year.

That submitter stated that the distinction between structured and unstructured CPT is that structured CPT is directed training whereas unstructured CPT is self-directed. They stated that the distinction would mean that training by an organisation or expert individual directly pertaining to financial advice would be structured learning. They stated that if the Committee is concerned that this may not be interpreted correctly, the Committee could develop an indicative list that identifies various structured CPT providers and the structured programmes they provide. They stated that in this way the Committee could confirm that industry experts can provide structured CPT and QFEs or other FSPs can provide structured CPT on products that they issue or promote. They stated that once this guidance is provided, then it would be the AFA's responsibility to make decisions about what types of structured learning they will attend.

One submitter stated that a "recognised financial services industry body or professional organisation" be extended to include a QFE, recognising that the Securities Commission is charged with ensuring that the entity is capable of delivering to the legislative and Code requirements as part of the application process and ongoing monitoring of such an entity.

One submitter noted that the Committee's proposals require the individual AFA to have the responsibility to "self-determine professional development pathways". That submitter stated that presumably when an AFA operates under a QFE the QFE will be responsible for the AFA's CPT. They stated that the recognised professional organisations should automatically include QFEs.

One submitter stated that particularly under a QFE, larger financial advice providers may prefer to deliver adviser training including CPT. They submitted that the delivery of training by appropriately skilled internal staff should be recognised in a consistent way to that proposed for delivery of CPT by professional organisations. They also stated that this would include a mechanism for approval of course content and an "approved training organisation" status.

One submitter also stated that QFEs should be recognised as professional bodies for the purposes of the CPT requirements provided their processes are documented in their adviser business statement. They stated that they will document their approach to CPT within their adviser business statement and expect that CPT will form part of the QFE requirements.

General comments

One submitter stated that financial services industry bodies and professional organisations should be able to apply to be recognised by the Code Committee for the purposes of providing seminars, presentations etc and being eligible for CPT credits. The submitter also suggested that recognised bodies could include organisations such as: NZICA, NZ Society of Actuaries, Institute of Financial Professionals New Zealand, Workplace Savings New Zealand and Women in Super.

One submitter stated that some professional bodies deal with a limited range of financial products and services (ie CLUs) and yet would seem to be unduly favoured under the CPT proposals.

One submitter stated that it would be helpful if a central list of all recognised bodies and organisations could be maintained to ensure that the industry is clear on who is "recognised".

One submitter stated that it has a robust CPT programme which all members adhere to.

One submitter argued that the fact that they have an existing system in place including regional meetings, road shows and conferences should suffice. They stated that they would be happy to inform the Securities Commission of their CPT programme and recording process and to set up a website link to the Securities Commission.

One submitter stated that they will be applying to register as a recognised financial services industry body or professional organisation for the purposes of providing CPT.

Another submitter stated that the Commissioner should approve these bodies in consultation with the adviser community and that there should be very few bodies recognised for this purpose.

One submitter suggested that financial service industry bodies and professional organisations should be able to issue CPT credits for events/training that are provided by internal/in-house personnel or external parties selected by the industry body/professional organisation.

QUESTION SEVEN

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?

INDIVIDUAL SUBMISSIONS

Appropriate spread of categories

Four submitters stated that the spread is appropriate.

One submitter stated that the compulsory hours are appropriate. They also stated that it allows individuals to add further hours in the same area or other areas as suits their PDP.

One submitter stated that the categories are appropriate and a large part of these requirements are already provided for in the marketplace.

Inappropriate spread of categories

One submitter stated that the spread is not appropriate.

One submitter suggested that the compulsory training hours would create heavy costs for advisers and they are too prescriptive.

One submitter stated that the proposal is too prescriptive and complex and should be principle-based.

One submitter stated that the categories are too prescriptive and AFAs should be able to tailor their CPT requirements to their unique business environment.

One submitter stated that the definition of professional competence should be limited to technical knowledge of financial products, regulatory/legislative requirements, ethics, and understanding current financial market issues.

