

Submission by



To

Code Working Group

Ministry of Business, Innovation & Employment

On

Consultation Paper:

**Code of Professional Conduct for
Financial Advice Services**

30th April 2018

Information about you

<i>Share your details</i>	
i.	Gary Young, on behalf of the Insurance Brokers Association of New Zealand (IBANZ)
ii.	S 9 (2) (a)
iii.	<p>IBANZ represents general insurance brokers in New Zealand. We have around 200 corporate members who employ over 2,250 individual brokers (financial advisers).</p> <p>We have consulted with our members in preparation for this submission which represents the views of brokers from sole operators to the large corporates.</p> <p>Currently most individual members are RFAs; there are a few AFAs and QFE advisers.</p>
iv.	There is no confidential information in our submission

Principles for drafting the Code

<i>Share your views</i>	
A.	<p><i>What comments do you have regarding the overarching theme of “good advice outcomes” and the underlying principles?</i></p> <p>We support the client-centric focus on ‘Good Advice Outcomes’ as the framework for the FSLAB Duty to give priority to client interests.</p> <p>However, the phrase itself is problematic as the feedback we have received is that retail customers will generally perceive this concept as relating to the actual outcome or performance of the products.</p> <p>We do not agree with the theme of “good advice outcomes” as consumers will see it as relating to the performance of financial products and not to the advice given on the products.</p> <p>We agree with the limitation of the subjective term ‘good’ to the proposed steps of:</p> <ol style="list-style-type: none">1) Meeting a Client’s Needs2) Considering Client Expectations3) Meeting a Clients Reasonable Expectations4) Ensuring the Client understands the nature, scope and any limitations of the Advice
B.	<p><i>Are there any further principles that should be included, or existing principles that should be removed?</i></p> <p>No. In the interests of maintaining an easy to understand code the current principles are sufficient. However given the Code is a “principles based “approach, it would be useful for the Code to include guidance or examples which can assist adviser business with interpretation and application to their own businesses.</p>

Ethical behaviour

Act with honesty, fairness and integrity

Share your views

C. ***Do you agree with a requirement to act with honesty, fairness and integrity? If not, please set out your reasoning.***

Yes, we agree with a requirement to act with honesty, fairness and integrity.

Keep the commitments you make to your client

D. ***Should minimum standards for ethical behaviour for the provision of financial advice extend beyond strict legal obligations, to include meeting less formal understandings, impressions or expectations that do not necessarily amount to strictly legal obligations? If no, please give reasoning. If yes, please propose how a standard for such commitments might be framed.***

No. In our opinion this is potentially a legal minefield, it should be left to individual FAPs and advisers to determine their own internal ethical standards to meet the Code requirements.

E. ***If there was a minimum standard requiring Financial Advice Providers – or Financial Advice Providers in some situations – to have their own code of ethics in addition to the Code, how would you frame the requirement for it to deal with keeping commitments?***

The Code is the minimum standard; it should be left to individual FAPs or professional associations to decide if any additional ethical standards are appropriate and relevant for them and if so how they will be dealt with.

Manage and fully disclose conflicts of interest

F.	<p><i>Should the Code include a minimum standard on conflicts of interest in addition to the legislation?</i></p> <p>The legislation has adequately set out the overriding principles to give priority to clients' interests and manage conflicts. Individual organisations and advisers are best suited to determine how to achieve these principles. Circumstances vary widely within financial services; there is no single approach or standard relevant to all.</p>
----	---

Do no harm to the client or the profession

G.	<p><i>Do you agree that a person who gives financial advice must not do anything or make an omission that would or would be likely to bring the financial advice profession into disrepute? If not, please set out your reasoning.</i></p> <p>Agreed. Leads to greater confidence in the financial advice industry. This maintains and supports the IBANZ existing Professional Code Standards. Having said that, the principle is a subjective one and therefore examples or guidance that illustrates what sort of behaviours or actions that would be contrary to the principle would be useful.</p>
H.	<p><i>Is an additional minimum standard on doing no harm to the client necessary? If so, what standard do you propose?</i></p> <p>No. Any standard regarding harm to the client could be construed as discussed above in response to the theme of "good advice outcomes".</p>

