



**INSTITUTE OF FINANCIAL ADVISERS INC.**

**MEMBERSHIP BYLAWS**

**1 JULY 2010**

# CONTENTS

	PAGE
1. ROLES .....	2
2. CLASSES AND CATEGORIES OF MEMBERSHIP .....	2
3. APPLICATION FOR MEMBERSHIP .....	2
4. REQUIREMENTS FOR PRACTITIONER MEMBERSHIP .....	3
5. SPECIFIC REQUIREMENTS FOR MEMBERSHIP.....	3
6. REQUIREMENTS FOR PROFESSIONAL DESIGNATIONS .....	3
7. INACTIVE MEMBERSHIP.....	4
8. RETIRED MEMBERSHIP.....	5
9. FELLOW .....	5
10. LIFE MEMBER .....	5
11. AFFILIATE.....	5
12. PROMOTION OF MEMBERSHIP .....	6
13. ANNUAL CERTIFICATE TO PRACTICE .....	6
14. APPROVED EXPERIENCE .....	7
15. WITHDRAWAL OF MEMBERSHIP .....	7
Appendix: Continuing Professional Development Guidelines.....	10

## COMMENCEMENT

These Bylaws come into operation on 1 June 2009.

## DEFINITIONS

<b>Approved experience</b>	means experience as defined in Section 13 of these Bylaws
<b>Institute</b>	means the Institute of Financial Advisers Incorporated
<b>ATO</b>	means a training organisation authorised in terms of Section 13 of these Bylaws
<b>CPD</b>	means Continuing Professional Development
<b>Management</b>	means IFA executive staff
<b>Member</b>	means a Member of the Institute of Financial Advisers Incorporated
<b>National Office</b>	means the management and administrative headquarters of the Institute
<b>Practitioner Member</b>	means any Member involved in the process of personal financial advice but does not include persons such as research house representatives or fund management representatives, who when carrying out their duties as fund management or research house representatives, provide investment advice related to their organisation's products/services
<b>Affiliate Member</b>	means a Member who is not practising but is involved or interested in one or more areas of financial advice. Affiliate Members may be managers of financial institutions or adviser practices.

## 1. ROLES

- 1.1 The Constitution defines the classes of membership and these Bylaws prescribe requirements for each class and category of membership. The Professional Development Committee develops policy for the particular education courses recognised as meeting the requirements for each category of membership as well as requirements for eligibility for membership, moral character and business ethics. The Board approves the particular policies.
- 1.2 The Certification Committee's role is to evaluate individual applications in terms of the requirements under the Membership Bylaws and Board policy, in terms of processes set by the Certification Bylaws. This includes assessing whether an applicant has achieved education equivalent to the approved education courses and practical experience. Where the Institute administers case studies or examinations, the Certification Committee oversees the processes and monitors results. The Certification Committee also evaluates mentor reports on practical experience.

## 2. CLASSES AND CATEGORIES OF MEMBERSHIP

- 2.1 Members may be Practitioner Members, Affiliate Members, Retired Members, or Inactive Members. They may also be a Fellow or a Life Member. There are two categories of Practitioner membership of the Institute:
  1. Provisional Member
  2. General Member
- 2.2 General Members may also achieve the professional designations of CERTIFIED FINANCIAL PLANNER<sup>CM</sup> practitioner and Chartered Life Underwriter.
- 2.3 Up until 31 December 2009, there are also two additional professional designations: Associate Financial Planner and Associate Life Underwriter. These professional designations will continue to be granted to those who meet the requirements under the former Membership and Certification Bylaws, for applications received up until 31 December 2009. From 1 January 2010 applications received for these designations will no longer be granted but any Member who has achieved either of these may continue to use the professional designations.

