

Code of Professional Conduct for Financial Advice Services

Submission Template

Submissions close Monday 30 April 2018

Please send submissions to:

code.secretariat@mbie.govt.nz or

Code Working Group
c/o Code Secretariat (Poppy Haynes and Max Lin)
Ministry of Business, Innovation & Employment
PO Box 1473
Wellington 6140
New Zealand

Submissions process

The Code Working Group (CWG) seeks written submissions on the issues raised in this document by **5pm on Monday 30 April 2018**

We welcome submissions on any or all consultation questions. You are welcome to comment only on the issues most relevant to you.

Where possible, please include evidence to support your views, for example references to independent research, facts and figures, or relevant examples.

Please direct any questions that you have in relation to the submissions process to code.secretariat@mbie.govt.nz.

Use of information

The information provided in submissions will be used to inform the CWG's development of the draft Code. We may contact submitters directly if we require clarification of any matters in submissions.

Release of information

The CWG intends to upload PDF copies of submissions received to MBIE's website at www.mbie.govt.nz. The CWG will consider you to have consented to publication of your submission, unless you clearly specify otherwise in your submission.

If your submission contains any information that is confidential or you otherwise wish us not to publish, please:

- indicate this on the front of the submission, with any confidential information clearly marked within the text
- provide a separate version excluding the relevant information for publication on our website.

Submissions remain subject to request under the Official Information Act 1982. Please set out clearly in the cover letter or e-mail accompanying your submission if you have any objection to the release of any information in the submission, and in particular, which parts you consider should be withheld, together with the reasons for withholding the information. The CWG will take such objections into account and will consult with submitters when responding to requests under the Official Information Act 1982.

Private information

The Privacy Act 1993 establishes certain principles with respect to the collection, use and disclosure of information about individuals. Any personal information you supply to the CWG in the course of making a submission will only be used for the purpose of assisting in the development of the draft code. Please clearly indicate in the cover letter or e-mail accompanying your submission if you do not wish your name, or any other personal information, to be included in any summary of submissions that the CWG may publish.

Submission by

Willis New Zealand Limited

To

Code Working Group

Ministry of Business, Innovation & Employment

On

Consultation Paper:

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

Information about you

<i>Share your details</i>	
i.	Peter Lowe, Chief Executive Officer Willis New Zealand Limited
ii.	S 9 (2) (a) Mail Level 8, 21 Queen Street, PO Box 369, Auckland 1140
iii.	<p>Willis New Zealand Limited (Willis) is an Insurance Intermediary and Risk Management Consultancy. It forms part of the Willis Towers Watson group, a leading global advisory, insurance broking and solutions business that helps clients around the world.</p> <p>Willis has been operating as an insurance broking business in New Zealand for over 50 years. We have three main offices in Auckland, Wellington and Christchurch, with smaller offices in Dunedin, Tauranga and Whangarei.</p> <p>Willis supports the Government's objective of developing the financial advice regime with the aim of having more informed and confident participation of consumers. We recognise the challenges of developing a regime to cover all types of financial advice. Insurance broking is a specialist form of advice distinct and separate from other forms.</p> <p>To the extent that the proposed changes to the current regime will impact insurance broking, Willis endorses the submission by Insurance Brokers Association of New Zealand Inc. (IBANZ).</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>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 Needs 2) Considering Client Expectations 3) Meeting a Clients Reasonable Expectations 4) 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. To maintain an easy to understand code the current principles are sufficient.</p>

Ethical behaviour

Act with honesty, fairness and integrity

<i>Share your views</i>	
C.	<p><i>Do you agree with a requirement to act with honesty, fairness and integrity? If not, please set out your reasoning.</i></p> <p>Yes, we agree with a requirement to act with honesty, fairness and integrity.</p> <ol style="list-style-type: none">1. We support the proposed definition of honesty means ‘sincerity of character or intention; fair, straightforward’.2. The proposed definition of ‘fairness’ needs to be more concise and clear, and we recommend it be: Fairness means ‘unbiased, equitable, impartial; legitimate. It includes having reasonable or adequate grounds for the way the client is treated.’3. The proposed definition of Integrity also needs to be more concise and clear, and we recommend it be: Integrity means ‘earning and maintaining trust every day through professionalism and doing what is right’.

