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Professional IQ College Response to Code Committee Proposed Changes to the Code of Practice for Authorised Financial Advisers

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Contact information on Behalf of Board of Professional IQ College Accredited Training Provider

Contact Person: Lesley Southwick Principal Professional IQ College

Contact phone: 09 3061731 or 0274599804

Email: lesley@professionaliq.co.nz



Introduction

Professional IQ College welcomes the opportunity to provide feedback on the Code of Professional Conduct for Authorised Financial Advisers (the Code).

Professional IQ College is an NZQA accredited Independent (Private) Training Establishment wholly owned subsidiary of the Insurance Brokers Association of NZ. Professional IQ College has an independent Board with representation across the financial services sector and an independent director. As such we are the only industry owned accredited provider in Financial Services.

We deliver the NZ Certificate in Financial Services (NZCFS) Level 4 & 5 as well as professional development to the broader financial services sector. We are currently the only accredited provider delivering both the NZCFS Level 4 & 5 to the sector. This means we have been accredited and had our programme of delivery approved by NZQA for these two new certificates. We are also offering recognition of prior learning programme (Bridging Programme) that allows students with the National Certificate in Financial Services Level 5 to transfer and be awarded the new NZCFS Level 5 upon completion of the new content areas. All programmes have been quality assured by Skills Organisation prior to delivery.

This submission will focus primarily on the education and training changes proposed to the Code and where appropriate we will comment on other sections.

Recap on structure of the New Zealand Certificate in Financial Services Level 5

The structure of the New Zealand Certificate in Financial Services Level 5 allows learners to choose appropriate pathways to completion.

To gain the full qualification: Core Knowledge + one strand (any one of the following: Financial Advice, Investment, General Insurance, Residential Property Lending, Banking, Personal Lending, Trustee Services, Life and Health Insurance).

To gain full AFA status: Core knowledge + Financial Advice + Investment Strand (category 1 products)

The previous structure under the National Certificate in Financial Services Level 5 allows learners little choice to completion :

To gain the full qualification: Set A + Set B + Set C + either Set D or Set E

To gain full AFA status: Set A + Set B + Set C + Set D (category 1 products)



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Submission

Question	Response
Questions1 & 2	No comment
<p>Question 3 Do you agree with the proposed changes to Code Standards 15 & 16 to recognise the New Zealand Certificate and update Units as the new minimum standard?</p>	<p>Code Standard 15 states <i>that for the purposes of the Code Standard, an AFA is deemed to have attained Unit standard unit 26360 (version 3 or later) if the AFA has attained an alternative qualification to that unit as specified in the Code's Competence Alternatives Schedule.</i></p> <p>In reviewing the alternatives schedule there is no alternative qualification or designation listed under the proposed changes for 26360. Therefore all new AFA's must obtain unit standard 26360 V3 or later to comply with Code Standard 15. All current AFA's would be required to ensure they have the knowledge and skill required of 26360 version three or later, which is effectively complying under Code Standard 14.</p> <p>The unit standards previously covered by Set C (25650-25653 V 2) are not mentioned in the changes to Code Standard 15. Now that these units are included in the Financial Advice strand we submit that they should be included in Code Standard 15 as well as 26360 V3.</p> <p>Units 25650-25653 V2 (or later) assess the application of the legislation in 26360 V3 therefore we submit that full Financial Advice strand should form part of Code Standard 15.</p> <p>From a learning and assessment perspective under the qualification these units form one strand. Although there is separated assessment requirement currently, it would be impractical from a delivery view to separate these two out now that they are not separate in the qualification. As a new AFA they are still required to gain competency in both sets of units therefore we submit that Code Standard 15 be changed to <i>include units 25650-25653 Version 2 or later.</i></p> <p>We suggest the Code Standard 15 be changed to the italicised wording below, to be clear on the requirement for inclusion of the full Financial Advice strand.</p> <p><i>An AFA must attain the Financial Advice Strand units 26360 (version3 or later) and units 25650-25653 (version 2 or later) to be able to demonstrate the adequacy of the AFA's knowledge of relevant legislative obligations.</i></p>



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Question 4 Do you agree with the specific changes to incorporate reference to the new specialist strands proposed for Code Standard 16?

Code Standard 16

This Code Standard is not easily understood and should be rewritten to be in simple English.

Suggested wording:

To be an Authorised Financial Adviser, a financial adviser must attain the New Zealand Certificate in Financial Services Level 5 including the Core Knowledge, Financial Advice and at least one other relevant specialist strand relevant to the financial services provided by the AFA.

For the purposes of the Code, the financial advice strand and the investment strand are always treated as being mandatory to providing a personalised service involving category 1 products. An AFA is not restricted on the type/range of financial adviser services the AFA can offer to provide, subject to Code Standard 14 and the terms of the AFA's authorisation under the Act.

