

## **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.

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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.

<b>Question number</b>	<b>Submission</b>	<b>Suggestion for improvement (if any)</b>
1	No comment	
2	No comment	

<p>3</p>	<p>Yes, the Code needs to recognise the New Zealand Certificate in Financial Services (Level 5). However:</p> <p><b>CS15</b> The new paragraph 'For the purposes of...<i>Competency Alternatives Schedule</i>' is not required if - as it stands at present - there remains no competency alternative to unit standard 26360 (version 3 or later).</p> <p>However, see comments below in response to Question 6 and Appendix 1, which, if implemented, would enable retention of this wording.</p> <p><b>CS16</b> The New Zealand Certificate in Financial Services (Level 5) can only be attained by completing the core and at least one strand. Therefore the word 'together' should be removed.</p> <p>It is incorrect to refer to 'Units' or 'Unit Standards'. The New Zealand Certificate in Financial Services (Level 5) comprises graduate outcomes and is not based on assessment against unit standards. The exception is the financial advice strand, where the graduate outcomes require assessment against unit standards 26360 and 26560 to 26563.</p> <p>If, for the purposes of the Code, 'component' is to be used to capture the qualification's 'core' and 'strand' graduate outcomes, the definition of 'component' in section H must be changed to correctly interpret the make-up of the qualification and ensure consistency in terminology with the qualification, as listed by NZQA.</p>	<p>Delete the word 'together'.</p> <p>Amend definition of 'Component' to read: 'A graduate outcome or set of graduate outcomes forming part of the New Zealand Certificate in Financial Services (Level 5) identified as a component of that qualification in the <i>Competence Alternatives Schedule</i>.'</p>
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	Note that, to maintain consistency, discontinuing reference to 'Sets' in the Code will require changes to the qualification conditions.	
4	Yes, the Code should now refer to strands. However, clarification is sought on whether this includes the three strands that were not part of the National Certificate in Financial Services (Financial Advice) (Level 5) – Personal Lending, Banking and Trustee Services. These three strands are not included in the New Zealand Certificate in Financial Services (Level 5) qualification as valid strands for authorisation.	Depending on the Committee's intention, either: <ul style="list-style-type: none"> <li>• Specify the strands that are eligible/not eligible; or</li> <li>• Arrange for the qualification to be amended to include the Personal Lending, Banking and Trustee Services strands as valid strands for the purposes of authorisation.</li> </ul>
5	<p>No, we do not agree with the proposed eligibility sunset date for recognising the National Certificate in Financial Services (Financial Advice (Level 5)).</p> <p>The proposed date of 31 December 2017 is inconsistent with the 31 December 2018 expiry date for the National Certificate in Financial Services (Financial Advice (Level 5)), as stated in the transition information for the New Zealand Certificate in Financial Services (Level 5) qualification.</p> <p>It is also inconsistent with the date disseminated by the Skills Organisation to education providers, which, in turn, has been advised to QFEs, current students and potential students. As such the change will create unnecessary confusion and stress for advisers/potential advisers.</p> <p>CS17 already provides for any gaps in an AFA's</p>	Align the sunset date for the National Certificate in Financial Services (Financial Advice (Level 5) with the last date for award of that qualification - 31 December 2018.

	<p>competence, knowledge and skills to be addressed through CPD, and this can apply until 31 December 2018.</p>	
6	<p>We have some concerns around terminology and the inconsistent treatment of the National Certificate in Financial Services (Financial Advice (Level 5) as an alternative qualification, and the qualification offered by CPIT.</p> <p><b>Terminology</b> Following on from our response to Question 3, the terminology used in the 'Component' column of the Competence Alternatives Schedule should align with that used in New Zealand Certificate in Financial Services qualification (Level 5).</p> <p>Therefore, reference to 'Core Standards' and the abbreviated titles of unit standards should be replaced by reference to the core and strand graduate outcomes. Further, referring to the graduate outcomes by number rather than text would simplify the Schedule. The exception to this would be in respect of the financial strand, where reference to assessment against unit standards is appropriate.</p> <p>'(Financial Advice)' should be removed from the qualification title in the heading in column 1.</p> <p><b>National Certificate in Financial Services (Financial Advice (Level 5))</b> Applying a different alternative qualification based on the version of unit 26360 is both confusing and difficult</p>	<p>See Appendix 1 for suggested improvement.</p> <p>'Core Standards' should be removed from the Definitions Schedule. (Term not used if our suggestions are accepted).</p>

to implement in practice. It should be sufficient to apply 'Units 26360 and 25650-25653 of the National Certificate in Financial Services (Financial Advice) (Level 5)' as an alternative to the financial advice strand, subject to the eligibility sunset.