Keep the commitments you make to your client

D.	<p><i>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.</i></p> <p>No.</p> <p>The Code is the minimum standard; higher levels relate to the values of an individual FAP.</p>
E.	<p><i>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?</i></p> <p>Not Applicable: Refer to D.</p>

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>No.</p> <p>The principle of managing conflicts of interest is within FSLAB.</p> <p>Imposing a specific framework will add extra compliance costs that could be excessive for an individual FAP.</p> <p>How an organisation satisfies the principle need only be part of the detail in its licence application.</p>
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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>Yes.</p> <p>This maintains and supports the IBANZ existing Professional Code Standards</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.</p> <p>The emphasis is upon a clear Code that is easy to understand by all levels of client. The number of principles and resulting 'tests' should be kept as short as practical. If a 'good advice outcome' has been achieved then the client has been protected as far as practical from harm.</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 is a data protection matter for the Privacy Act and the current reform will determine the standards in this area. Select Committee Public Consultation closes in May.</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>To keep all the relevant aspects in a single 'Code' for a client to review, then a statement of the general principle of maintaining client confidentiality maybe appropriate, however the detail is already covered by wider legal obligations.</p> <p>Duplication should be avoided whenever possible.</p>
K.	<p><i>Are there other aspects of maintaining client confidentiality to consider?</i></p> <p>No.</p>

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>No.</p> <p>How a FAP achieves the requirements of the Code is a matter for its individual licence.</p> <p>Setting a specific framework adds additional compliance documentation and resulting increase in minimum level costs.</p>
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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>No.</p> <p>At a minimum level the 'Code of Conduct' itself is the 'Code of Ethics'.</p> <p>Requiring the drafting and publication of a separate corporate code imposes additional compliance documentation and resulting increase in minimum level compliance costs.</p> <p>It is a matter for the size and scale of the FAP to decide if a voluntary higher level 'corporate code' is necessary as part of communicating its cultural values.</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>No additional standards are required.</p> <p>The responsibility of FAP leadership and culture to drive 'good advice outcomes' is already covered within the Code.</p>
O.	<p><i>Do you propose other additional standards of ethical behaviour that should apply to Financial Advice Providers?</i></p> <p>No.</p> <p>The emphasis is upon a clear Code that is easy to understand by all levels of client. The number of principles and resulting 'tests' should be kept as short as practical.</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>Creating an additional area of compliance training with additional compliance costs is not required. As stated previously at the basic level the Code of Conduct is the ethics framework.</p> <p>Training on the Code itself is covered within 'General Competency':</p> <ul style="list-style-type: none"> • Clear Up-to-date New Zealand Environment Knowledge
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>No.</p> <p>Imposing basic financial services competency training on all Employees of a FAP creates an excessive compliance cost.</p> <p>As noted in P, all advisers will satisfy the basic requirement under 'General Competency'.</p> <p>The Officers of a FAP who are not advisers will have individual requirements relating to its own approach to Corporate Governance.</p>

R.	<p><i>Should there be a requirement for ongoing refresher training on ethics?</i></p> <p>Yes.</p> <p>However, as noted in P, this is already covered under maintaining 'General Competency' and should not be a separate additional area generating compliance costs.</p>
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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>No.</p> <p>As noted in F, the principle of managing conflicts of interest is within FSLAB.</p> <p>Imposing a specific 'ethical dilemma' framework will add extra compliance costs that could be excessive for an individual FAP.</p> <p>How an organisation satisfies Code principles need only be part of the detail in its licence application.</p>
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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.</p> <p>This imposes an additional minimum compliance cost on all advice provided from the most simplistic product advice upwards.</p> <p>The risks related to the 'soundness of advice' in providing a 'good advice outcome' vary significantly throughout the different areas of financial services.</p> <p>Each FAP should decide what processes it requires to ensure the provision of advice that reaches the 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>No.</p> <p>All FAP's are required to be members of an Approved External Dispute Resolution Scheme. These schemes already set requirements for 'internal complaints' handling concerning clients.</p> <p>Concerns raised by employees and other stake holders are already covered by other wider legislation requirements.</p> <p>It is not appropriate for the Code to require an additional framework with its related compliance costs.</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>

