



CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

20 November 2015

David Ireland
Code Committee Chair C/- Kensington Swan
PO Box 10246
Wellington New Zealand

Email: consultation@financialadvisercode.govt.nz

Dear Mr Ireland

Code Committee Review of the Code of Professional Conduct for authorized financial advisers

Chartered Accountants Australia and New Zealand (Chartered Accountants ANZ) welcome the opportunity to provide feedback and lodge a submission to the Code Committee's Review of the Code of Professional Conduct for Authorised Financial Advisers (AFAs).

Chartered Accountants ANZ's education and professional standards framework places the organisation in a unique position to provide comments and feedback on the proposed changes to the Code of Professional Conduct for AFAs.

Members of Chartered Accountants ANZ operate and hold a wide range of roles within the financial services industry including small practices through to major financial institutions and financial product manufacturers. In addition, in Australia there is a similar consultation underway reviewing the professional, ethical and education standards of those that provide financial advice.

Chartered Accountants ANZ is a professional body comprised of over 100,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over. Specifically in New Zealand, our 30,000 form the majority of the local accounting profession.

Members of Chartered Accountants ANZ are known for professional integrity, principled judgment, financial discipline and a forward-looking approach to business. We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international capital markets.

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Chartered Accountants ANZ is committed to promoting public policy that furthers the overall interests of New Zealand. We operate under a strong culture of putting the public interest before the interests of our members.

The Code of Professional Conduct provides an important framework for setting the minimum standards of competence, knowledge and skills required to provide financial adviser services.

We understand the Committee does not want to impose significant change upon financial advisers before the outcome of the current statutory review of the Financial Adviser Act 2008. We support the majority of the Committee's proposed changes to the Code as in general they provide a further degree of clarity for AFAs and reflects the education framework of the New Zealand Certificate in Financial Services Level 5 (the New Zealand Certificate).

However we oppose the removal of the Chartered Accountant (CA) and Associate Chartered Accountant (ACA) designations from the code as alternatives to the core components of the New Zealand Certificate. Our opposition is based on the fact that attainment of the CA and ACA designations both meet and exceed the minimum requirements for recognition as an AFA. The minimum entry requirement to the CA and ACA programmes is a tertiary degree in accounting, which the committee have accepted as a satisfactory alternative to the core components of the New Zealand certificate.

This sentiment is mirrored and further explored in the submission authored by Chartered Accountants ANZ Head of Education, Jason Dale.

If you have any questions about our submission or would like to discuss further please do not hesitate to contact me.

Sincerely



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SUBMISSION TEMPLATE

Submission: Code Committee review of the Code of Professional Conduct for Authorised Financial Advisers Consultation Paper

Please use this template and email your submission to [consultation@financialadvisercode.govt.nz]. Alternatively, post your submission to David Ireland, Code Committee Chair, C/- Kensington Swan, PO Box 10246, Wellington. Submissions must be received by 5 pm 20 November 2015.

Submission by:

Person:	Hugh Elvy, Financial Services Leader
Company or entity:	Chartered Accountants Australia and New Zealand
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Total pages:	7
Date:	20 November 2015

For each question please note your comments and suggestion for improvement (if any). If you agree with a proposal and have no further comments, please just note 'agree' in the submission column.

Question Number	Submission	Suggestion for improvement (if any)
1	<p>Agree</p> <p>We support the intent of the proposed change to Code Standard 3.</p> <p>The use of the term "independent" is an important one not only for the industry but also for consumers. From a consumer perspective an understanding that the services being provided</p>	

	<p>are not being influenced by a product provider will in due course increase the level of trust and confidence in the industry.</p> <p>In light of the change with a discretionary investment management service (DIMS) being classified as a category 1 or category 2 product then we support the proposed change to provide a level of clarity for authorised financial advisers.</p> <p>Whilst it is an issue that has been considered previously there needs to be a level of comfort that the use of DIMS, wrap account services and platforms are in themselves not subject to contractual obligations that may influence AFAs.</p>	
2	<p>Agree</p> <p>The proposed changes would appear to provide AFAs with a level of certainty and clarity.</p>	
3	<p>Agree</p> <p>We support the proposed changes to Code Standards 15 and 16 to recognise the New Zealand Certificate as the new minimum standard.</p>	
4	<p>Agree</p> <p>We support the changes to incorporate reference to the new specialist strands proposed for Code Standards 16</p>	
5	<p>Agree</p> <p>We support the current National Certificate being recognised under the Competency Alternatives Schedule until 31 December 2017. We believe this is an appropriate transition period.</p>	
6	<p>Disagree</p> <p>Refer to the submission authored by Chartered Accountants ANZ Head of Education, Jason Dale that specifically addresses this question.</p> <p>We oppose the removal of the Chartered Accountant (CA) and Associate Chartered Accountant (ACA) designations from the code as alternatives to the core components of the New Zealand</p>	<p>Retain the alternate designations of both Associate Chartered Accountant and Chartered Accountant.</p>

