

Regulatory Guide: FAA 02.1

Draft Code edition

## **AFA ADVISER BUSINESS STATEMENT GUIDE**



**SECURITIES COMMISSION**  
NEW ZEALAND

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## **INTRODUCTION**

The Financial Advisers Act (the Act) will come into force fully on 1 July 2011. It introduces minimum standards of professionalism for financial advisers and gives the Securities Commission power to regulate people who give financial advice. The FAA creates a class of Authorised Financial Advisers, or AFAs, who need to be individually authorised and registered to practise in the new regulatory regime.

### **What is this guide for?**

It's to help you decide if you need to become an AFA and, if so, how to prepare an Adviser Business Statement (ABS) which is a prerequisite for being authorised.

The ABS is a short document (around 7-15 pages) where you describe your business and the compliance arrangements you have in place so that your business operates professionally. You will need to maintain your ABS on an ongoing basis.

This guide will assist anyone who might be an AFA in the new regime, including those advisers or nominated representatives who work for Qualifying Financial Entities (QFEs) who may need to be individually authorised, and advisers who are employed by an adviser business, as well as sole practitioners.

It has been published now, in advance of the release of the final Code of Professional Conduct for AFAs and the amendments to the Act contained in the Financial Service Providers (Pre-Implementation Adjustments) Bill, to enable advisers to start work on their ABS so they are ready for the arrival of the new regime. A second edition of the guide will be issued later in 2010.

We welcome any suggestions for later versions of this guide.

## BECOMING AN AFA

### Are you an AFA?

If you want to be a financial adviser in the new regime you will need to be authorised by the Securities Commission, as well as registered by the Companies Office, unless you only provide a relatively narrow range of products and services.

You need to be authorised if:

- You provide a financial planning service, that is, if you:
  - analyse an individual's current financial situation
  - identify their financial goals, and
  - develop financial options for realising those goals.

Further guidance on the boundary between financial advice and a financial planning service can be found on the Commission's website at [www.seccom.govt.nz/publications/documents/boundary](http://www.seccom.govt.nz/publications/documents/boundary)

- You also need to be authorised if you give financial advice on category 1 products:
  - Category 1 products are generally more complex investments. They include securities (such as shares, unit trusts and managed funds) any estate or interest in land, and futures contracts.
  - Financial advice is broadly defined – it covers any recommendation, opinion or guidance about buying, selling or holding a financial product. Advice includes non-personalised and personalised advice – which is likely to include a needs analysis to take into account the nature and requirements of a specific client in the context of the service performed.

You do not need to be authorised if you only give advice on Category 2 products, but you still need to be registered. Category 2 products include bank term deposits, call debt securities, most general insurance products and consumer credit contracts.

Section 5 of the Financial Advisers Act allocates financial products between category 1 and category 2.

The Act applies in a different way to advisers who are employed by a Qualifying Financial Entity (QFE) or are nominated representatives<sup>1</sup> of a QFE because the

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<sup>1</sup> The term 'nominated representatives' and their treatment is subject to the passing of the Financial Service Providers (Pre-Implementation Adjustments) Bill (the Amendment Bill).

QFE takes responsibility for their conduct. If you work for a QFE you only need to be individually authorised if you provide a financial planning service or advise on category 1 products that the QFE does not issue or promote<sup>2</sup> itself, that is, category 1 products from other providers.

If you are unsure whether your employer is a QFE, whether a QFE has nominated you as a representative, or whether your QFE issues or promotes the products you sell, please check with them before you decide whether to apply for authorisation.

## **What does it mean to be an AFA?**

AFA credentials are your passport to enter the new regime and practise as a financial adviser.

Professionalism is at the core of these reforms. The Financial Advisers Act is all about lifting standards across the industry to build public confidence in the professionalism and integrity of financial advisers.

It's also about personal responsibility. The Act applies to you individually.

Advisers who are authorised by the Securities Commission must comply with a Code of Professional Conduct. The Code introduces minimum standards for competence, knowledge and skills, client care, ethical behaviour and continuing professional training. This means you are accountable for the advice you give and how you give it.