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>No.</p> <p>FAP's are required to apply the Code to achieve 'Good Advice Outcomes', 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>
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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>
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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 current IBANZ Standards refer to the same client-care high-level AFA Code standards: IBANZ Standard 7 (AFA CS 6), IBANZ Standard 8 (AFA CS 7), IBANZ Standard 9 (AFA CS 8), IBANZ Standards 11-13 (AFA CS 11-13).</p> <p>These standards do work in practice, and complying with them does not impose undue compliance costs when dealing with insurance products which do not require complex advice.</p> <p>The concern is that the AFA Codes additional requirements under each Principle are focused on the risks associated with providing investment advice.</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>No. The high level principles are worded effectively.</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 clients 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>
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.</p> <p>The Code needs to maintain its focus on being principles based.</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.</p> <p>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>No.</p> <p>The Code to be easily understood by all Clients needs to be kept as concise as possible.</p> <p>Any guidance material should be appended to the Code not part of it and drafted in user friendly, relevant manner.</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>No.</p> <p>The Code should not be determining the advice process and fixing a compliance framework with its attendant compliance costs.</p> <p>The range of advice, financial sectors and client circumstances is too great for the Code to set a 'one-size' fits all approach.</p>

II.	<p><i>Should any of the key aspects that we have listed above be removed? If so, why?</i></p> <p>No. Refer to HH.</p>
JJ.	<p><i>Are there any situations in which an advice process need not be followed?</i></p> <p>No.</p> <p>However, the process followed must be relevant to: client's needs/expectations and the agreed scope of the advice.</p>

Personalised suitability

KK.	<p><i>What comments do you have about a proposed minimum standard on personalised suitability analysis? What are your views on the example above?</i></p> <p>A "Good Advice Outcome" can be achieved without a personalised suitability analysis.</p> <p>In general insurance there are many examples where a 'full' suitability analysis is simply not necessary and would add considerable cost to such activity.</p> <p>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.</p> <p>When it is relevant personalised suitability must fit the circumstances.</p> <p>The Consultation paper refers to the distinction between 'Personalised' and 'Class' advice being removed.</p> <p>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.</p> <p>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.</p> <p>The information would be generic in nature and not personalised to the individual.</p> <p>An example may assist:</p> <ul style="list-style-type: none"> ▪ 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 <p>The example could equally be applied to a group/employee Kiwisaver information session where no personalised advice is provided (i.e. fundamentals of Kiwisaver).</p>
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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>Yes. 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 being:</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’.</p> <p>Additionally members are annually certified for their competence at PIB and QIB levels.</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>No.</p>
PP.	<p><i>What do you think are the advantages of this approach to general competence, knowledge and skills?</i></p> <p>The simple two steps noted in NN are clear and concise.</p>
QQ.	<p><i>What do you think are the disadvantages of this approach to general competence, knowledge and skills?</i></p> <p>None. Keeping the ‘General’ part as simple and clear as possible is essential.</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 simple two step general principle ensures the responsibility is with the FAP for appropriate ‘equivalent’ minimums.</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?***

All Insurance Risk advice by being connected to a contract of insurance regardless of its complexity falls under the consultation papers definition of 'Product Advice'.

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

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

For a business putting in place Insurance cover is part of its prudent financial planning.

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 of providing a 'Good Advice Outcome' 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?

Whichever terms are finally used, there must be a clear requirement not to use conflicting 'job titles' as this would undermine the clarity the reform intended to achieve.

<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 certification that recognises relevant experience and knowledge.</p> <p>IBANZ PIB & QIB qualifications already classify the competency levels of Insurance Broking Advisers.</p> <p>Those holding the higher QIB designation should be granted the same starting point as the AFA exemptions.</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>
<p>WW.</p>	<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>
<p>XX.</p>	<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>
<p>YY.</p>	<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 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 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'.

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 two different roles under 'particular competence' needs 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.

Under the current definitions the Insurance Advice sector needs to be clearly defined as falling under 'Product Advice'.