If the Committee's intention is to accept only version 3 of unit 26360, that can be stated (i.e. '26360 (version 3 or later)'). However, we would point out that version 3 was introduced only in May 2015, and some students who passed the exam early in 2015 may still be in the course of completing their qualification. It seems unfair that these students will have to pay for further training and assessment, when they have been given no prior warning of the impending change.

There is no recognition of the old Set E (Insurance and Residential property lending). This should be recognised in the same way that Set D is recognised as an alternative to the investment strand.

**CPIT qualification**

It is noted that page 7 of the Summary of Proposed Changes refers to the CPIT Graduate Diploma as an appropriate alternative to the New Zealand Certificate, whereas the Competence Alternatives Schedule refers to the Bachelor of Applied Management in Financial Planning. Further on page 7 it also appears to exclude unit 26360 from that recognition, yet the CPIT qualification appears as an alternative to the financial advice strand, including unit 26360.

For consistency with the capstone approach, only

See Appendix 1 for suggested improvement.

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	assessment of unit 26360 conducted by the Skills Organisation should be recognised.	
7	No comment	
8	No comment	
9	No comment	
10	No comment	

### **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.

N/A.

### **Submission summary:**

Our submission covers questions 3-6 only. The key points are:

- In terms of terminology and transition timeframes, changes to Code Standards 15 and 16, and sections G and H need to be consistent with the New Zealand Certificate in Financial Services (Level 5) qualification, as listed by NZQA.
- The Competence Alternatives Schedule should cover the core and all relevant strands in the New Zealand Certificate in Financial Services (Level 5), and clearly recognise the corresponding Sets/Unit Standards pertaining to the National Certificate in Financial Services (Financial Advice (Level 5) that apply as recognised alternatives.

### **Confidentiality:**

[[Please state in writing here, if you wish your submission, or any part of it, to remain confidential to the Code Committee and the Secretariat, subject to any overriding statutory obligation.]

## APPENDIX 1

### Suggested Competence Alternatives Schedule (first two columns only; no changes proposed to Alternative Designation)

New Zealand Certificate in Financial Services (Level 5) Component	Alternative Qualification
Core (Graduate outcomes 1-4)	As per proposal, subject to clarification of the appropriate CPIT qualification and following rewording (for consistency with strands): Units 24755, 25642 and 25643 of the National Certificate in Financial Services (Financial Advice (Level 5) subject to the eligibility sunset
Financial advice strand (Graduate outcomes 5-6, including assessment against units 26360 [version 3 or later], and 25650-25653)	Units 26360 and 25650-25653 of the National Certificate in Financial Services (Financial Advice (Level 5), subject to the eligibility sunset
Investment strand (Graduate outcomes 7-9)	As per proposal, subject to clarification of the appropriate CPIT qualification
Life and health insurance strand (Graduate outcomes 10-13)	Units 25644, 25645 and 25646 of the National Certificate in Financial Services (Financial Advice (Level 5), subject to the eligibility sunset
General insurance strand (Graduate outcomes 14-17)	Units 25644 and 25647 of the National Certificate in Financial Services (Financial Advice (Level 5,) subject to the eligibility sunset
Residential property lending strand (Graduate outcomes 18-21)	Units 26286 and 26287 of the National Certificate in Financial Services (Financial Advice (Level 5), subject to the eligibility sunset

**Note:** If the Personal Lending, Banking and Trustee Services strands are to form part of AFA authorisation, consideration should be given to including them in this table with a 'no recognised alternative'. This will provide clarity and consistency.