Keep your client's data confidential

I.	<p><i>In which situations, if any, should the retention, use or sharing of anonymised bulk customer data be subject to Code standards?</i></p> <p>This matter is for the Privacy Act; the current reform will determine standards in this area.</p>
J.	<p><i>Do you agree that the Code should cover the various aspects of maintaining client confidentiality discussed in this paper?</i></p> <p>A general principle of maintaining client confidentiality is appropriate, the detail is not necessary given the wider legal obligations.</p>

K.	<i>Are there other aspects of maintaining client confidentiality to consider?</i> -
----	---

Ethical processes in Financial Advice Provider entities

L.	<p><i>Do you agree that the Code should require the Financial Advice Provider to document and maintain its “ethical processes”?</i></p> <p>It is not appropriate for the Code to require this. It may well be an issue for an FAP’s licence particularly for large organisations however it is compliance overkill for small organisations and sole traders.</p> <p>Organisations should be free to determine their own response on such issues. FAPs will need to determine how they document their own procedures and practices in order to meet the Code’s standards of ethical behaviour but that process itself should not be the subject of a Code requirement.</p>
M.	<p><i>Should the Financial Advice Provider be required to have a publicly available corporate code of ethics? Are there particular situations where a corporate code of ethics should be or should not be required?</i></p> <p>This requirement would impose costly compliance costs on FAPs, particularly small organisations. Any additional corporate code should be voluntary.</p> <p>For insurance advisers the Code itself should be a sufficient starting point for ethical behaviour which would be supplemented by any legal obligations or standards imposed by common law.</p>
N.	<p><i>Should Financial Advice Providers also be subject to additional standards in respect of leadership and culture? If so, how should these be framed?</i></p> <p>This is over to each FAP to develop if they wish to rise above the minimum standards. Leadership and culture are distinct and unique to each organisation. These qualities cannot and should not be imposed by an outside body.</p>
O.	<p><i>Do you propose other additional standards of ethical behaviour that should apply to Financial Advice Providers?</i></p> <p>-</p>

Ethics training

P.	<p><i>Do you agree that Financial Advice Providers should be required to meet standards relating to ethics training? If not, please state your reasoning.</i></p> <p>We would generally support some form of ethics training as part of continuing professional training for advisers.</p> <p>However we do not consider it necessary for the Code to have separate standards to mandate that FAPs must have in place ethics training for all its advisers or representatives. We would expect that awareness and understanding of ethical obligations including those under the Code could be dealt with as part of the competency framework for advisers.</p>
Q.	<p><i>Should ethics training requirements apply to all officers and employees of a Financial Advice Provider, as appropriate to their role and contribution to the process of financial advice provision? If not, please state your reasoning.</i></p> <p>If this is seen as necessary then it should apply to appropriate roles such as FA and NR.</p>
R.	<p><i>Should there be a requirement for ongoing refresher training on ethics?</i></p> <p>No, but could be addressed as part of ongoing continuing professional development.</p>

Resolving ethical dilemmas

S.	<p><i>Do you agree that Financial Advice Providers should be required to have in place, and use, a framework for resolving ethical dilemmas that may arise in giving financial advice? If not, please set out your reasoning.</i></p> <p>It is not appropriate for the Code to require this. It may well be an issue for an FAP's licence particularly for large organisations however it is compliance overkill for small organisations and sole traders. Organisations should be free to determine their own response on such issues.</p>
----	--

