

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 Code Committee, C/- Financial Markets Authority, PO Box 106 672, AUCKLAND 1143. Submissions must be received by 5 pm Friday 6 September 2013.

Submission by:

Person:	
Company or entity:	Consumer New Zealand
Organisation type:	Not-for-profit
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Total pages:	3
Date:	6 September 2013

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	Suggestion for improvement (if any)
1	Agree	
2	Agree	
3	We recommend further work on the wording.	The proposed change does not seem adequate to provide sufficient consumer protection. As in Australia, it may be appropriate that there is a specific obligation.

		Consumers need to be aware of the range of potential products and whether the advice they are paying for is restricted only to certain products. There should be an obligation to advise the client that they need to seek professional advice on matters that are not in the scope of the adviser's services.
4	Agree	
5	We recommend further clarification of the wording.	As written, it is unclear if the extent of the financial incentives received need to be communicated. In the interests of full transparency, the Code Standard should make it clear that they should be.
6	Agree	
7	We recommend further clarification of the wording.	The AFA must disclose to the client if analysis they have relied upon has been undertaken by a 3 rd party and who that was. As a general rule, consumers paying for financial advice should be able to expect the adviser is competent to analyse any recommended products.
8	Agree	
9	Agree	
10		
11	No	
12	Disagree	We have no evidence of complaints from consumers about excessive paperwork
13	Disagree	The proposed wording does not clarify the situation and could reduce consumer protection. Further work is needed on the wording.
14		We have always been in favour of a short, clear summary of the key points of the advice and/or product. There should also be an explanation of why a recommendation is considered suitable. This should be provided as a matter of course, not just when requested by the client.
15	Agree	The client should be advised if a 3 rd party platform is being used.
16	Agree	
17	Agree	
18	Agree	This must only be a temporary measure.
19	Agree	Only if the interim Kiwisaver certificate is equivalent to a Level 5 qualification
20	No	We believe this should be kept independent so would not be in favour of QFEs delivering training.
21	Agree	
22	Agree	
23	Disagree	We recommend it is kept as annual.
24	Agree	

25	Agree	
26	Undecided	Consumer NZ remains concerned that the Level 5 qualification is insufficient to raise standards across the industry. Further research is needed in this area to assess whether current training requirements are delivering a professional service to consumers.

Changes not covered in the consultation paper

If you would like to propose changes to any aspect of the Code not covered in the consultation paper, please record your submission in the following table.

Code Standard number or Code section	Proposed change	Rationale for proposed change
7	Scope of Discretionary Investment Management Service – there should be a specific obligation for an AFA to disclose the structure and operation of the personalised DIMS provided.	The Committee considered no change was necessary as key areas of concern are likely to be addressed in the new regulations. However we recommend the Committee review this if the regulations do not proceed as planned.

Submission summary:

We remain opposed to the current commission-based selling as stated in our submission to the original draft of the Code. The interests of advisers who accept commissions (and who are reliant on a provider in other ways) do not coincide with those of their clients and poor recommendations result. Consumers require advisers to be independent. While it is admirable for the Code to place clients first and have this as the basis for all other aspects of the Code, this really cannot be achieved if advisers are not independent from providers.

Confidentiality:

[Please state in writing here, if you wish your submission, or any part of it, to remain confidential to the Code Committee and the Secretariat, subject to any overriding statutory obligation.]