## 3. APPLICATION FOR MEMBERSHIP

- 3.1 Criteria for membership shall reflect the principle that membership of a profession requires proven competency (knowledge and skills), experience and ethical standards. Application for membership shall be made in the form authorised by the Board.
- 3.2 Management may approve the application for Provisional Membership of any financial adviser who is a permanent resident of New Zealand who has satisfied the requirements for eligibility for membership, moral character and business ethics. Management may refer cases for consideration by the Certification Committee and shall do so if there is any doubt as to eligibility or suitability. Management shall regularly report approvals to the Certification Committee.
- 3.3 Management may admit to Affiliate Membership of the Institute any person who is not a practitioner but who is otherwise involved in the business of providing financial advice upon such conditions as may be prescribed by the Constitution or approved by the Board. Management may refer cases for consideration by the Certification Committee and shall do so if there is any doubt as to eligibility or suitability. Management shall regularly report approvals to the Certification Committee.
- 3.4 A person shall become a Member once:
  1. his/her application has been approved; and
  2. the person has paid the relevant membership subscription and any other fees.

## 4. REQUIREMENTS FOR PRACTITIONER MEMBERSHIP

4.1 The following requirements apply to all Practitioner Members at the time of application and on an ongoing basis.

### 4.2 Ongoing Membership Requirements

To maintain Practitioner Membership, a Member shall

1. complete CPD in the manner specified by the Board as set out in the CPD Guidelines in the Appendix.
2. agree to comply with the Institute's Code of Ethics, Practice Standards, Rules of Conduct, Constitution and Bylaws
3. pay the relevant Member subscription and any other fees.

### 4.3 CPD Requirements for Members of an Approved Training Organisation

Approved Training Organisations (ATOs) take responsibility for the training and ongoing CPD of their members. A Practitioner Member, while part of an ATO, is required to complete half the hours of CPD required under this Bylaw.

## 5. SPECIFIC REQUIREMENTS FOR MEMBERSHIP

### 5.1 Provisional Membership

To obtain Provisional Membership, an applicant shall declare involvement as a practitioner who is ordinarily resident in New Zealand for at least nine months every year, be accepted for Provisional Membership, and pay the relevant membership subscription and any other fees.

### 5.2 General Membership

To obtain General Member status a Provisional Member shall:

1. complete the Institute approved training courses required for General Membership;
2. complete the requirement for two years approved experience to the satisfaction of the Certification Committee; and
3. have a satisfactory ethical record and no unresolved complaints.

## 6. REQUIREMENTS FOR PROFESSIONAL DESIGNATIONS

### 6.1 CERTIFIED FINANCIAL PLANNER<sup>CM</sup>

To obtain the designation CERTIFIED FINANCIAL PLANNER<sup>CM</sup> a Member shall:

1. be a General Member;
2. have completed 3 years of experience as a financial adviser;
3. hold an Institute approved Diploma in Personal Financial Planning or similar qualification acceptable to the Certification Committee (the onus is on the Member to satisfy the Committee of the suitability of the alternative qualification);
4. pass the Case Study Exercise set by the Institute as a final requirement for this class of membership;
5. pass any Examination set by the Institute as a requirement for this class of membership; and
6. have a satisfactory ethical record and no unresolved complaints.

### 6.2 Chartered Life Underwriter

To obtain the designation Chartered Life Underwriter a Member shall:

1. be a General Member;
2. have completed 3 years of experience as a financial adviser;

3. hold an Institute approved Diploma in Personal Risk Management or similar qualification acceptable to the Committee (the onus is on the Member to satisfy the Committee of the suitability of the alternative qualification);
4. pass any Case Study Exercise/Examination set by the Institute as a final requirement for this class of membership; and
5. have a satisfactory ethical record and no unresolved complaints.

## 7. INACTIVE MEMBERSHIP

7.1 Inactive Membership is available to either Practitioner or Affiliate Members who are temporarily not actively involved in the industry but who intend to return to full Membership in the future. To be eligible, an Affiliate shall earn less than \$5,000 pa from employment in the financial services sector and for a Practitioner, earn less than \$5,000 pa from the personal provision of financial advice.