One submitter stated that the proposals are too prescriptive in specifying minimum hours of training across six different training categories.

One submitter stated that if the proposals are not altered, each AFA will be required to undertake a prescribed amount of structured CPT each year in 4-6 training areas and there is very little scope for the personalisation of individual CPT development plans. They submitted that if the requirements remain prescribed, AFAs will focus on compliance rather than development.

One submitter stated that the notion of compulsory training categories could lead to unnecessary time, cost and demotivating training sessions. They suggested that after a year or two there is little that can be taught without repeating material.

One submitter stated that the compulsory training categories are inappropriate. They submitted that it should be the responsibility of the AFA to determine appropriate training needs based on the type of advice they give, their current professional knowledge and personal professional training requirements. That submitter also stated that the categories fail to recognise the influence of existing knowledge and industry experience on ongoing training requirements.

One submitter stated that there should not be any specific learning categories as this does not promote flexibility and relevance. That submitter stated that provided structured and unstructured learning undertaken is relevant to the provision of financial adviser services, then this is all that should be required. That submitter highlighted the risk that the Securities Commission's resources

will be consumed by a “check box approach” and that this will result in many technical breaches due to inadvertent oversight, error or misunderstanding. They noted that Australian Securities and Investments Commission’s (ASIC) approach is a lot less prescriptive. They observed that the ASIC requirements are grouped under “general knowledge” and “specialist knowledge” and advisers are required to demonstrate that they have met the general knowledge requirements and specialist knowledge requirements relevant to their activities. They stated that ASIC does not apply compulsory categories or minimum CPT hours.

One submitted stated that they are not opposed to compulsory training categorisation per se. They stated that NZICA is about to introduce mandatory ethics training this year. However they stated that the level of prescription in the proposed requirements is daunting. They also submitted that for members in rural/isolated areas, meeting the requirements will be particularly difficult. They submitted that there is a risk that AFAs will seek two hour courses with education providers tailoring multiple short courses on that basis. They suggested that two hour courses have a limited benefit.

One submitter stated that there are six compulsory categories, which, when combined with the two other categories (structured and unstructured) become very complicated. They also submitted that the categories should be reduced to three groups: compulsory (structured or unstructured activities ie the “must do” activities); optional structured and optional unstructured.

One submitter agreed with the compulsory training categories but stated that there needs to be more flexibility in the allocation of CPT hours to each category. They suggested that this would recognise changing training needs and changing emphasis year by year. For instance in times of no regulatory change, the regulation and ethics categories are in the nature of refresher courses and the hours could be reduced and greater focus could be placed on product knowledge if there is a lot of product change. By contrast they suggested that if there is significant regulatory change, the allocation for regulatory CPT would need to be increased.

That submitter also stated that a flexible allocation of hours to various categories would recognise the different specialist fields advisers operate in as product, market environment and regulatory change will often affect one specialist area differently to another.

Categories should be guidance only

One submitter stated that this prescription may force AFAs to undertake training in areas that does not improve their knowledge or skills. That submitter stated that AFAs will not be inclined to embrace the CPT requirements if they are spending time and money to undertake training that they do not need. They suggested that the subject-matter areas should be included within the Code as a guide only to AFAs and training organisations as preferred subject matter and not prescribed.

One submitter agreed that the categories are appropriate but either that the categories should be by way of guidance only or the timeframe for the requirements to be met should be increased to two years. They stated that requiring an AFA to cover the full spread of categories every year will limit the flexibility for AFAs to select training that is appropriate. They stated that providing these categories as guidelines would place the responsibility on the AFA to identify appropriate areas of professional development and will allow AFAs to branch out into other areas if they deem it appropriate. They suggested that this will encourage more meaningful learning.

One submitter stated that these potential problems could be avoided by providing levels of structured versus unstructured learning hours as a guide only. They also stated that there should be an appreciation that what is best for each individual may vary from year to year in terms of the amount of time spent on each category.

