



News Release, 27 May 2009

IFA Members Should Be Recognised as Authorised Financial Advisers

Members of the Institute of Financial Advisers (IFA) who have already met high competency standards should get automatic recognition as Authorised Financial Advisers, according to the IFA who this week made a submission to the Securities Commission.

The IFA recommended the Securities Commission recognise IFA full Practitioner Members as Authorised Financial Advisers without requiring them to undertake assessment, provided they have completed their formal membership renewal process including meeting Continuing Professional Development (CPD) requirements for the preceding two years. The Authorised Financial Advisers standard is to be used by the Securities Commission as the minimum bar financial advisers will be required to meet to provide investors financial advice.

In its recent submission to the Securities Commission, IFA says the reason for its recommendation is that IFA's requirements for membership meet or exceed those likely to be required under the Financial Advisers Act.

Lyn McMorran, President of the IFA says the initial authorisation process should concentrate on advisers who do not belong to a professional association and therefore have not been required to meet formal competency requirements.

"If the Securities Commission wishes to encourage a culture of professionalism, then AFAs and financial advisers need to receive a genuine benefit from membership of a professional body. Members of the IFA are likely to meet all the competency requirements for becoming an Authorised Financial Adviser since IFA members are already voluntarily working to the standards required by the Securities Commission."

For implementation of the financial adviser regulation to succeed, the IFA says the initial minimum level of competency needs to be both adequate and realistic.

McMorran says defining 'competence' is perhaps the most important aspect of regulation of Authorised Financial Advisers (AFA), as it sets the minimum baseline for professional skills.

"The processes for assessment of competence for AFAs will determine the speed of practical implementation and whether or not there are undesirable consequences, such as a high proportion of advisers leaving the industry or advisers restricting their areas of advice in order to remain excluded from needing to become authorised. Both could occur and lead to a shortage of AFAs in the market."

The IFA says it is important to acknowledge that competency for financial advisers requires more than having a tertiary qualification, says McMorran. "A professional adviser also needs to meet ethical requirements, to have relevant practical experience and to have kept up-to-date through continuing profession training (CPT)."

McMorran says the key purpose of the regulation is for all financial advisers to have clear professional practice standards when advising investors. "The regulation aims to ensure that all advisers follow clear processes that are consumer-focused, with needs-based advice. It requires that all advisers should be educated and have professional qualifications. There should also be a clear complaints and disciplinary process.

"The financial adviser regulations that are being introduced reflect exactly what the IFA stands for and the IFA's Professional Standards, which all IFA members need to adhere to, are already in line with international standards set by the internationally recognised Financial Planning Standards Board (FPSB)."

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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.