Compliance functions

T.	<p><i>Should there be a requirement for explicit sign-off on the soundness of financial advice provided directly by a Financial Advice Provider?</i></p> <p>No. This is unnecessary given that the provision of advice must reach competence, knowledge and skill standards.</p>
U.	<p><i>Do you agree that Financial Advice Providers should be required to have in place a compliance function aimed at following up on concerns raised by employees and other stakeholders? If not, please set out your reasoning.</i></p> <p>It is not appropriate for the Code to require this. It may well be an issue for an FAP's licence particularly for large organisations however it is compliance overkill for small organisations and sole traders. Organisations should be free to determine their own response on such issues and its compliance requirements for the Code</p>
V.	<p><i>Should this extend further into an internal audit obligation, having in place processes to systematically test for and detect violations of ethical behaviour?</i></p> <p>No.</p> <p>This is creating a compliance framework above and beyond any Audit requirements that may be set under the licencing.</p> <p>A FAP would need to finance the creation or outsourcing of an Internal Audit function regardless of its size.</p> <p>FSLAB submissions by QFE's have noted that their existing Audit and Assessment requirements in drafting an annual licence 'Adviser Business Statement' imposes very time consuming compliance costs resulting in only minor changes.</p> <p>It is not appropriate for the Code to require an additional framework with its related compliance costs.</p>

W.	<p><i>Are there any potential compliance costs for small and/or large Financial Advice Providers that need to be considered?</i></p> <p>Yes.</p> <p>As noted in U & V imposing additional minimum frameworks will create actual not just potential compliance costs.</p> <p>In U the proposal requires an internal Compliance function and in V the proposal requires an Internal Audit role which to be effective is a separate ‘independent’ business function.</p> <p>These requirements where necessary are not part of a simple client friendly Code; they are a matter for the size and scope of the FAP which the FMA has already noted will be part of its licencing approach.</p> <p>Adviser firms will face a great deal of regulatory change that will bring with it increased costs of doing business. For a large number of smaller insurance broking firms, they will not have the scale to employ internal legal or compliance specialists to manage the changes.</p> <p>The Code is just one of the changes facing adviser firms under the new regime. In addition there are changes proposed via the Financial Services legislation Amendment Bill, proposed new disclosure obligations and FMA licencing. All these changes will result in increased time, money and resources. As a result of these significant changes it is important that it does not lead to a result of reduced availability or quality of advice through insurance brokers.</p>
----	---

Responsibility for the whole advice process

X.	<p><i>Do you agree that Financial Advice Providers should be required to be able to demonstrate that they meet the standards of ethical behaviour as if the Financial Advice Provider carried out the whole advice process directly itself? If not, please set out your reasoning.</i></p> <p>It is not appropriate for the Code to require this. It may well be an issue for an FAP’s licence particularly for large organisations however we believe it is compliance overkill for small organisations and sole traders.</p> <p>Organisations should be free to determine their own response on such issues. FAPs will be responsible for the advice given on their behalf by its advisers or reps both in term of obligations under the financial services legislation or at common law in terms of their professional indemnity exposure.</p> <p>If the CWG believes that the Code is not clear that the responsibilities of a FAP cannot be delegated it needs to be addressed as a statement at the beginning of the Code.</p> <p>The requirement to constantly ‘demonstrate’ meeting the Code standards is imposing a compliance framework with related costs and it should be addressed in a FAP’s licencing.</p>
----	--

Reinforcing good ethical behaviour

Y.	<p><i>What principle or mechanism do you propose the Code could include to reinforce good ethical behaviour on a day-to-day basis?</i></p> <p>Nothing extra is required as part of a minimum standards Code.</p> <p>The Code sets the Principles and the FAP decides the mechanisms it puts in place to ensure the Code operates throughout its business processes on a day-to-day basis.</p> <p>The FMA through licensing creates the strong incentive for a FAP to ensure it does not put its ability to operate in jeopardy.</p> <p>The Code sets the standards, the FMA is there to ensure they are adhered to; the potential loss of licence is the incentive to reinforce good ethical behaviour.</p>
----	--

Conduct and client care

Advice situations

<i>Share your views</i>	
Z.	<p><i>Are there other delivery methods that should be considered when testing our thinking?</i></p> <p>No. The Code standards are meant to be 'delivery' agnostic, which is why they need to stay 'Principle-based'.</p> <p>The range and type of advice delivery mechanisms used by a FAP should be assessed against the Code as part of each FAP's licence.</p>