	<p>Certificate. Our opposition is based on the fact that attainment of the CA and ACA designations both meet and exceed the minimum requirements for recognition as an AFA. The minimum entry requirement to the CA and ACA programmes is a tertiary degree in accounting, which the committee have accepted as a satisfactory alternative to the core components of the New Zealand certificate.</p>	<p>Update member body name to Chartered Accountants Australia and New Zealand</p>
7	<p>Agree</p> <p>We believe there maybe alternative qualifications that could be considered as an alternative to the investment strand, however in terms of simplicity we support the Committee’s intent to not create an excessive level of complexity within the Competence Alternative Schedule. There is still an option to apply to the Financial Markets Authority for an exemption for the investment strand.</p>	
8	<p>Agree</p> <p>We do not believe further changes are required to Code Standard 6(c).</p> <p>We understand the previous change where using the terminology of “analysed” may have indicated a technical connotation and the need for AFAs to engage in a deeper level of assessment than was the intention of the Code Standard.</p> <p>As stated, flexibility is important, there is value in using external research and analysis, however there needed to be clarity around whether the interpretation was that such an approach was mandatory.</p> <p>While there is a need to focus on providing clarity it is important that the Code also provides the opportunity for AFAs to demonstrate a level of professional judgement. While a prescriptive approach can be easier and provides a ‘safe harbour’ with an intent to develop professionalism within the industry a principles based approach is more appropriate.</p> <p>A key element stated in the Consultation paper includes – “AFAs are also expected to observe the spirit underpinning the Code...” This reflects the intent of a principled professional</p>	

	<p>approach to the provision of services and the advice. Code Standard 6 aligns with this approach.</p>	
9	<p>Agree</p> <p>At a high level we support the reference to the transactional advice mechanism and its value in enhancing the access to financial advice. However there are number of issues to consider in due course.</p> <p>There is value in the provision of a form of transactional service/ advice. We believe providing guidance currently between transactional advice and personalised advice is important to provide AFAs with an appropriate level of clarity. The current challenge is the use of the term “transactional advice” and how consumers understand this. The term “advice” from a consumer perspective implies “opinion” or “recommendation” irrespective of the additional description of “transactional”.</p> <p>This is an issue that may be addressed through the FAA review.</p> <p>Aside from the discussion over the term “transactional advice” the guidance within Code Standard 8 provides an appropriate level of clarity and understanding for AFAs.</p>	
10	<p>Agree</p> <p>With the current FAA review at this time Code Standard 8 does provide an appropriate level of guidance for AFAs and no further changes are required.</p> <p>While it can be argued that the lack of consumer engagement in receiving financial advice services is a reflection of the associated compliance, paperwork and due diligence to discharge obligations it is also a reflection of the level of financial literacy consumers have. This lack of financial literacy is a reason for consumer not understanding the value of advice and the basis for the steps of the advice process.</p> <p>In addition while the complexity of the regulatory framework may well be an impediment for consumers, the key issue is the lack of trust and confidence.</p>	

Changes not covered in the consultation paper

If you would like to propose changes to any aspect of the Code not covered in the consultation paper, please record your submission in the following table.

Code Standard number or Code section	Proposed change	Rationale for proposed change

Submission summary:

Chartered Accountants Australia and New Zealand support the majority of the proposed changes and in particular the Committee’s intent to not impose significant change upon financial advisers before the outcome of the Financial Advisers Act 2008 review. Generally we believe the proposed changes provide an improved level of clarity for AFAs but also importantly reflect an intent to encourage professionalism within the financial services industry.

However we do not believe it is appropriate to remove Associate Chartered Accountant and Chartered Accountant designation recognition from the Alternative Designations of the Competence Alternatives Schedule for the Core Standards component. We believe the designations’ combination of education and professional framework well places those members to satisfy the Core components’ requirements.

Confidentiality:

N/A