7.2 Inactive Members are required to pay a subscription that is 25% of the subscription that was applicable to their former membership category.

7.3 An Inactive Member may return to their former membership category without needing to pay another application fee.

7.4 While an Inactive Member, a former Practitioner is not required to undertake CPD. However, to return to active membership, if a Practitioner has not completed CPD, they will be required to complete a minimum of 30 hours of CPD (equivalent to one year of normal CPD). If the Member has been inactive, in terms of providing advice, for an extended period, the approval of the Certification Committee will be required for an agreed programme of CPD or additional education.

### 7.5 Maintaining Certified Financial Planner<sup>CM</sup> designation while not practising

In order to maintain the CERTIFIED FINANCIAL PLANNER<sup>CM</sup> designation while not practising Members shall;

1. notify the Institute in writing of their intention to cease practising stating the date at which the cessation will commence; and
2. return all Annual Certificates to Practice to National Office; and
3. maintain financial membership of the Institute; and
4. pay any fees associated with the CERTIFIED FINANCIAL PLANNER<sup>CM</sup> designation; and
5. refrain from giving financial advice until such time as the Committee approves the reissuing of an Annual Certificate to Practice.

### 7.6 Reissuing of Certified Financial Planner<sup>CM</sup> Annual Certificate to Practice

To have an Annual Certificate to Practice reissued after a period of not practising a Member shall;

1. apply in writing for the reissuing of their Annual Certificate to Practice; and
2. provide evidence of all CPD activities completed while not practising; and
3. complete such Mentoring or educational requirements as may be set and in the time frame laid down by the Certification Committee; and
4. pay any fees associated with the CERTIFIED FINANCIAL PLANNER<sup>CM</sup> designation relating to the financial year in which the application for reissue of the Annual Certificate to Practice is made.

### 7.7 Maintaining Chartered Life Underwriter designation while not practising

In order to maintain the Chartered Life Underwriter designation while not practising, a Member shall:

1. notify the Institute in writing of their intention to cease practising stating the date at which the cessation will commence; and
2. return all Annual Certificates to Practice to National Office; and
3. maintain financial Membership of the Institute; and
4. pay any fees associated with the Chartered Life Underwriter designation; and

5. refrain from giving risk and/or financial advice until such time as the Committee approves the reissuing of an Annual Certificate to Practise as detailed in 7.4.

#### **7.8 Reissuing of Chartered Life Underwriter Annual Certificate to Practice**

To have their Annual Certificate to Practice reissued after a period of not practising a Member shall;

1. apply in writing for the reissuing of their Annual Certificate to Practice; and
2. provide evidence of all CPD activities completed while not practising; and
3. complete such Mentoring and/or educational requirements as may be set and in the time frame laid down by the Committee; and
4. pay any fees associated with the Chartered Life Underwriter designation relating to the financial year in which the application for reissue of the Annual Certificate to Practice is made.

### **8. RETIRED MEMBERSHIP**

8.1 Retired Membership is available to either Practitioner or Affiliate Members who retire from the financial services industry and, for an Affiliate earn less than \$5,000 pa from employment in the financial services sector and for a Practitioner, earn less than \$5,000 pa from the personal provision of financial advice.

8.2 Retired Members pay an annual subscription as approved by the Council.

8.3 A retired Practitioner Member is able to use Member IFA (Retired) but must not use other professional designations as these require ongoing practitioner status. They would need to return any Annual Practising Certificates.

8.4 A Retired Member who wishes to return to active membership would need to follow the same requirements as someone returning from Inactive Membership.

### **9. FELLOW**

To be recognised as a fellow of the Institute a current Member must meet the requirements of clause 8.11 of the Constitution. A fellow shall also have a satisfactory ethical record and no unresolved complaints.