Advice-giving standards

AA.	<p><i>How do the current client care standards work in practice, especially in advice-giving situations not previously covered by the AFA Code? In answering this question, please ignore "scope of advice" (CS-8) and "suitability" (CS-9 and part of CS-10).</i></p> <p>The existing standards have been developed for investment financial advice and advice relating to "complex" financial products. In complying with the standards of client care involved there will be undue compliance costs when dealing with insurance products which do not require complex advice or where there maybe limited discretion by the adviser</p>
BB.	<p><i>Could any aspect of the current client care standards be worded better? (For example, we are aware that the definition of "complaint" could be improved.)</i></p> <p>-</p>
CC.	<p><i>Are there any aspects of the current client care standards that could be expanded or clarified (for example, in light of the published findings of the Disciplinary Committee)?</i></p> <p>The Code needs to keep itself focused on being a 'Principle Framework'</p>

DD.	<p><i>Are there any potential compliance costs for small and/or large Financial Advice Providers that need to be considered?</i></p> <p>Yes, compliance costs must be considered for every aspect of the Code.</p> <p>The Code sets the minimum standards; it therefore is also setting the base level for compliance costs.</p> <p>Every aspect that adds to the steps in providing advice to a client has an actual not potential time and resource cost.</p> <p>Maintaining the client-centric focus of the Code means that any costs must improve the quality of advice and not just create a process burden that does not change the ‘good advice outcome’.</p> <p>When client’s needs and expectations are simple, as in a basic protection insurance product, the relevant framework should reflect this reality.</p> <p>Small firms are particularly at risk of being overburdened with compliance with no benefit to the client.</p> <p>Otherwise see our comments under W.</p>
EE.	<p><i>Are there any additional matters that should be addressed in the advice-giving standards? Those listed above? Others?</i></p> <p>No. The examples provided are delving into specifics and individual sector issues. This is inappropriate for a principles based code applied across different sectors in the industry.</p>

Advice process

FF.	<p><i>Do you think there are any other components that should be included in the design considerations of an advice process?</i></p> <p>No. The advice process must be tailored to the client’s needs, scope of advice requested or required and complexity of advice being provided.</p>
GG.	<p><i>Should the Code include guidance material to help determine what needs to be considered when designing an advice process?</i></p> <p>The Code to be easily understood by all Clients needs to be kept as concise as possible. It would be useful for the Code to include guidance or examples to assist meeting Code requirements.</p>
HH.	<p><i>Are there any other important aspects you think should be included in the advice process for all types of financial advice activities under the new regime?</i></p> <p>The Code should not be determining the advice process. The range of advice, financial sectors and client circumstances is too great for the Code to set processes. Rather the Code should determine the outcome and leave the adviser to determine the appropriate way to meet that standard.</p> <p>While having conduct and client care standards applicable to all advice giving interactions is desirable, it needs to be set at a level which is appropriate. So for example, the advice process to commoditised fire and general products (such as home, contents, motor) may be quite different to the process for life and health products for individuals or an insurance solution for a range of SME businesses.</p>
II.	<p><i>Should any of the key aspects that we have listed above be removed? If so, why?</i></p> <p>Refer to previous response.</p>
JJ.	<p><i>Are there any situations in which an advice process need not be followed?</i></p> <p>The process followed must be relevant to the client’s needs and the agreed scope of the advice. It is not the process which is vital but the quality and relevance of the resulting advice which is important.</p>

Personalised suitability

KK. ***What comments do you have about a proposed minimum standard on personalised suitability analysis? What are your views on the example above?***

The commentary ahead of this question suggests you are trying to cover the point made earlier around not over imposing undue compliance and cost when dealing with simple products. “Good advice” can be achieved without a personalised suitability analysis.

Personalised suitability must fit the circumstances, this was the reasoning behind no longer drawing a line between class and personalised advice.