However, provided the AFA satisfies Code Standard 14 an AFA:

- (a) May provide a class service for any client including financial adviser services for a wholesale client or personalised advice if they attain competency in the Core Knowledge strand and one other strand from the New Zealand Certificate in Financial Services Level 5 which is applicable to the financial products included in the scope of service for the client excluding category 1 products;*
- (b) If the AFA has the Investment strand as well as the Core Knowledge strand plus the Financial Advice strand the AFA then advice is not restricted and may include category 1 products.*
- (c) If the AFA has the Core Knowledge strand plus the financial advice strand and one other strand applicable to the financial adviser services in the scope of services (not being the investment strand)
 - i. The personalised services provided by the AFA in relation to category 1 products are limited to financial adviser services in relation to withdrawing from a KiwiSaver scheme for the purposes of purchasing a first home**
- (d) If the AFA who first became authorised to provide a financial adviser service on reliance upon a competency pathway that is no longer available to new applicants for authorisation, will continue to be regarded as complying with this Code Standard in relation to providing that financial service, provided there has been no break in the AFA's authorisation and the AFA is able to demonstrate compliance with the AFA's CPD obligations under the Code over the course of the AFA's authorisation.*



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*If an AFA has attained the New Zealand Certificate in Financial Services Level 5 with both financial advice strand and the investment strand, this **Code Standard** does not also require the AFA to attain any other specialist strands in order to provide financial adviser services that involves category 2 products, so long as the AFA satisfies **Code Standard 14**.*

Transition

*Reference in the Competence Alternatives Schedule to a qualification being 'subject to the eligibility sunset' means the relevant qualification must have been fully attained at the time the AFA seeks authorisation for the first time, and will only be recognised for authorisations that come into effect prior to **1 January 2017**.*

Professional IQ College submits that a transition time of 2018 is too long. The NZCFS is currently available. As with all qualifications they are reviewed every 3-5 years. If the transition is left until 2018 the qualification will be under review again **before** it has been implemented as the **review for the qualification is scheduled for 2017**. Long transition time's risk NZQA not allowing the qualification to remain on the New Zealand Qualifications Framework (NZQF) due to lack of uptake. Having reviewed and changed the qualification and now the Code why would the Code Committee delay in implementing the most up to date qualification in the regulations (the Code)?

A long transition date is inconsistent with the Financial Markets Conduct Act 2013 transition date of December 2016.

Transitioning from the National Certificate in Financial Services Level 5 to the NZCFS Level 5 is not an issue as there are two NZQA recognised processes called Recognition of Prior Learning and Recognition of Current Competency which can be used to transition from one qualification to the other without disadvantaging the prospective AFA. The fact that the Skills Organisation has put a long final completion date on the old qualification does not prohibit the Code Committee from having a more practical implementation date for the new qualification. Professional IQ College have already developed and are in the process of transitioning students from one qualification to the other. This ensures that the most up to date content is being delivered to new AFA's.

Extending the transition times risks AFA's not being trained on the most up to date content. There has been plenty of time for providers to gain all the necessary NZQA approvals for the new qualification.

The FMA and or the Code Committee should not rely solely on Skills Organisation as the only definitive source of competency in the financial advice strand. There are only a few accredited providers (3 in total) who are able register competency for any other strand with NZQA. The FMA could access NZQA Record of Learning to confirm individual competency as the definitive source in NZ of competency, as they are for any other qualification.



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<p>foQuestion 5 Do you agree that the proposed eligibility sunset for recognising the National Certificate is appropriate?</p>	<p>Professional IQ College submits that the final date for recognition of the National Certificate for an AFA should be 31 December 2016 at the latest for reasons outlined above. This transition date would then align with the transition date of the Financial Markets Conduct Act 2013 and lead to consistency of approach and compliance.</p>
<p>Question 6 Do you agree with the proposed changes to the Competence Alternatives Schedule?</p>	<p>We agree with the alternative schedule except on the point that CPIT Aoraki Polytechnic has been given recognition for the financial advice strand. We also submit that the transition and sunset eligibility date be changed to 31 December 2016 for consistency with the Financial Markets Conduct Act 2013.</p> <p>As an accredited provider Professional IQ College is subject to extensive quality assurance both from Skills Organisation and NZQA and therefore submits that all accredited providers of the NZCFS Level 5 should be able to assess the financial advice strand. It is inconsistent with the capstone approach to give one provider relief to assess the financial advice strand (or an equivalent) over any other provider. The continuation of this approach supports a monopolistic approach in allowing only 1 and now a second provider to assess/recognise part of a qualification. This monopolistic approach is also inconsistent with other regulatory qualifications on the New Zealand Qualifications Framework.</p> <p>While not opposed to recognising degree level papers this is a complex area and the Committee would need to ensure that degree level papers are mapped to the New Zealand Certificate outcomes on a regular basis as university paper names and numbers may not change from year to year but content regularly does.</p>
<p>Question 7 Do you agree with the Code not recognising specified sets of finance degree papers? If not what approach to recognising combinations of degree level papers would you support?</p>	<p>We agree that defined majors are easily recognised as Alternatives to the NZ Certificate Level 5 but specific paper sets may not be. Specific paper sets would need to map directly to the outcomes of the NZ Certificate Level 5 on an annual basis to assure the Code Committee that the university or provider has not changed the content in any way. Under accreditation for the NZCFS Level 4 & 5 Skills Organisation must approve all assessment changes prior to use by the provider. Therefore we submit that the Committee apply the same rigor to universities and other providers such as Polytechnics.</p>
<p>Question 8, 9 & 10</p>	<p>No comment</p>