

CHANGES TO THE CODE OF PROFESSIONAL CONDUCT FOR AFAS

The revised Code comes into force on 1 May 2014. If you're an Authorised Financial Adviser (AFA), here's what you need to know.

The key changes

- Code Standard 1 has been amended to clarify that placing the interests of the client first and acting with integrity, is paramount.
- A new Code Standard has been included for managing conflicts of interest (Code Standard 5).
- Changes have been made to Code Standard 6 to remove uncertainty around the expectations for AFAs to 'analyse' financial products. The Code Standard now refers to financial products being assessed or reviewed to a level that provides a reasonable basis for a recommendation.
- The minimum standards of client care have been revised to clarify what is required from AFAs at each stage of the advice process to enable the client to make a decision on whether to use an AFA's service, right through to making informed decisions about investing.
- A new provision has been included to enable AFAs to advise on KiwiSaver first home withdrawals without having attained Unit Standard Set D (provided the AFA satisfies Code Standard 14).
- The requirements for AFAs' professional training have been made more flexible by broadening the definition of structured professional development, spreading the professional development hours over two years and increasing the number of structured hours AFAs are required to undertake from 20 to 30 hours.

What you need to do now

If you're an AFA, you will need to familiarise yourself with all of the changes to the Code of Professional Conduct. Please refer to the new revised Code of Professional Conduct booklet included with this brochure.

We understand some of these changes may take time to incorporate into your current business practices. We will be talking to industry bodies about how advisers should implement changes, but as a general guide, our monitoring team will expect to see that from 1 July onwards you have given attention to the following areas:

Adviser Business Statement (ABS)

You will need to review and update your ABS, particularly: consider how you manage conflicts of interest in light of the new Code Standard 5 – and that any changes to your processes are reflected in Part 2 of your ABS.

Professional development

Review your professional development plan and make any changes for the rest of the current CPD year, and start planning for the CPD period for 2015. After 1 May 2014 some training that was previously unstructured may meet the new Code definition of structured training – so your plan should be amended to reflect this.

Disclosure

You should also consider whether amendments need to be made to your Disclosure Statement in light of the changes to the Code Standards, for example as a result of the new Code Standard 5.

Advice and record keeping

We also expect that you will take the opportunity when you next provide a financial adviser service to a client to ensure your processes are aligned with the revised standards of client care (Code Standards 6-13) and Code Standard 12 *“Keeping information about personalised services for retail clients”*.

Client outcomes

FMA is keen to ensure that the new Code supports the professionalism of financial advisers and most importantly, helps you to deliver optimal client outcomes. We will continue our dialogue with AFAs and professional associations to ensure we are aware of any practical implementation issues, and we encourage you to do the same or raise any issues directly with us.

Questions

If you have any questions about the Code, the Standard Conditions or your obligations as an AFA, please visit our website fma.govt.nz or call us on 0800 434 567.

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