The Code sits alongside your obligations under existing law and the Financial Advisers Act, including the requirements for all advisers to act with care, diligence and skill and to not mislead clients.

AFAs must also comply with the terms and conditions of authorisation issued by the Commission. The terms and condition will require you to maintain a current ABS.

Once the new law comes into force, consumers will still be responsible for the investment choices they make – including assessing the risks – but they will expect you to meet the minimum standards for professional advisers and they can check if you are authorised. You can expect to be asked “Are you an AFA”?

The scope of your business will be relatively limited if you are not an AFA. If you currently provide a planning service or investment advice (on category 1 products) you won't be able to continue to do so unless you become an AFA.

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<sup>2</sup> “Promote” has a narrow definition based on the Securities Act 1978.

## How do I become an AFA?

To become an AFA you should:

	When	Latest date to be on time for 1 July 2011 commencement of the Financial Advisers Act
Register and book your competence exam/ assessment at <a href="http://www.afacompetence.org.nz">www.afacompetence.org.nz</a>	Now onwards	1 December 2010
Develop an Adviser Business Statement (see What is an ABS?)	Now onwards	1 December 2010
Register online with the Companies Office and apply for authorisation at <a href="http://www.fspr.govt.nz">www.fspr.govt.nz</a>	From mid July 2010	1 December 2010

You don't have to complete your competence assessment before you apply for authorisation. The sooner you submit your application the better, so that it is processed in time for you to continue your business in the new regime.

A list of the key legal and compliance documents for AFAs and links to each document can be found at [www.seccom.govt.nz](http://www.seccom.govt.nz)

## What is an ABS?

Behind every successful professional is a well-ordered business with good systems and procedures. As part of the authorisation application process you must prepare an **Adviser Business Statement** – or ABS. Your ABS is a snapshot of how you operate. It explains the systems and procedures you have to ensure you conduct your business in a professional way.

The ABS is a short, written document that sets out what business you are in and what compliance arrangements you've put in place. It will be a requirement of the terms and conditions of your authorisation to have an ABS that is up to date.

The ABS is intended to be a helpful business tool. It's your primary evidence that you've thought about your professional obligations and how your adviser business operates and that you have systems and procedures that are relevant to its size and nature. Your ABS is an internal document – you don't need to make it public.

It's a living document that you are obliged to keep up to date so it reflects any changes in your business and any changes in the requirements in the Act and the Code.

Your ABS will be a key source of information for the Commission. You don't need to attach your ABS to your application, but it must be available for us to see on request – both before and after authorisation.

The Commission will be doing spot checks as part of our ongoing role of monitoring the financial advice industry. This could involve a visit to your office so you need to keep your ABS current and have it ready for inspection.

## **How do I prepare an ABS?**

You need to develop an ABS before you go online to register and apply for authorisation.

The ABS consists of two parts:

**Part 1 describes your adviser business.** It helps you to think about your business in the context of the standards in the Code and the Act. It helps the Commission understand your business. It also provides context for Part 2. It should contain the information detailed in the section of this guide *Preparing Part 1 of Your ABS: Your Adviser Business*

**Part 2 explains the systems and procedures you have in place** to comply with:

- the Financial Advisers Act and its regulations
- the Code of Professional Conduct for Authorised Financial Advisers
- the terms and conditions of your authorisation.

The section of this guide *Preparing Part 2 of Your ABS: Compliance Arrangements* sets out how to complete this part of your ABS.

Both sections include:

- *expected information*, which is required
- *suggested information*, to help you understand the sort of information which will help to show how you meet the principle or requirements.

You can structure and write your ABS in a form that suits your own business needs so it will assist you with operating professionally.

The length and complexity of your ABS will depend on the scope and scale of your adviser services. For most advisers we expect that the ABS will be around 7 to 15 pages. Your ABS is intended to summarise your approach, but should be comprehensive enough to explain how you oversee your business.

