

Are you an AFA?

MINIMUM STANDARDS FOR PROFESSIONAL ADVISERS

AFA AUTHORISATION GUIDE

AFA AUTHORISATION GUIDE

Securities Commission New Zealand
Level 8, Unisys House
56 The Terrace
P O Box 1179
WELLINGTON 6011

Email seccom@seccom.govt.nz
Website www.seccom.govt.nz

November 2010

ISBN 978-0-478-36514-6 (print)
ISBN 978-0-478-36515-3 (pdf)

CONTENTS

WHAT IS THIS GUIDE FOR?	4
QUICK GUIDE	5
AUTHORISATION REQUIREMENTS	6
Dispute resolution schemes	6
Registration	6
Scope of Financial Adviser Services (FAS scope)	6
Proof of good character	7
Matters which may have an adverse impact on the Commission’s view of your good character.....	7
Declaration of criminal convictions	8
Testimonials	9
Testimonials templates and guidelines	10
PROOF OF COMPETENCE	10
Alternative qualifications and designations	11
ETITO registration identification number	11
AFA ADVISER BUSINESS STATEMENT (ABS)	12
QFE FSP REGISTRATION NUMBER	12
HOW TO APPLY FOR AUTHORISATION	12
Uploading documents	13
Application confirmation	13
Submitting your application	13
WHAT HAPPENS NEXT?	14
QUESTIONS AND FURTHER INFORMATION	15

WHAT IS THIS GUIDE FOR?

This guide explains how to apply to become an Authorised Financial Adviser (AFA). You should read this guide before you apply for authorisation and use it as a reference during the online application process, in conjunction with the on screen help text.

You should also familiarise yourself with the Financial Advisers Act 2008 and the Code of Professional Conduct for Authorised Financial Advisers.

Further information on authorisation is provided on the Commission's website at www.seccom.govt.nz/afa

QUICK GUIDE

Here's a quick guide to what's required for authorisation. We recommend that you check off each step before you go online to apply for authorisation. These are fully explained in this guide under *Authorisation Requirements*.

- Register with ETITO at www.afacompetence.org.nz for your ETITO registration identification number and book your competence assessment and examinations, as required.
- If applicable, obtain evidence from the relevant educational institution or industry body of accepted alternative qualifications and designations for proof of competence.
- Select the scope of Financial Adviser Services (FAS scope) you wish to be authorised for and note the relevant FAS scope reference code.
- Organise your testimonials. Read the testimonial requirements in this guide then go to www.seccom.govt.nz/afa to download and print the relevant testimonial templates. Fill out the details you need to provide on the forms then send them to your referees to complete and return to you.
- If applicable, prepare a statement declaring any matters that could have an adverse impact on the Commission's view of your good character.
- If applicable, obtain details of any criminal convictions you have which carry a penalty of six months imprisonment or more.
- Prepare an Adviser Business Statement (ABS).
- If you work for or plan to work for a QFE, provide your QFE's FSP registration number. This applies if you are an employee or a nominated representative of a QFE or an associated entity of a QFE.
- Join a dispute resolution scheme or obtain details of your employer's scheme. This is required for registration as a financial services provider which is a prerequisite for authorisation.
- Set up your own igovt logon (username and password) and FSPR user account at the FSP Register www.fspr.govt.nz. You can use your existing igovt logon if you have one.
- Apply for registration and for authorisation online at the FSP Register www.fspr.govt.nz. Have all the required documents on hand to upload.

AUTHORISATION REQUIREMENTS

The following is an explanation of the requirements you must meet to become an Authorised Financial Adviser (AFA). It is important that you understand these requirements before you start the application process.

This information can also be read in conjunction with the help text provided on screen during the online authorisation application process – see *How to apply for authorisation* at page 14 of this Guide.