### **10. LIFE MEMBER**

To be recognised as a Life Member of the Institute a current Member must meet the requirements of clauses 8.12 and 8.13 of the Constitution. A Life Member shall also have a satisfactory ethical record and no unresolved complaints.

### **11. AFFILIATE**

11.1 Industry participants who are not practitioners and who either:

1. provide ancillary services or support to the industry, or
2. are involved in the provision of financial services to the consumer which are outside the definition of a Practitioner Member

can apply for Affiliate Membership of the Institute, provided that they declare in writing their compliance with the Constitution of the Institute, its Bylaws, Code of Ethics, Rules of Conduct and Practice Standards.

11.2 If an Affiliate Member commences practise as a financial adviser, then they must immediately apply for admission as a Provisional or General Member.

## 12. PROMOTION OF MEMBERSHIP

- 12.1 When Members refer to membership of the Institute they should clearly indicate which membership class and category they hold. The accepted wording is set out below:

<u>Membership Category/Qualification</u>	<u>Accepted Wording/Abbreviation</u>
1. Provisional Member	Provisional Member Institute of Financial Advisers Institute of Financial Advisers Provisional Member
2. General Member	Member Institute of Financial Advisers Member IFA
3. Certified FINANCIAL PLANNER <sup>CM</sup>	CERTIFIED FINANCIAL PLANNER <sup>CM</sup> CFPCM
4. Chartered Life Underwriter	Chartered Life Underwriter CLU
5. Fellow Member	Fellow Institute of Financial Advisers Fellow IFA
6. Affiliate Member	Affiliate Member Institute of Financial Advisers Affiliate Member IFA
7. Life Member	Life Member Institute of Financial Advisers Life Member IFA
8. Associate Financial Planner	Associate Financial Planner AFP
9. Associate Life Underwriter	Associate Life Underwriter ALU
10. Retired	Member Institute of Financial Advisers (Retired) Member IFA (Retired) <sup>1</sup>

## 13. ANNUAL CERTIFICATE TO PRACTICE

- 13.1 An Annual Certificate to Practice may be issued to qualifying Practitioner Members, except Provisional Members. To qualify for an Annual Certificate to Practice Members are required to meet all membership requirements for their category of membership. The Certificate may be renewed annually at the discretion of the Committee, and shall remain the property of the Institute.
- 13.2 Any Practitioner Member (other than a Provisional Member) who practises without an Annual Certificate to Practice may be removed from membership and lose their membership designation and will be required to return any Institute property to National Office.
- 13.3 The Certificate shall remain the property of the Institute and shall be current until revoked by the Committee at which time it shall be returned to National Office.
- 13.4 National Office may issue the Certificate to financial Members of the Institute who return completed compliance declarations by the final date for payment of subscriptions. The Committee may revoke the certificate of any Member if it is not satisfied with respect to their eligibility for membership, or moral character, or business ethics or any other criteria for membership as laid down by the Bylaws.

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<sup>1</sup> Professional designations such as CLU or CFPCM only be used by a practitioner.