Part 1 may contain similar information to that included in your business planning process. For Part 2 we expect that you will be operating systems and procedures that already address some of the new requirements. Any detailed guidance on



using these procedures should remain in separate records or manuals, which the ABS can cross-reference. The ABS can indicate the topics covered in your records or manuals that are key to your compliance and consolidate topics from a number of sources into one place.

Your employer or QFE can help you write your ABS, or a group of advisers might help each other. An employer or professional body might provide additional suggestions relevant to a particular business area. Your employer or QFE cannot require you to adopt a particular ABS, but the systems and procedures described in your ABS might be those your employer or QFE requires you to follow. The ABS is your document to help demonstrate your professionalism so you are responsible for it. You are expected to be able to explain it to the Commission or provide supporting documentation, if requested.

AFA's are responsible for meeting and maintaining the same professional standards, whether or not they work with a QFE. A QFE sits between its advisers and the Commission and is responsible for their compliance with the standards specified in the Code. Therefore, an AFA in a QFE can source some of the information required for their ABS from their QFE, for example, by including QFE-produced material describing the QFE's systems and procedures as an appendix to a shortened ABS.

## **How will AFA's be regulated?**

In addition to authorising AFA's and periodically renewing their authorisation, the Securities Commission will monitor AFA's' compliance with their obligations and professionalism.

The Commission will focus more resources on monitoring AFA's at higher risk of non-compliance with the Act and the Code of Professional Conduct. We will use a range of information including:

- the ABS
  - the nature, scale and extent of the AFA's business
  - the thoroughness of the approach to compliance procedures
- whether a QFE is also responsible for the AFA's compliance with the Act and Code
- periodic reports and notifications from AFA's about their activities
- market intelligence
- complaints.

Your ABS will help the Commission to determine the level of regulatory monitoring appropriate to you.

As part of our ongoing regulation of the adviser profession we will also carry out periodic checks. The Commission may ask to see your ABS or other information at any time, interview you by phone or personally visit you to look at client files and ensure that you operate in accordance with your ABS. We may select you because:

- we have received information that identifies your business as a potential risk for clients
- we are investigating a particular theme across the industry, eg, a general review of advice on a particular product
- we are visiting your town or have selected you for a random check.

The Commission's approach is to work with the industry to encourage high standards of professionalism. We will deal with many issues through constructive dialogue, but will take action when standards fall below the required level. This approach will help build consumer confidence in the industry as a whole.

### **What happens next?**

“Are you an AFA?” is the question your clients will be asking once the new regime is up and running.

It's important that you get ready now to apply for authorisation and to prepare for when the Financial Advisers Act comes into force.

You can start preparing your ABS at any time. You will need it before you apply for authorisation. The Financial Service Providers Register [www.fspr.govt.nz](http://www.fspr.govt.nz) opens in July 2010 for registration and applications for authorisation.

The new regime will come into force fully on 1 July 2011. The earlier you apply for authorisation, the better. You don't have to complete your competence assessment before you apply.

The Financial Service Providers (Pre-Implementation Adjustments) Bill introduced in December 2009 is intended to simplify implementation of the new law and any changes will be notified via the Commission's website [www.seccom.govt.nz](http://www.seccom.govt.nz)

The Code Committee is finalising the draft Code and it will then be put forward for approval.

We recommend that you visit our website regularly to keep updated on implementation of the new regulatory regime.

## Questions and further information

As a professional in the new regime you will need to be aware of your obligations under the Act and the Code.

If you have any questions about authorisation, please check the Commission's website first to see if it is answered under Frequently Asked Questions - go to [www.seccom.govt.nz](http://www.seccom.govt.nz). Your professional body, employer or QFE may also be able to help you.

The following sites provide further useful information for financial advisers:

[www.seccom.govt.nz/afa](http://www.seccom.govt.nz/afa) – information for financial advisers

[www.financialadvisercode.govt.nz](http://www.financialadvisercode.govt.nz) – Draft Code of Professional Conduct for AFAs

[www.afacompetence.org.nz](http://www.afacompetence.org.nz) – ETITO competence evaluation tool, competence standards, booking for competence assessment and examinations, and ETITO assessment and examination fees

[www.fspr.govt.nz](http://www.fspr.govt.nz) – the Financial Service Providers Register

# PREPARING PART 1 OF YOUR ABS: YOUR ADVISER BUSINESS

## Overview of Part 1

Part 1 of your ABS must describe your **financial adviser business**.