In general insurance there are many examples where a ‘full’ suitability analysis is simply not necessary and would add considerable cost to such activity.

For example the annual renewal of a simple insurance product, when the client has confirmed there have been no or limited changes from the previous year and otherwise the product continues to meet their needs.

When it is relevant personalised suitability must fit the circumstances.

The Consultation paper refers to the distinction between ‘Personalised’ and ‘Class’ advice being removed.

As noted in the paper the Code Working Group wishes to find a way to provide a requirement in the code that adjusts to different situations, so that certainty can be provided to advice-givers, FMA etc.

We would welcome clarity in relation to where the provision Group/Corporate Employee Benefit Insurance Information (for example via hard-copy information booklets, on-site employee presentations) would sit in the new regime.

The information would be generic in nature and not personalised to the individual.

An example may assist:

- Company A provides group insurance benefits for employees of Company A (e.g. Life Insurance)
- Company A utilises an insurance broker to put in place the group insurance policy
- Insurance broker required by Company A to explain the fundamentals of the policy to a group of insured employees of Company A

The example could equally be applied to a group/employee Kiwisaver information session where no personalised advice is provided (i.e. fundamentals of Kiwisaver).

Organisational standards

LL.	<p><i>What are the practical advantages and disadvantages of including organisational standards as described? What explanatory material or examples could we provide in the Code that might help to make these standards easier to comply with in practice?</i></p> <p>The organisational standards described in the Consultation Paper are again shifting the Code away from being Principles-based to detailing compliance requirements.</p> <p>The four proposed FAP requirements are concerned with the content of both internal documentation and the evidence provided to the FMA as part of licencing.</p> <p>For a Code that is intended to be used and read by clients these standards for documentation that are to be confidential, only for internal and FMA use should not be included.</p> <p>FAP's should respond to FMA licencing requirements on documentation relevant to the size and scope of their business.</p>
MM.	<p>Would implementing these organisational conduct and client care standards create a particular compliance burden for your firm? If yes, please explain why.</p> <p>Refer to response on LL.</p>

General competence, knowledge and skills

<i>Share your views</i>	
NN.	<p><i>Do you agree with our interpretation of the meaning of “competence, knowledge, and skills”? If not, why not?</i></p> <p>Yes, we support the simple general requirements of:</p> <ol style="list-style-type: none"> 1) Expertise: Only do what you have the competence to do 2) Clear Up-to-date New Zealand Environment Knowledge <p>IBANZ members have a commitment to maintaining competence by relevant professional development; this should fully satisfy the ‘general requirement’. Additionally members are certified annually for their competence.</p> <p>However the concept of combined or in aggregate competence is fundamentally flawed. It is essential that in the interaction between client and adviser the adviser is competent. The aggregation model of competence allows for incompetence at the very heart of the advice process.</p> <p>A partly competent organisation plus partly competent adviser does not make for an overall competent outcome.</p>
OO.	<p><i>Are there other factors, which contribute to combined expertise, that we have not listed? We are particularly interested in factors that are relevant to financial advice that is given by a Financial Advice Provider directly, including by digital means.</i></p> <p>-</p>
PP.	<p><i>What do you think are the advantages of this approach to general competence, knowledge and skills?</i></p> <p>Refer to response to NN</p>
QQ.	<p><i>What do you think are the disadvantages of this approach to general competence, knowledge and skills?</i></p> <p>The requirement to refresh an individual’s knowledge every three years needs to be clarified. To what extent are we talking about? There is potential for considerable cost and time involved in this. We can see some need may be required for a refresh of legislative knowledge where changes have occurred or that this can be dealt with as part of ongoing professional development requirement for advisers.</p>