## 14. APPROVED EXPERIENCE

- 14.1 To obtain approved experience a Member must be a Financial Adviser for an ATO (Approved Training Organisation) or work in association with a Mentor who is either a CERTIFIED FINANCIAL PLANNER<sup>CM</sup>, or a Chartered Life Underwriter or someone approved by the Committee as having appropriate qualifications, skills and experience.
- 14.2 Members may approach Mentors within their own organisation or externally but all Mentor arrangements require the prior approval of the Committee.
- 14.3 The Mentor shall use his or her best endeavours to ensure that the Member:
1. complies with the Institute's Constitution, Bylaws, Code of Ethics, Rules of Conduct and Practice Standards
  2. maintains appropriate records of client activities
  3. has satisfactory administrative systems in place
  4. obtains the required depth and breadth of experience
  5. provided that as between the Mentor and the Member, the Mentor shall not incur any personal liability in the undertaking of such role.
- 14.4 The Mentor will be required to report six monthly to the Certification Committee and shall confirm that the required experience standards have been met, and provide other comment/information as sought by the Committee.
- 14.5 To qualify for and maintain ATO status an applicant organisation will, at their expense, satisfy an independent audit that they:
1. Have in-house training specifically targeted at new advisers covering courses required by the Institute for general membership. These will be prescribed from time to time.
  2. Have supervisory and reporting structures in place which ensure that new advisers have sufficient Mentoring to meet the requirements of the Institute's Mentoring regime.
  3. Require their relevant advisers to complete annually in-house CPD programmes of a sufficiently robust and comprehensive nature that they would achieve each year a minimum of half the hours required by the Institute.
  4. Have internal standards of professional practice that are at least the equivalent of those that bind Members of the Institute.
- 14.6 In order to maintain status as an ATO, the relevant organisation will submit at its expense to an annual audit to be completed by an independent individual or organisation.

## 15. WITHDRAWAL OF MEMBERSHIP

### 15.1 Retirement or Resignation from the Institute

1. No member may retire or resign if:
  - a. any complaint is lodged against the member (whether before or after the giving of the notice of resignation); or
  - b. any disciplinary hearing is commenced against the member (whether before or after the giving of the notice of resignation).
2. Any notice of retirement or resignation where a member is the subject of either or both of the above two events shall not take effect until:
  - a. the hearing of any complaint or disciplinary proceedings has been disposed of; and
  - b. any resulting action, disciplinary measure, fine or penalty has been imposed.
3. No notice of retirement or resignation shall take effect until all subscriptions, fines, penalties, levies and other payments due to the Institute have been paid. However, the Board may

determine otherwise, in which case all unpaid subscriptions, fines, penalties, levies and other payments shall constitute a debt due to the Institute by the former member and shall be recoverable as such.

4. A member must provide notice in writing to National Office of any intention to resign or retire.

## 15.2 Membership ceases if subscription not paid

1. Subject to 4 below, where a Member's subscriptions are not paid in full at the end of the third month of the financial year, that Member shall be deemed "non-financial" and their Membership shall cease, unless their subscriptions are being paid by regular instalments in a manner approved by the Board of the Institute.
2. Subject to 4 below, if a Member's subscriptions are being paid by regular instalments and they miss three or more of the agreed payments, that Member shall be deemed "non-financial" and their Membership shall cease.
3. A non-financial Member shall be entitled to be reinstated to their previous Membership class on payment of the full subscriptions (plus any penalty set by the Board) before the end of that Financial Year.
4. A non-financial Member's Membership shall not cease under 1 or 2 above if a complaint has been received about that Member, or disciplinary action has commenced in relation to that Member, until:
  - a. the complaint or disciplinary proceedings has been resolved, or any hearing in relation to the complaint or disciplinary action has been concluded and a decision made by the Professional Conduct Committee or the Disciplinary Tribunal, as the case may be; and
  - b. any resulting action, disciplinary measure, fine or other penalty has been imposed; and
  - c. any appeal period relating to the matters set out in (a) or (b) has expired without an appeal being lodged, or any appeal lodged within the relevant appeal period has been determined; and
  - d. all subscriptions, fines, penalties, levies and other payments due to the Institute have been paid.
5. The cessation of a non-financial Member's Membership under 1 or 2 does not affect that non-financial Member's liability for any outstanding subscriptions, fees or other charges lawfully due and payable to the Institute at the date on which the Membership ceases. For the avoidance of doubt, this includes any outstanding subscriptions, fees or other charges incurred in the period during which a non-financial Member's Membership is continued under 9.8 of the Constitution.