Prescriptive nature of compulsory training categories conflict with objective B

One submitter stated that the compulsory training categories are too prescriptive and conflict with objective B. They also stated that they conflict with statements in sections 5 and 6 of the consultation paper – that AFAs are responsible for ensuring that they adhere to the requirements specified in the Code and with the objective that AFAs self-evaluate and self-determine appropriate training opportunities.

That submitter stated that an AFA should be required to demonstrate competence in the activity type at any stage (e.g. regulation and legislation relevant to the provision of financial adviser services; specialist financial advice and product knowledge relating to an adviser’s specialist advice area). However they stated that each AFA will know their particular strengths and weaknesses in knowledge and therefore each AFA should have the flexibility to address them as required. They stated that it should not be determined by the Code and instead this should be planned for, documented, and assessed in each AFA’s PDP. One submitter stated that the Code could provide guidance on what should be canvassed in the AFA’s PDP.

One submitter stated that the responsibility for maintaining competence is on the professional’s shoulders. They suggested that it is the AFA’s responsibility to assess their competence needs and gaps in particular areas and address those in order to meet their requirements under the ethical behaviour and client care standards.

One submitter stated that the second objective of allowing sufficient flexibility to enable AFAs to select training that is individually appropriate, relevant, valuable and accessible is over-ridden by the requirements of the compulsory categories in Part C.

One submitter stated that specifying the minimum training hours for specific categories as detailed in Part C is contrary to the objective that AFA’s should “self-evaluate and self-determine appropriate training opportunities”.

One submitter stated that the compulsory training categories nicely prescribe a programme for employers to adopt for an annual refresher course. They stated that this is a good idea but it may be inconsistent with the objective of “flexibility” to maintaining standards and professionalism.

Prescribed hours are inappropriate

One submitter suggested that within the compulsory training areas there should not be prescribed hours for each activity i.e. a minimum of two hours for ethics each CPT year. They submitted that it should not be problematic if someone managed to find and engage in eight CPT hours of ethical training in a particular year, and then the following year engaged in eight hours of CPT on client focused skills. They submitted that this approach would provide advisers with sufficient flexibility to take advantage of appropriate training when it is actually available.

One submitter stated that the proposed compulsory training activity spread is too restrictive especially on an annual basis. He suggested that the individual components should be halved and spread over two years. He also suggested that personal circumstances and availability of suitable courses may make it practically difficult to many advisers to achieve this as it stands at present.

One submitter stated that the breakdown of structured portion into various minimum requirements is too prescriptive and advisers should have the ability to focus on the most appropriate training for their needs and client base.

Merging of categories

One submitter stated that the spread is appropriate but combining categories would make the activity types more flexible (and potentially less confusing) for the AFA to select training that is practical and relevant for them. They recommended combining regulation, legislation, ethics and

professional conduct training into one category with AFAs required to complete a minimum of two hours.

They submitted that professional skills, specialist knowledge and current market conditions could be merged into one category with the AFA required to complete eight hours.

One submitter stated that it is important that AFAs should be required to undertake particular training but they stated that many of the categories are too similar to one another resulting in overly detailed requirements. Therefore that submitter suggested that instead of six categories of compulsory training there should only be two: training on AFAs' regulatory obligations, ethics; and professional conduct and product knowledge and delivering advice in each AFA's specialist area(s) (including areas where they plan to expand their speciality). That submitter stated that the minimum allocation of CPT hours for each type of activity should be five hours per year. They stated that this would provide greater flexibility and will allow them to engage in more training on either of the two key areas if they wish.

That submitter also noted that this approach would accommodate the wide variety of AFAs advising on different products, which is difficult under the proposed allocation of CPT hours. They gave the example of retail-facing investment advisers and stated that only 25% of their minimum CPT time (ie five hours) would not be prescribed by the Code.

Compulsory training hours should be increased

One submitter stated that 15 hours of compulsory training is "woefully inadequate". He stated that if total CPT is increased to 50 hours per annum then the compulsory training in Part C should be doubled pro-rata.

