

Proposed minimum standards of ethical behaviour.

18th November 2009

Code Committee Proposal:

Below is a copy of the news item reported today by Financial Alert (<http://financialalert.co.nz>).

If you would like to read all 40 pages of the Code Committee's proposal go to: <http://www.financialadvisercode.govt.nz/> and select the latest news item dated 17th November at the top left of the screen.

Financial Alert report:

The Code Committee has released a discussion paper outlining its proposed minimum standards of ethical behaviour and client care for Authorised Financial Advisers (AFAs), in which it proposes seven principles for client care.

Committee Chairman, Ross Butler, said it had identified a set of principles on which the proposed minimum standards of ethical behaviour and client care have been based.

"The first principle is that any AFA must place their client's interests first and act with integrity," Butler wrote.

The Committee is also proposing that financial advice must be independent and objective, unless the adviser clearly communicates the lack of independence and/or objectivity to the clients, and puts in place appropriate safeguards. This could include offering the client the opportunity to take independent advice.

The proposed Code also includes standards for client care. "Client care is critical to the delivery of good advice, and we are proposing that advisers must build seven client care principles into the way they work with their clients," he wrote. These are:

Professionalism - This requires an AFA to behave professionally in providing financial adviser services and, in particular, communicate clearly with the client, act in a courteous, open and honest manner, and provide services promptly.

Suitability - An AFA should take reasonable steps to ensure any service provided are suited to the client's needs, financial position, goals and risk profile.

Capability and Capacity - AFAs should identify, implement and review appropriate client care processes and controls. It also requires that AFAs ensure they have sufficient time and resources for the tasks they undertake.

Effective Communication - This standard requires AFAs to provide their clients with a written copy of the advice or service provided - unless it is not practicable to do so - and in a form so the client is able to understand easily.

Effective dispute resolution - AFAs need to have to an appropriate internal dispute resolution process and to communicate that process to the client.

Compliance - AFAs should comply with the law.

Custody - This requires an AFA to safeguard a client's property and information in the AFA's possession or control.