## 15.3 Withdrawal by Resolution of the Committee

An Annual Certificate to Practice, professional designation or Membership of the Institute may be withdrawn by resolution of the Committee where a Member does not comply with the criteria for membership as laid down by the Membership Bylaws, in particular, where they relate to educational and professional requirements. Where non-compliance relates to ethical requirements, such as good moral character and following business ethics, then the process to be followed is for the Institute to make a complaint under the Disciplinary Bylaws.

## 15.4 Termination or Suspension by Disciplinary Committee

Membership of the Institute can be terminated or suspended by the Disciplinary Tribunal of the Institute in accordance with the Disciplinary Bylaws.

## 15.5 Effect of Cessation, Withdrawal or Termination of Membership

Where membership of the Institute ceases under clause 15.2 or is withdrawn or terminated:

1. the Member shall cease to be a Member of the Institute with effect immediately; and shall forthwith cease to hold themselves out as a Member of the Institute and shall return to the Institute any certificate or other device signifying or denoting membership of the Institute.
2. the Chief Executive Officer shall send to that person written notice of the withdrawal or termination and the reasons therefore as soon as reasonably practicable; and
3. the Institute shall be entitled to publicise and advise people of any withdrawal or termination of membership; and
4. the Institute shall be entitled to recover as a debt any monies due by the former Member to the Institute; and
5. the Institute may, at its discretion, notify Members when a Member ceases to be a Member and publish such information in any Institute newsletter or newspaper, magazine or other media as the Chief Executive Officer deems appropriate.

## APPENDIX: CONTINUING PROFESSIONAL DEVELOPMENT GUIDELINES

The Membership and Certification Bylaws of the Institute of Financial Advisers Inc require all practising Members of the Institute to complete Continuing Professional Development. This shall be measured for each two consecutive financial years. The number of hours required shall be as follows:

- For the two years ending 30 June 2009 – 50 hours
- For the two years ending 30 June 2010 and all subsequent two consecutive financial year periods – 60 hours

At least half those Continuing Professional Development hours must relate to “structured CPD” with the balance “unstructured CPD”. Structured CPD is not restricted to courses offered by the Institute or to topics directly related to financial advice. Provided a topic is relevant to a Member’s professional duties and responsibilities it will fall within the scope of the Institute’s requirements.

The responsibility lies with each Member to choose suitable professional development activities and to judge, within the guidelines provided, whether these activities contribute to the individual’s personal and/or professional development. Examples of “structured” and “unstructured” CPD are detailed below.

The number of hours for particular CPD events or activities should exclude breaks such as for meals or refreshments. National Office will provide guidelines on hours for CPD provided by the Institute and may advise on appropriate hours for other activities. For university courses, such as papers in the Massey University Post Graduate Diploma in Business Studies, 10 hours per paper is suggested as appropriate for CPD hours. For conferences, structured CPD hours should be restricted to sessions that are technical in nature.

Members are required to maintain a CPD log containing sufficient information and detail to evidence attendance and participation in educational events that qualify in the various criteria and to the level of hours required by the Institute Bylaws.

Structured CPD	Unstructured CPD
<ul style="list-style-type: none"> <li>• University courses</li> <li>• Adviserlink courses</li> <li>• In-house technical training</li> <li>• Conferences both local and international</li> <li>• Branch courses or meetings with technical content</li> <li>• IFA courses</li> <li>• IFA Roadshows</li> <li>• IFA case study completion or IFA exam for CFP<sup>CM</sup></li> <li>• Seminars by other professional bodies, e.g. NZICA</li> <li>• Assessed distance learning</li> <li>• Other structured courses</li> </ul>	<ul style="list-style-type: none"> <li>• Reading IFA newsletters</li> <li>• Reading professional/technical articles including on the internet</li> <li>• Educational videos / tapes</li> <li>• Specific reading material that relates to practical work</li> <li>• Distance learning with no assessment</li> <li>• Product launches</li> <li>• Institute Branch Meetings (including Committee Meetings but excluding meetings with technical content)</li> <li>• Mentoring meetings</li> </ul>