Comments on compulsory categories

Category 1 Regulation and legislation

<i>Regulation and Legislation relevant to the provision of financial adviser services including any changes to the Code Of Professional Conduct</i>	<i>Minimum of 2 CPT hours per CPT year</i>
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One submitter stated that the requirement for two hours per year on regulation implies that every year there will be changes to the Act or Code. He suggested that this category should be deleted.

One submitter agreed that where appropriate advisers should keep up to date with any changes in legislation, regulation, and ethics as these occur. That submitter stated that when these changes occur they can be very complex and require many hours of CPT to fully understand the implications for the adviser and their clients, so the adviser should have flexibility within the CPT regime to be able to devote the time required to understand such change i.e. PIE/FDR tax changes, adviser regulation etc – without having a forced requirement to spend some of their hours doing CPT in areas that are not so relevant or timely.

One submitter stated that requiring AFAs to complete a minimum of two hours of CPT on regulation is inappropriate as this is unlikely to change significantly on an annual basis.

One submitter stated that ongoing changes to legislation (ie changes to tax laws) are likely to have a material impact on the advice given by AFAs. They suggested that as a result AFAs need to be up to date on any such changes and aware of the impact these changes may have on the advice they provide.

One submitter stated that the compulsory categories place too much emphasis on knowledge of regulation. They stated that core knowledge of these should be part of an AFA's minimum

competence standards at the time AFA status is granted and that it should not form 20% of ongoing annual CPT. It was suggested that rather than having compulsory training categories, CPT should focus on a requirement that CPT be relevant to the financial services provided by the AFA and contain at least four hours on regulation every five years.

Category 2 Ethics and Professional conduct training

<i>Ethics and Professional conduct training</i>	<i>Minimum of 2 CPT hours per CPT year</i>
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One submitter stated that it is difficult to obtain appropriate training on ethics. They noted that this is an area the IFA included as a professional development requirement but then dropped recently due to the difficulties in finding appropriate courses and presentations. They stated that the problem would be exacerbated for long-standing practitioners who were attending the same courses each year as no others were available and that this is not beneficial for anyone.

One submitter stated that he does not think that there should be a requirement for two hours per year on ethics as the legislation spells out clearly the minimum standards required.

One submitter stated that four CPT hours should be required every two CPT years not each year. They submitted that:

- AFAs must meet a minimum standard of ethics and professional conduct to function in the industry and post-qualification there should be little need for major improvement in the area. They suggested that there are likely to be limited ongoing learning opportunities in this area for competent AFAs. They also stated that this also reflects the fact that ethics and professional conduct is not an area of learning that will date as quickly as other areas.
- A requirement for two hours of CPT per year may create an industry to provide ethics and professional conduct courses to satisfy the CPT hours. They stated that it would be preferable to give AFAs more flexibility by allowing them to satisfy this over a 24 month period. They submitted that this flexibility would be consistent with the CPT objectives.

One submitter stated that AFAs who are competent and have obtained CFP/CLU status should not be required to take sessions on ethics, professionalism and professional skills each year. He stated that these elements will have been developed over many years of practise. That submitter stated that this category should be deleted.

One submitter stated that the compulsory categories place too much emphasis on knowledge of ethics and professional conduct. They stated that core knowledge of these should be part of an AFA's minimum competence standards at the time AFA status is granted. They also stated that it should not form 20% of ongoing annual CPT. One submitter stated that rather than having compulsory training categories, CPT should focus on a requirement that CPT be relevant to the financial services provided by the AFA and contain at least four hours on ethics every five years.

One submitter stated that requiring AFAs to complete a minimum of two hours of CPT on ethics is inappropriate as this is unlikely to change significantly on an annual basis.

Category 3: client focused professional skills

<i>Client focused professional skills. (Mandatory for retail-facing AFAs, optional for other advisers.)</i>	<i>Minimum of 2 CPT hours per CPT year.</i>
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One submitter stated that it is inappropriate to regulate compulsory minimum CPT requirements with regard to commercial matters such as client-focused professional skills.