Part 1 must include the *expected information* set out in this section.

You may decide on the form and structure of your ABS, but complying with the following suggestions will minimise Commission queries:

- Use the suggested information as a guide to the sort of information which may be helpful. Don't worry if you don't have all of the suggested information. Add other information if this better explains your adviser business.
- Write your ABS in a way that helps you to think about your business in the context of the standards in the Code and the Act. It should also help the Commission understand your business and provide context for Part 2.
- Think about the Act's objectives: to promote sound financial advice and to encourage public confidence in the professionalism and integrity of financial advisers.
- Focus on the Code of Professional Conduct and the areas of your business most relevant to the Code.
- Where possible, keep information in the ABS at a high level.
- Address all relevant financial adviser services that you provide.
- Focus on the business that you personally do rather than the whole of your employer's or principal's business.
- Provide enough information to allow us to assess your business.
- Explain any changes to your business that are in progress or planned.
- Provide supporting quantitative information to show the relative importance of various business areas. Give the best information that you can and the latest available (include the date and the period it covers). You may use forecast information, particularly if changes are expected.

Pages 13 to 17 provide a guide to the content of Part 1.

## Role

### Principle

Your ABS should:

- describe your role, including an overview of the type of adviser business that you undertake.

### Expected information

We expect your ABS to address this principle including, where relevant:

- whether you provide guidance, opinions and recommendations, a financial planning service and/or investment management decisions<sup>3</sup>
- the method by which you provide services – face to face, internet, phone, postal or other means
- if you work for a QFE, as an employee or nominated representative, state the name of your QFE and the nature of your relationship
- if you are employed, state the organisation that you work for with a brief overview of its business, including the size of the adviser business, approximate number of advisers and the number in similar roles to yours.

### Suggested information

The following may help your ABS describe your role:

- the proportion of your time spent on your adviser business - outline any other business you undertake or specific responsibilities you have
- a description of the various services you provide, including whether you provide personalised and non-personalised financial advice. State the relative proportion of your business that these represent
- whether your role involves home or workplace visits or seminars
- whether you supervise other advisers or trainees and the proportion of your time devoted to this.

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<sup>3</sup> Subject to the passing of the Amendment Bill

## Remuneration and reward

Remuneration and reward include all remuneration, monetary and non-monetary incentives that you receive for adviser services.

### Principle

Your ABS should:

- explain the way that you are remunerated or rewarded
- explain any potential conflicts of interest arising from this.

### Expected information

We expect your ABS to address this principle including, where relevant:

- a breakdown of how you are remunerated or rewarded, including any base salary, bonuses, commission and fees. You should include percentages, based on figures available for the last quarter or year, for example X% salary and Y% commission
- the factors affecting how your remuneration may vary.

### Suggested information

The following may help your ABS describe your remuneration and reward:

- the proportion of your overall remuneration and reward received from various sources, for example, from each product provider
- how your fees are calculated, noting any circumstances where these fees can vary
- an overview of any additional rewards that you may receive depending on performance, and the factors which determine whether you qualify for these
- any preferential commission terms that you have in place with various providers, particularly any variations in commission rates based on volume
- the proportion of clients who might be affected by each potential conflict of interest.

## **Business relationships**

By a business relationship we mean any person or entity that is key to your business. This might include your employer, employees, product providers and persons or entities you refer clients to or receive referrals from.

### **Principle**

Your ABS should:

- explain how your business is structured and your key internal and external relationships
- explain any potential conflicts of interest arising from this.

### **Expected information**

We expect your ABS to address this principle including, where relevant:

- the nature of any exclusive or preferential terms that you have with any product or service provider
- an overview of persons or entities whose services you employ who are key to your adviser business.

