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Professional Standards Upgrade for New Zealand Advisers

The Institute of Financial Advisers (IFA) is upgrading its Professional Standards for financial advisers to ensure its members continue to follow good practice in keeping with international standards.

Lyn McMorran, President of the IFA, says one of the key changes to the Professional Standards is ensuring the principle 'Client First' is the most important of eight Code of Ethics principles.

"Placing the client's interests first was explicitly dealt with in the original Code and it was certainly always a priority. However in making these latest changes we are ensuring it is a top priority for financial advisers and that even greater emphasis is placed on it. This principle is the hallmark of professionalism, requiring the financial adviser to act honestly and not place personal gain or advantage before the client's interests," McMorran says.

McMorran says the fundamental concepts of the Code are the same as before. "We have just introduced a more usable set of documents to ensure financial advisers always place their clients' interests first when they engage in assisting a client. This is in the best interests of advisers as when they follow these professional standards they will be more likely to have satisfied clients."

The IFA has provided a copy of the revised Professional Standards documents to the Securities Commission. "We would like to see the IFA's Professional Standards, which include a Code of Ethics, Practice Standards and Rules of Conduct being used by the Securities Commission in developing the Code for Authorised Financial Advisers required by the Financial Advisers Act, This would ensure the Code reflected international good practice for all financial advisers throughout New Zealand, not just for our members.

"The purpose of the Professional Standards is to foster professionalism among IFA financial advisers and to serve the needs and interests of New Zealand by giving them more confidence in their advisers."

The IFA has used the guidelines and principles of the international standards as agreed by the 23 member countries of the Financial Planning Standards Board (FPSB), including New Zealand's IFA, in October 2008. However McMorran says, "We have fine tuned and improved on their requirements for the New Zealand market. For example we have introduced a rule that the trust accounts that handle client's cash need to be audited. This is more onerous than the comparable rule in the Financial Planning Standards Board document."

The draft Professional Standards documents will be approved when the IFA council meets in November 2009, so they will be effective from 1 January 2010.

Complying with the Professional Standards is a requirement for all members of the IFA and failing to comply can result in disciplinary action and loss of membership. In the two years to June 2008, 46 complaints were processed by the IFA. Of those 37 were completed and in 12 cases the financial adviser was found to be at fault. There are still 9 cases from this period which are currently being processed and IFA says 7 of those are on their way to the Disciplinary Committee. The IFA is actively monitoring members that fail to comply with the Professional Standards.

However McMorran says, "We have around 1,300 members who deal with around 200,000 clients in any one year so the complaints form a very small percentage of advice given by members. The most important issue is that the Professional Standards documents including the Code of Ethics, Practice Standards and Rules of Conduct all provide a framework for members to create successful and enduring relationships with clients.

ENDS

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About the Institute of Financial Advisers

The Institute of Financial Advisers is the professional body for financial advisers, including insurance and investment advisers and financial planners. The Institute is an industry leader, representing some 1,300 financial advisers throughout New Zealand.