Two submitters stated that further clarification and definition is required regarding this category.

One submitter stated that the hours for client focused professional skills could be increased as this is an area where industry practice can change and regular refresher courses are important.

One submitter stated that “client focussed professional skills” should be left to those advisers who feel they need to develop in this area rather than being compulsory for all.

Category 4: specialist financial advice and product knowledge

<i>Specialist financial advice and product knowledge relating to an adviser’s specialist area (investments, life insurance, general insurance, mortgages)</i>	<i>Minimum of 5 CPT hours per CPT year</i>
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One submitter queried the rationale behind the requirement to undertake two hours of training in this area. They suggested that the Committee look at using other tools to address the perceived problem (ie guidance documents).

One submitter suggested that the minimum number of hours should be reduced to three hours.

One submitter suggested that the specialist financial advice and product knowledge be reduced to four hours.

One submitter stated that he does not think five hours for specialist financial advice and product knowledge relating to an adviser’s specialist area (investment, life insurance, general insurance and mortgages) is appropriate. He stated that the specialist financial area of financial planning should be included in this list.

One submitter stated that this category has merit. It was submitted that this should include in-house education such as research meetings that are specific to the AFA’s knowledge requirements, and should also include education delivered by not only external third parties but also appropriately qualified experts within the organisation. They stated that the nature of the business undertaken by the AFA may be such that the delivery of some of the ongoing education may be best provided by knowledgeable individuals within the organisation.

One submitter stated that it would be in consumers’ interests to increase the hours for specialist financial advice and product knowledge to ten hours to ensure better understanding of products and advice process.

One submitter stated that there should be a greater weighting towards product and specialist knowledge as this is an area where industry practice can change and regular refresher courses are important.

One submitter stated that he would like to place more emphasis on product training as five hours is insufficient. He submitted that he commits 20 hours per year to product training and that is also insufficient. He also submitted that any AFA offering a product should be able to demonstrate one CPT credit per product as different products have different features and these need to be understood to meet clients’ needs. He submitted that product providers should be able to issue CPT credits for one-on-one or workshop sessions.

One submitter stated that “specialist financial advice and product knowledge” should be left to those advisers who feel they need to develop in that area rather than being compulsory for all.

Trust and estate planning

One submitter stated that they have previously proposed that there should be a separate specialist category for the trustee industry under standard set D of the proposed National Certificate or a

separate class of AFA. They proposed that “trust and estate planning” be included as an example of specialist financial advice and product knowledge.

Category 5: current financial market environment training

<i>Training on current financial market environment (mandatory for investment advisers, optional for other advisers)</i>	<i>Minimum of 2 CPT hours per CPT year.</i>
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One submitter stated that this needs further definition and they queried whether reading the daily newspaper and weekly journals fulfils this criteria.

One submitter stated that “training on current financial market environment” activities should be left to those advisers who feel they need to develop in this area rather than being compulsory for all.

One submitter stated that training on this should be increased to three hours and should be mandatory for all advisers. They stated that it is often a lack of broader financial macro features that leads to poor investment advice.

Category 6: business practices, processes and governance

<i>Financial Adviser business practices, processes and governance</i>	<i>Minimum of 2 CPT hours per CPT year</i>
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One submitter stated that it is inappropriate for the Code to require compulsory minimum CPT requirements for business practices/processes.

One submitter stated that further clarification is required regarding this category.

One submitter stated that financial adviser business practices, processes and governance should not be a compulsory category as it is not relevant to all financial advisers, particularly those advisers who work in the corporate environment.

General comment

One submitter stated that there needs to be greater recognition of the workloads of advisers.

One submitter stated that the compulsory spread totals a minimum of 15 hours and assuming that most of that is structured that leaves around five hours in the unstructured category. Therefore they stated that there is a slight misalignment against the 12 hour minimum for structured CPT but that this may be of minor consequence.