### **Suggested information**

The following may help your ABS describe your business relationships:

- the proportion of new clients who are introduced and the proportion of your business that each key source accounts for
- the proportion of clients who might be affected by each potential conflict of interest
- an overview of any contractual arrangements you have in place which could give rise to a conflict of interest. The Commission may request additional information on contractual arrangements, if necessary
- the roles, responsibilities and relevance of persons or entities who are key to your adviser business.

## Products and services

### Principle

Your ABS should:

- outline the products that you provide advice or guidance on and the services you provide. Focus primarily on retail products or services with the greatest consumer risk.

### Expected information

We expect your ABS to address this principle including, where relevant:

- an analysis of your business by high-level product types or classes, noting category 1 and 2 products separately
- in what instances you handle client money or property, if any, the context in which this occurs and the extent of your involvement.

### Suggested information

The following may help your ABS describe the products and services you offer:

- any variation in the service provided by products or product groups, for example, provision of personalised or non-personalised financial advice
- any complex or unusual products or services, terms or arrangements that you advise on
- whether you are tied to a particular provider, choose from a panel, or whether you are free to select openly from the market place. If you are tied or use a panel, whether you select the providers
- the proportion of business that is given to particular preferred providers
- whether you provide an ongoing or one-off transaction service.



## **Clients**

### **Principle**

Your ABS should:

- outline the types of clients that you deal with, distinguishing between retail and wholesale clients.

### **Expected information**

We expect your ABS to address this principle including, where relevant:

- the proportion of your business that each client group represents
- how you recruit new clients and the key sources of your clients.

### **Suggested information**

The following may help your ABS describe your clients:

- the business split between retail and wholesale clients giving the total number of retail clients in each product or service group
- any specific client segments which might have a greater need for financial advice or be more vulnerable to poor advice, for example, older clients
- if you are employed, please state the nature of the relationship you have with your clients, that is, whether their primary relationship is with you or with your employer or principal
- the types of marketing and promotional activities for each client group and your involvement in these activities.

# PREPARING PART 2 OF YOUR ABS: COMPLIANCE ARRANGEMENTS

## Overview of Part 2

Part 2 should explain how you take personal responsibility for complying with the Financial Advisers Act (the Act), its regulations and the Code of Professional Conduct for Authorised Financial Advisers (the Code).

It must explain your systems and procedures for ensuring that you meet:

- the minimum standards set out in the Code
- the obligations in the Act and its regulations
- the terms and conditions of your authorisation.

Part 2 must include the *expected information* set out in this section.

You may decide on the form and structure of your ABS, but complying with the following suggestions will minimise Commission queries:

- Provide an overview of your relevant systems and procedures in each section, and describe any reliance on third parties for these.
- Describe the compliance arrangements for your business and the checks that ensure that you are operating to the required standards. (Advisers will implement processes and controls in different ways, depending on the nature, scale and complexity of their services.)
- Focus on how you ensure that professionalism is embedded in your daily role and activities.
- If you employ staff or external parties within your business explain how professionalism is embedded in their roles and activities.
- Explain any changes to your systems and procedures that are in progress or planned. Point out where these are new.

Use the *suggested information* as a guide to the sort of information which it may be helpful to provide. Don't worry if you don't cover all of the things in the suggested information. Add other information if this better explains your compliance arrangements or is more relevant.

You can provide information on how you exceed the requirements. The Commission can consider this in determining the level of regulatory monitoring appropriate to you.

**Pages 19 to 26 provide a guide to the content of Part 2.**

## **Ethical behaviour**

### **Requirements of the Code and the Act**

- Draft Code Standards 1-7
- Section 34 of the Act

### **Expected information**

We expect your ABS to address these requirements including, where relevant:

- the safeguards you have in place to identify, avoid or manage any potential conflict of interest.

### **Suggested information**

The following may help your ABS show how you meet or exceed these requirements:

- any relevant mission statement or client charter you publicise
- any additional code of ethics or conduct that you abide by, for example, from your employer or professional body, stating the relevance to the requirements
- any systems or procedures, or support, that help you maintain positive professional behaviour to assist the achievement of suitable client outcomes, for example, any mentoring arrangements
- any ethical training you have undertaken.