RR.	<p><i>In what ways do you think this proposed standard contributes to, or detracts from, the legislative purposes (for example ensuring the quality and availability of advice, avoiding unnecessary compliance costs, and promoting innovation and flexibility)?</i></p> <p>The proposal yet again for the Code to require documentation, in this case to demonstrate competence knowledge and skill is inappropriate. This creates unnecessary compliance costs particularly for small organisations and sole traders. More manuals!</p>
SS.	<p><i>What factors should we consider in determining whether to make the proposed unit standard a renewing obligation?</i></p> <p>The refreshing of New Zealand Environmental knowledge needs to be set at a level that reflects the depth necessary.</p> <p>A regular 'tick box' compliance knowledge assessment, when there has been no environmental changes imposes an unnecessary operational cost with no benefit to the quality of advice. The need for day-to-day professionalism comes under 'Particular Competency'.</p> <p>The requirement should be to renew based on actual changes in the environment.</p>

Particular competence, knowledge and skills

Share your views

TT.

What are the advantages and disadvantages of our approach of identifying two types of financial advice? What impact would it have on the type of advice you give and on your compliance costs?

We believe this approach completely ignores reality.

For example, in general insurance it is not possible to draw a line separating product advice from financial planning if - as is suggested –“financial planning” does not include the term “investment”. What then is the definition of financial planning, where does it begin? All insurance has an element of financial implications.

As noted in the IBANZ FSLAB submission the proposed changes in the retail client definition will ensure that 97.7% of active commercial enterprises will be retail clients (turnover less than \$5m, 2016 Stats NZ figures).

For a business, putting in place an appropriate insurance programme is part of its prudent financial risk management.

All Insurance Risk advice by being connected to a contract of insurance regardless of its complexity could fall under the consultation papers definition of ‘Product Advice’.

‘Life Protection’ Insurance does not concern volatile investment products with uncertain outcomes – it is ‘Product Advice’.

The proposed high qualification levels for the new role of ‘Financial Planner’ relies on the assumption that this role only belongs to retail client advisers dealing with complicated matters that involve a high level of academic ability supplemented by specific industry qualification.

For retail clients in the Insurance sector the important competency aspects are knowledge and experience of the insurance markets and insurance products, not academic qualifications.

Please refer to our response to UU.

If the two categories of financial advice are retained in the Code they need clearer definitions.

A concern is that the current categories will recreate the general v personalised advice model problems that this regime reform was intended to remove.

These particular competencies will create four types of adviser:

- Financial Product Adviser
- Financial Product Nominated Representative
- Financial Planning Adviser
- Financial Planning Nominated Representative

Is the replacement of the current two tier RFA / AFA with the ‘Financial Product Adviser’ / ‘Financial Planning Adviser’ split going to be recognised in the final title designations that a client can understand?

The consequence of the suggested approach would be to require general insurance advisers to have a Bachelor’s Degree. This proposal would see the exit from the market of many very experienced brokers and result in a complete failure to achieve the aims of the legislation. The numbers of experienced brokers/advisers will be severely reduced and the compliance costs of employing new staff will be excessive.

<p>UU.</p>	<p><i>How should RFA’s experience be recognised?</i></p> <p>RFA’s come from a wide-range of backgrounds, and often have relevant professional experience and qualifications gained in other countries (i.e. Australia & Europe).</p> <p>The general competency requirement covers the need to have relevant knowledge of the New Zealand environment.</p> <p>The particular competency requirement is the knowledge and experience concerning the area being advised upon.</p> <p>Different sectors of Financial Services already have Professional Associations providing sector specific qualifications that recognise experience and knowledge.</p> <p>The consultation paper suggests that AFAs should be assumed to meet the minimum standards and are essentially “grandfathered” on the basis that they are already regulated. However there is no such grandfathering proposed for RFAs.</p> <p>The focus should be on level 5 or equivalent as the benchmark.</p> <p>How is “equivalent” measured? It might be that RFA’s are required in the 2 year safe harbour period to complete units covering “Advice and Legislative framework” but the RFA could be given credit for past experience or learning in the “Insurance” area. We have the Australia experience to draw on here. It does not seem sensible for an experienced insurance broker having to sit the “Insurance” modules under a level 5 certificate. The question would be how would this be measured and assessed? We would suggest an assessment be done to determine their competence.</p> <p>Whether an adviser completes the insurance module or does an assessment should not be determined by a particular number of years of experience. A new recruit would obviously do the Level 5 certificate. An experienced broker could choose between either of the options, if they failed the assessment then the certificate would be required.</p> <p>What we don’t want to occur is to reduce the number of advisers as at the end of the day the intention of the legislation is to make sure Retail customers get access to “good advice”.</p> <p>Also there is the situation of an adviser coming from another jurisdiction. There should be a requirement to complete the NZ regulatory framework module under level 5, as no doubt legislation in NZ will be different to the country they have come from. However, if they have experience and knowledge of insurance there appears to be no benefit in them completing an Insurance module. Again an assessment method to determine their level of knowledge seems appropriate.</p>
<p>VV.</p>	<p><i>What do you think are the advantages of this approach to particular competence, knowledge, and skill?</i></p> <p>The limited advantages of this competency model relate to the requirement for Financial Planners who impact upon the financial futures of the New Zealand general public to have a level of academic competency that reflects their impact on the overall financial health of the country.</p>