OTHER MATTERS

Different CPT standards for different groups of AFAs

Wholesale AFAs

One submitter drew attention to the need for a divide between retail and wholesale AFAs which they said seems to have been acknowledged to some degree in the client-focused professional skills category. They stated that wholesale market professionals need to focus on the big picture market and industry issues rather than product specific issues.

That submitter stated that it delivers 25-30 hours of professional development into the industry each year and they feel that they meet the needs of wholesale AFAs and many of the knowledge-based needs of retail AFAs who avail themselves of the CPT opportunities.

One submitter stated that the proposed standards do not recognise that many AFAs will not be providing retail services. They submitted that those who provide services to non-retail clients should be exempt from the standards. They included within this group non-retail securities traders, research analysts and persons reporting on securities for non-retail clients and non-retail securities advisers such as investment bankers. They also stated that if investment transactions are not carved out, those who only make investment transactions should not be required to comply with the CPT standards as they do not require the same level of knowledge required for those giving financial advice or financial planning services.

One submitter stated that the CPT standards need to recognise the different role of wholesale advisers. They referred to the competence consultation paper's requirement that wholesale AFAs only complete standard set B. They stated that since wholesale AFAs only have a limited competence requirement, the CPT requirements should be limited to the regulation and ethics categories (although they stated that it is arguable that wholesale AFAs should be exempt from CPT standards).

Accountants

One submitter stated that 20 CPT hours per year is consistent with that required for comparable bodies. However they stated that this will add an unreasonable burden for NZICA members whose NZICA-eligible CPT may not fit within the limited definitions of the Code's requirements. They also stated that most NZICA members are not working full time in financial advice. Some will only be working in specific areas. They also noted that the Australian Securities and Investments Commission (ASIC) has not prescribed a minimum number of hours because the "time required would vary according to the adviser's activities and level of experience". They observed that the ASIC stated that it would monitor whether professional bodies nominate appropriate minimum hours of CPT and would consider setting minimum hours if ASIC became aware that licensees were not nominating appropriate figures.

That submitter stated that NZICA members with AFA status should be required to have an additional requirement to undertake training in (the relevant areas of) financial advice. They stated that NZICA has a long-standing CPT process in place and it would be sensible and reasonable for the Committee to have some form of mutual recognition (or independence recognition) of the CPT requirements of relevant professional and industry bodies. They stated that NZICA holds mutual recognition agreements with eight international accountancy bodies, and this recognition includes recognition of member bodies' respective CPT requirements.

CPT for those only making investment transactions

One submitter stated that if the Amendment Act does not carve out investment transactions, those who only make investment transactions should only be required to complete two CPT hours per CPT year on each of:

- regulation and legislation relevant to the provision of financial adviser services; and
- ethics and professional conduct training.

Registered Advisers

One submitter stated that registered advisers will not be bound by the Code and therefore will not be required to carry out CPT. They stated that allowing advisers to operate with no requirement to enhance or maintain competence does not meet the aims of the legislation.

General comments

One submitter stated that overall the consultation paper heads in the right direction but it imposes additional costs for advisers and little flexibility or choice.

One submitter stated that there may be a conflict of interest as the same bodies are involved in the assessments, exams, definitions and identification of shortfalls, design of remedies and then provision of remedial courses and resulting re-assessment all providing potential fee charging opportunities.

That submitter also stated that he is uncomfortable with “bureaucrats being in total control of defining, identifying, and assessing professional skills and experience where some of them have never worked or directly experienced what they are ruling on”.

One submitter stated that the Code should allow the Commissioner for Financial Advisers or the Disciplinary Committee to direct an AFA to undertake CPT training in specific areas if a specific AFA requires it and where the need for such training is evidenced by disputes.

One submitter stated that advisers who belong to a professional body, such as IFA, who have a robust CPT programme with its own processes for auditing these, should not also be required to have their CPT hours audited by external auditors.

A number of submitters stated that the terminology should be changed from CPT to continuing professional development to fit with the industry usage. These submissions have not been individually noted given that the terminology is prescribed by statute.