



Submission To

Ministry of Business, Innovation & Employment

On

Consultation Paper – New Financial Advice Regime

**Draft Financial Services Legislation Amendment Bill
and proposed transitional arrangements**

31st March 2017

Schedule 2 of the Bill creates a new schedule to the FMC Act with detail about the regulation of financial advice

29. Does the wording of the required minimum standards of competence knowledge and skill which 'apply in respect of different types of advice, financial advice products or other circumstances' adequately capture the circumstances in which additional and different standards may be required?

Because financial services covers a wide range of types of advice and products it will be vital that the minimum standards for each sector respond to the specific needs of that sector. To do this the Code Working Group must engage with each sector including their professional bodies and trainers to ensure the standards are appropriate and have credibility.

If advice in financial services is to gain the confidence of the consumer and be seen as professional then qualified, competent advisers are essential. To ensure advisers are fully engaged and supportive of the professional standards it is essential that they perceive those standards as relevant to their industry and the needs of their clients.

Proposed transitional arrangements

34. Do you support the idea of a staged transition? Why or why not?

Yes we support a staged transition. If a quality regime around competence, knowledge and skill is to be realised it will take time to fully implement.

We agree with the timeframes proposed and believe they are achievable. Our feedback from advisers is that they understand the new requirements are coming but are waiting to see how it impacts them personally. The move to set up a working group is therefore in our opinion a very sensible approach to ensure the new standards can be implemented in a timely fashion.

38. Is two and a half years from approval of the Code of Conduct sufficient time to enable industry participants to become fully licensed and to meet any new competency standards?

The two and a half years should be adequate if the Code Working Group has adequately engaged with industry and training organisations to ensure there are no surprises in the final standards. We expect the Code Working Group to initiate consultation early on in the process thus making sure there is agreement on the direction the Code is headed.

If the timeframe is to work it should be definite and challenging but seen as achievable by those involved. As a result advisers can focus on what is required for the future. Removing uncertainty will enable advisers, employers and trainers to plan their approach to achieving the required standards.

Possible complementary options

39. Do you support the option of AFAs being exempt from complying with the competence, knowledge and skill standards for a limited period of time? Why or why not?

Yes based on their having already achieved the current required level of competence.

40. Would it be appropriate for the exemption to expire after five years? If not, what timeframe do you suggest and why?

The appropriate timeframe depends on the extent of any change to the competence and/or qualification requirements. Given this is unknown at present we would suggest that the Code Working Group or future Code Committee should be given the ability to set appropriate timeframes based on any new standards they might determine are needed.

Presumably the Code would be determined through adequate consultation with all involved including advisers and training organisations. This would identify the timeframe needed which would then be contained within the Code.

41. Is there a risk that this exemption could create confusion amongst industry and for consumers about what standards of competence, knowledge and skill are required?

Not if there is certainty about what is required and by when.

42. If you support this option do you think it should be set in legislation or something for the Code Working Group to consider as an option as it prepares the Code of Conduct?

As stated above we believe that this is something that should be left to the Code Working Group so that the exemption period is appropriate for any new standard.

43. Do you support the option of a competency assessment process for existing AFAs and RFAs? Why or why not?

Yes we support giving advisers the option of obtaining a qualification or sitting a competency assessment. The current qualifications available are not suited to determine if experienced advisers are competent. There needs to be a flexible setting of standards which an appropriate assessment regime can provide.

The Code Working Group will need to engage with each sector within financial services to agree on a relevant competency assessment.

To ensure consistency and maintain suitable standards we believe an NZQA accredited training organisation is the appropriate organisation to run assessments. The quality controls and regular compliance audits of NZQA provide a guarantee of the assessment regime standards.

Advisers should then be given the option of either sitting the relevant qualification or assessment. If a satisfactory result is not achieved in an assessment then the qualification would be required.

44. Is it appropriate for the competency assessment process to be limited to existing AFAs and RFAs with 10 or more years' experience? If not, what do you suggest?

We do not see that a particular limit is needed. Clearly someone new into financial services would be wasting their time attempting the assessment. However as different advisers will gain competency, knowledge and skill at different rates setting a time limit is not helpful.

No doubt training organisations will be able to guide advisers as to the best option for them.

45. If you support this option do you think it should be set in legislation or something for the Code Working Group to consider as an option as it prepares the Code of Conduct?

The legislation should allow for the option as we see it as an essential alternative. Details can be left to the Code Working Group.

Demographics

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51. Are you providing this submission:

As an individual

On behalf of an organisation

Industry owned private training organisation accredited by NZQA to deliver Level 4 and 5 Certificates in Financial Services. PIQ also provides professional training in financial services.