WW.	<p><i>What do you think are the disadvantages of this approach to particular competence, knowledge, and skill?</i></p> <p>The disadvantage is that a retail client views taking out an Insurance Product as part of their financial risk planning.</p> <p>A FAP would define their service as providing product advice.</p> <p>If the terms are retained the definitions need to be outlined in plain English so that clients' expectations are not misled.</p> <p>Refer to the responses TT & UU.</p>
XX.	<p><i>In what ways do you think this proposed standard contributes to, or detracts from, the legislative purposes (for example ensuring the quality and availability of advice, avoiding unnecessary compliance costs, and promoting innovation and flexibility)?</i></p> <p>Refer to responses in TT, UU, VV & WW.</p> <p>Under the current two types of Adviser the professional equivalency to Level 5 for 'Product Advisers' is sufficient and imposes no undue compliance costs.</p> <p>However, if the Insurance Advice sector is classified under the 'Financial Planning' criteria then significant unnecessary compliance costs will be imposed which do not promote the quality and availability of advice.</p>
YY.	<p><i>What alterations, if any, would you suggest to the baselines we have nominated: specialist strand for product capability, Level 5 for discipline capability, and relevant degree (or other degree plus Level 6) for planning capability?</i></p> <p>See response to XX.</p> <p>The alteration that is essential concerns the potential of Insurance 'Product Advice' being incorrectly classified and captured in the 'highly complex' advice area intended for the 'Financial Planning' category.</p>

Other comments

Share your views

ZZ. Are there any other comments you would like to make to assist us in developing the Code?

We are very concerned with the approach of the CWG. While we acknowledge the CWG is sounding out possible approaches there appears to be a background theme running through these proposals suggests the wide range of financial advice sectors involved is not being acknowledged.

In particular our concerns are with the following:

- Excessive requirements for documentation. The new Code needs to stay true to its principle based focus providing a simple understandable framework readable by any client across the full range of financial services within the scope of “regulated advice”.
- We are concerned with the approach of the CWG that appears to view the needs of the Code to be similar to the AFA Professional Code for the complex high risk area of Investment Advice.
- The lack of understanding of how these proposals impact on smaller organisations
- The number of questions raised in this consultation involving the creation of different compliance areas with the consequence of imposing compliance costs as part of minimum operational costs is concerning
- The focus on process rather than on setting a standard and leaving it to a FAP/FA to decide how best to achieve that standard in a way relevant to their particular area of advice and what the client requires
- The bizarre concept of aggregating competencies creating situations where the vital interaction between FA/FAP and client are fatally flawed
- The two different roles under “particular competence” need significant work as the border between the two areas is not sufficiently defined. These roles need to be defined so that the client understands which category of adviser they are dealing with.
- If the separation of advice into “Product Advice” and Financial Planning” are retained then the Insurance Advice sector needs to be clearly defined as falling under “Product Advice”.