## Marketing and branding

### Requirements of the Code and the Act

- Draft Code Standard 3
- Sections 30, 35 and 36 of the Act

### Expected information

We expect your ABS to address these requirements including, where relevant:

- any approval process that you have in place for marketing activities and promotional and client-facing materials to ensure compliance.

### Suggested information

The following may help your ABS show how you meet or exceed these requirements:

- an overview of the records you keep in relation to marketing and promotional activity and approvals
- where you rely on third parties for your marketing, an overview of your involvement in ensuring that the marketing is compliant
- any examples of how you have remedied issues in the past where your marketing, branding or promotional activities have led to confusion.

## Disclosure

### Requirements of the Code and the Act

- Draft Code Standard 4
- Sections 21 to 25, 27 to 29 and 31 of the Act and the disclosure regulations [awaited]

### Expected information

We expect your ABS to address these requirements including, where relevant:

- how you design and approve your disclosure statement, and keep it up to date
- your approach to providing disclosure to clients on a timely basis
- the process that you follow for individual clients to calculate fees and any commission.

### Suggested information

The following may help your ABS show how you meet or exceed these requirements:

- the extent of your input to the design and content of your disclosure documents or statement. For example, are these based on a template provided by your principal?
- if reliant on a third party for the development of disclosure documents or statement, the extent of your involvement and the checks that you undertake
- whether one standard disclosure statement is used, or whether this is tailored to each client
- whether initial disclosure is provided at the beginning of the relationship or each time advice is given
- if advice is given by telephone, whether no advice is given unless disclosure has been made or disclosure documents or statement are sent immediately afterwards
- any periodic reviews you undertake
- whether and how you test client understanding of the content of the disclosure documents or statement
- any amendments you have made to improve client understanding of your disclosure documents or statement as a result of feedback.

## Advice or service

### Requirements of the Code and the Act

- Draft Code Standards 6 and 8 to 11
- Sections 33 and 38 of the Act

### Expected information

We expect your ABS to address these requirements including, where relevant:

- any systems and procedures to help you to ensure the quality and suitability of your advice or service and related client communications.

### Suggested information

The following may help your ABS show how you meet or exceed these requirements:

- the research methods you employ and any reliance on third parties for these
- your approach to collecting enough information to understand a client's requirements (within the scope of the service being provided), for example, any parameters or guidance you use or any checklists, forms or templates
- your approach to setting out your advice for the client, for example, any templates you use
- your approach when no suitable product or service is available
- any differences in approach when dealing with different client types, products or services.
- any differences in your approach when dealing with non-personalised advice
- any "pre-check" of your advice or any periodic review of your work
- any improvements you have made as a result of feedback from checks or from customers.

## Complaints

### Requirements of the Code and the Act

- Draft Code Standard 12

### Expected information

We expect your ABS to address this requirement including, where relevant:

- how you deal with any complaints
- the number of complaints received about your advice or conduct in the last 12 months and the number upheld
- the proportion that were referred to any external mediation, complaints body or dispute resolution scheme or to any court in New Zealand or overseas.

### Suggested information

The following may help your ABS show how you meet or exceed these requirements:

- your involvement in resolving complaints about your work and whether an independent person is involved
- your approach to the register of complaints, for example, whether your QFE or employer keeps this record, or you keep your own
- your procedures for complying with dispute resolution scheme requirements for internal complaints handling
- your procedures for assisting your dispute resolution scheme
- the time taken to resolve complaints
- any examples of how you have used complaint information to improve your advice or service.

## Client money, property and information

### Requirements of the Code and the Act

- Draft Code Standards 5, 13 and 14
- Sections 39 to 44 of the Act [subject to the Amendment Bill]

### Expected information

Ensure that Part 1 explains whether you handle client money or property and the extent of your involvement.

We expect your ABS to address these requirements including, where relevant:

- how you handle any client money, property or information
- any checks that are carried out on your handling of client money and property, who carries them out and their relationship to you, if any.

