APPENDIX B – SUBMISSION TEMPLATE

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:		
Company or entity:	SIFA Incorporated	
Type of Organisation:	Adviser Professional Body	
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Total pages:	3	
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	Changes suggested
1	Agreed	
2	Agreed	
3	Agreed	
4	Agreed	
5	Agreed	
6	We agree with all the recommendations re the Competence Alternative Schedule except for the second last bullet point • *Remove recognition of the old Waikato Post Graduate Diploma and of Massey Graduate Diplomas attained prior to 1 January 2013, as alternatives to the investment strand of the New Zealand Certificate.* We do not think there have been any changes to investment theory and practice in the last twenty years such that would invalidate the knowledge learned in the programmes you seek to delete. Therefore we think those alternatives should remain.	Retain Waikato and Massey Diplomas as equivalents of the Investment strand
7	Agreed	
8	Agreed	
9 and 10 Discuss	We think neither the Code nor the FMA Guidance on limited personalised advice (which even FMA now admits is less than optimal) are adequate to cover the situation where either the client or the adviser determine that the whole nine yards of comprehensive advice is either not wanted by the client or not warranted. The "original" CS 8 applied when the client refused to give all the information the adviser required (a), or the client said in writing that it was not necessary for the adviser to assess suitability (was (b) but is now (c).) You added a new (b) to cover transactional advice. While this helped a little, a strict reading of the CS and the embedded definitions shows that the advice must apply to only one financial product (i.e. a particular fund or a particular listed company) being sold or purchased, or a single product being sold and another (single) product being purchased. Strictly it does not seem to cover a situation like – "should I sell some shares I hold in A and B, in order to subscribe for new IPO C." Moreover to qualify for the exemption, the client has to specify that suitability not be considered. We are not sure how an instruction requesting transactional advice but without considering suitability differs from an execution only request. If the difference is that with execution only the client knows in advance what they	**Question 9** The definition of transactional advice should be widened so that it refers to the sale of one or more financial products and/or the purchase of one or more financial products. **Question 10** The issue of less than comprehensive advice needs to be revisited. This matter is variously described as limited advice, scaled advice, discrete advice, modular advice or any number of other terms that are intended to mean a

	want to do, while in the transactional advice without considering suitability the client is asking the adviser whether they think it would be a good idea, then we think the distinction is too subtle for the ordinary consumer to appreciate. Maybe this situation is just one example of what we are talking about below with respect to modular advice. Also the CS does not cover the situation where a client is happy to provide all the necessary information, and does want suitability to be taken into account, but wants advice only for part of their portfolio; for example 1. the investment of cash inherited by a wife from her mother's estate, when the wife has other assets owned jointly with her husband – she wants a diversified portfolio of investments that will be treated separately from the joint assets; or 2. when the client wants to reduce the scope of the advice from the whole of comprehensive advice to only one or two modules of advice. We are sure it must be confusing to the customer to have to request the adviser to decline consideration of suitability in order to fit into the exemption so they can get the service they want and/or are prepared to pay for. We think the whole purpose of seeking advice on a one-on-one basis is to get advice that is tailored to the customer's individual circumstances.	similar thing. We think that if the customer doesn't want comprehensive advice, and/or the adviser determines that comprehensive advice is not warranted, the customer and adviser should be able to contract for exactly what they want, without the client having to give up suitability. The adviser's advice should be suitable for the topics on which he is contracted to advise. We do not understand what the policy reason could be for every client being required to take comprehensive advice, and an adviser being required to provide comprehensive advice to every client, with only a narrow window for exemption.