



Chief Executive Update

David Hutton

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Institute of Financial Advisers



INSTITUTE OF
FINANCIAL
ADVISERS®

Acknowledgements

- **The Queen's Service Medal – Dennis Keale, Lower Hutt, for services to herpetology**
- All IFA members who have served as volunteers - currently or in the past

The turbulent past year

- Financial market storm
 - US sub-prime mortgages
 - Sharemarket – 3-year low
 - NZ finance company failures
 - Blue Chip
 - Housing market downturn
 - Prices – petrol, food, blocks of cheese
 - Recession
 - Stagflation
- None of this is new: 1973, 1979, 1987, 1998, 2000, 2001
- But, that doesn't make it any easier
- Nor should we forget the pain to individual investors who have lost money

Impact on IFA

- Complaints and discipline process:
 - Independent process
 - 44 complaints in last financial year
 - Majority about finance company investments
 - 9 dismissed, 3 found against member, 32 still being processed
 - Costs recovered if found “against” member – may be \$20,000
- Putting this into proportion:
 - 1,400 members
 - 200,000 clients in any one year
 - 600,000 customer base
- Demonstrates importance of dealing with an IFA member
 - A professional association that has standards and enforces them
 - Vast majority of IFA members put the client first and act professionally

Internal focus

- New **CPD** requirements July 2007
- **Code of Ethics + Practice Standards** - August 2007
- **Constitution** – November 2007
- **Disclosure** regime – templates + guidelines - February 2008
- Hosted **FPSB** – April 2008
- First **Presidential election** – May 2008
- **Abolition of Colleges** – May 2008
- Creation of **Special Interest Groups** – May 2008
- **Marketing & Communications** Committee – April 2008
- **Education track** review working party – May 2008
- **Professional Promise** to clients – July 2008
- Identification of “**Areas of Advice**” on web site – August 2008

Professional Promise

As a member of the Institute of Financial Advisers
I pledge that I will always....

- Place your interests above mine
- Act with integrity
- Be fair and reasonable
- Restrict my advice to those areas where I am competent
- Avoid or disclose any conflict of interest
- Protect your confidentiality
- Seek to continually improve as your adviser

I will be what you expect of a professional.
I work for you.

Industry focus – working together

- G4 – IFA, LBA, PAA, SiFA
- Now FAANZ =
Financial Adviser Associations of NZ
- Working together for the benefit of advisers and consumers
- Agreed principles
- Joint submissions
- Media statements
- IFA representatives: Lyn McMorran, Tony Vidler
- Chair 2008/09: Richard Thomas (PAA)
- Media spokesperson: Tony Vidler (IFA)

External focus - Regulation

- **PIEs and FIF** taxation
- **KiwiSaver**
- **Human Rights Commission** – insurance guidelines
- **Disclosure Regulations** – February 2008
- **Adviser regulation** – 2 Bills + discussion document [watch this space]
- **Real Estate Agents**
- **Non-bank Deposit Takers** – capital adequacy + credit rating
- **Life insurance taxation** – excluding annuities
- **Trustee Act** – adding financial adviser as authorised agent
- **Insurance law** – agency law
- **Home Equity Release** – guidelines
- **Anti-money laundering** – April 2009 Bill
- **Draft Strategy on Financial Literacy**

Financial Adviser Regulation

- Bills currently before Finance & Expenditure Select Committee
- **Uncertainty** over
 - When legislation will be passed
 - When it will take effect
 - Licensing rather than co-regulation
 - Who will be regulated
 - What products will be regulated
 - Whether regulation will allow “accredited institutions” – for employees or tied agents
- **But even so, IFA supports regulation:**
 - Set minimum standards
 - Require competency
 - Able to ban poor advisers
- **Friday morning sessions on regulation**
 - Simon Power (National)
 - Lianne Dalziel (Minister of Commerce)

IFA position on regulation

- Include all aspects of financial advice
 - e.g. Real estate investment
- Uniform standards – employees, tied agents, non-tied agents, accountants, lawyers
- Single register of advisers
- Separate standard setting from complaints and discipline
- Single industry dispute resolution body
- Require proven competency – not just registration
- Ability to review and comment on draft legislation

IFA approach – business as usual

- **Regulation will happen**
- Will make submissions and work with policymakers
- **But** need to get on with building IFA as a professional association:
- **Membership**
 - Reinforce value proposition to belong to existing members
e.g. Professional promise, more CPD opportunities
 - Make membership more attractive to prospective members
e.g. simplify education track
- **Standards**
 - Develop competency standards for adviser roles
e.g. guidelines, checklists, toolkits
 - Continue to promote the achievement of professional standards to all stakeholders
- **Representation**
 - To members, keeping you informed
 - To the public, e.g. financial literacy and financial awareness
 - To Government, e.g. informed submission

Professional Indemnity Insurance

- Purpose: protection of both members and their clients
- Requirement for ongoing membership
- IFA provides a group PI Scheme
- Renewal date 1 October
- Premiums will probably rise, but those with better processes and systems will be assessed as lower risk
- IFA scheme broker (Aon) will seek competitive bids from underwriters
- Advice to advisers:
 - Don't just look for "lowest price"
 - Most claims are for defence of complaints that don't result in liability
 - Consider features and level of overall cover, e.g.
 - Some group schemes have a low maximum so if there were claims might not have cover
 - IFA scheme excess is exclusive of costs, i.e. only paid if there is a settlement, and most claims are for defence costs



Any questions?