### Suggested information

The following may help your ABS show how you meet or exceed these requirements:

- the name of the entity whose client trust account you use and your relationship to that entity
- the name of the bank or entity that holds the trust account (and its location if not in New Zealand)
- the name of any custodian, platform or other third party that you use to hold client property (and its location if not in New Zealand)
- the results of any recent audit of the trust account that you use, the name of any independent Chartered Accountant who conducted the audit and any remedial action taken in response to it, where relevant
- any other third party arrangements in place in relation to handling client money and property.



## Record keeping

### Requirements of the Code and the Act

- Draft Code Standards 15 and 16

### Suggested information

The following may help your ABS show how you meet or exceed these requirements:

- the key documents you keep that demonstrate your compliance with the Code and the conduct and disclosure obligations in the Act
- explain your involvement in record keeping
- if you rely on a third party for your record keeping, provide an overview of their systems and procedures stating how these address your requirements under the Code
- the length of time that advice records are kept if in excess of seven years, and any variations between products.

## **Competence, knowledge and skills and continuing professional training**

### **Requirements of the Code and the Act**

- Draft Code Standards 8(a), 17 to 21

### **Expected information**

We expect your ABS to address these requirements including, where relevant:

- how you are satisfied that you have the competence, knowledge and skills for the specific services you provide
- how you maintain and test your competence on an ongoing basis
- the process you follow when you do not have the competence, knowledge or skills to provide a professional level of service to a client.

### **Suggested information**

The following may help your ABS show how you meet or exceed these requirements:

- any relevant qualifications which exceed the minimum Code requirements
- how you develop your professional development plan, for example, involvement of mentors, supervisors, client feedback or complaints information. The role of any third party in delivering the plan
- arrangements to maintain competence, knowledge and skills in the light of product developments and changes
- arrangements maintain competence, knowledge and skills in the light of developments in professional practice.

**Table 1: Draft Code Standards**

<b>Draft Code standard</b>	<b>Overview of standard</b>	<b>ABS section</b>
1	Placing client interests first and acting with integrity	Ethical behaviour
2	Obligation not to bring AFA or financial advisers into disrepute	Ethical behaviour
3	Use of term "Independent"	Ethical behaviour Marketing and branding
4	Provision of information to client	Ethical behaviour Disclosure
5	Borrowing from/lending to client	Ethical behaviour Client money
6	Restrictions that apply where AFA is related person of provider	Ethical behaviour
7	Obligation to report suspected non-compliance	Ethical behaviour
8	Obligation to behave professionally	Advice or service Competence
9	Basis for advice	Advice or service
10	Suitability of personalised financial advice	Advice or service
11	Non-personalised financial advice	Advice or service
12	Complaints processes	Complaints
13	Protecting client money, property and information	Client money, property and information
14	Keeping proper client money and property records	Client money, property and information
15	Written information about services	Record Keeping

16	Record retention	Record Keeping
17	Overarching competence requirement	Competence
18	Adequate knowledge of Code, Act and laws	Competence
19	National Certificate in Financial Services (Financial Advice) (Level 5) requirement and alternative qualifications and designations	Competence
20	Professional development plan	Competence
21	Obligation to undertake continuing professional training	Competence

**Table 2: Financial Advisers Act conduct and disclosure obligations**

<b>Act section</b>	<b>Overview of Act requirements</b>	<b>ABS section</b>
21 to 25	Disclosure obligations	Disclosure
27 to 29, 31	Disclosure obligations	Disclosure
30	Advertising must refer to disclosure document	Marketing and branding
33	Must exercise care, diligence and skill	Advice or service
34	Must not engage in misleading or deceptive conduct	Ethical behaviour
35	Advertisement must not be misleading, deceptive or confusing	Marketing and branding
36	Restriction on use of term sharebroker	Marketing and branding
37	Must comply with Code	All sections
38	Must not recommend illegal securities	Advice or service
39 to 44	Conduct obligations in respect of client money	Client money, property and information
45	Must comply with terms and conditions of authorisation	All sections



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