Dispute resolution schemes

In respect of financial services provided to retail clients, you (or your employer or Qualifying Financial Entity (QFE)) must be a member of an approved dispute resolution scheme or the reserve scheme established by the government in order to be registered on the Financial Service Providers Register (FSPR). You will need to advise which scheme you or your employer or QFE belongs to during the online registration application process.

For more information about dispute resolution schemes go to www.consumeraffairs.govt.nz

Registration

The Financial Service Providers (Registration and Dispute Resolution) Act requires all financial service providers operating in New Zealand, including financial advisers, to be registered. Registration is a prerequisite to authorisation.

The FSPR is public so anyone can search it to check if you are registered and authorised.

As part of the registration application process the FSPR will carry out a criminal history check and determine whether or not you are disqualified from being registered.

Detailed information on registration is provided at www.fspr.govt.nz

Scope of financial adviser services (FAS scope)

Under the Financial Advisers Act the Commission can authorise eligible advisers to provide one or more of the following types of financial adviser services:

- give personalised financial advice in relation to category 1 products
- provide an investment planning service
- provide a discretionary investment management service in relation to category 1 products.

The Commission may also authorise eligible advisers to provide:

- financial adviser services to wholesale clients and provision of class services
- financial advice and discretionary investment management services in relation to Category 2 products

Before you apply for authorisation you need to decide which service or services you wish to be authorised for and then choose the corresponding financial adviser services (FAS) scope code from the table below. When you are authorised the Commission will notify you of the Standard Conditions and any individual conditions that apply to your grant of authorisation.

During the online application process you will be asked to enter the relevant FAS scope code for the service or services you will provide in the new regulatory regime. You should select only one code to cover all of the services you provide.

FAS scope reference codes

FAS scope code	Financial adviser service or services
FA	Financial advice
FA + IP	Financial advice and investment planning services
DM	Discretionary investment management services
FA +DM	Financial advice and discretionary investment management services
ALL	Financial advice, discretionary investment management services and investment planning services
FA2	Financial adviser services in relation to category 2 products only
WS+C	Provision of financial adviser services to wholesale clients and provision of class services

Your period of authorisation will be for a term of five years* from the date of authorisation stated on your authorisation certificate.

*The Commission intends to authorise all financial advisers for an initial term of five years from the date of authorisation, unless there is any information to indicate that a shorter or longer term may be appropriate. The Commission will communicate with any applicant who may require a departure from a five year term.

Proof of good character

The Commission must be satisfied that you are of good character before it will grant authorisation. The Commission's assessment of an adviser's character is an important tool in preserving public confidence in the professionalism and integrity of financial advisers. To enable the Commission to make an assessment about your character, you are required to declare any matters that may have an adverse impact on the Commission's view of your character, provide details of relevant criminal convictions and provide up to three testimonials.

During the online application process you will be asked:

“Are you aware of any matters that may have an adverse impact on the Securities Commission's view of your character?”

When responding to this question, please consider the following questions:

- Have you ever been dismissed or asked to resign from any position of employment or from a position of trust, fiduciary appointment or similar position?
- Have you ever been investigated, charged, disciplined, censured, suspended or criticised by a regulatory or professional body, court or tribunal?
- Are you the subject of any current or pending disciplinary or criminal charges, dispute resolution matters in New Zealand or overseas?
- Have you:
 - been a director of
 - been a partner in
 - held any form of controlling equity ownership in, or
 - held a position of senior management inany business which has gone into liquidation or receivership while you were connected to that organisation or within one year of that connection?

If you answer “Yes” to any of these questions, please provide the Commission with all relevant information.

The fact that you have answered “Yes” to any of the above questions will not automatically result in the Commission taking an adverse view of your good character or disqualify you from being eligible to be authorised as an AFA. The Commission has the discretion to take into account the circumstances regarding

the matters you disclose and decide whether they reflect adversely on your fitness to act as an AFA.

The Commission expects the following types of information to be disclosed by applicants and/or referees:

- information suggesting a lack of willingness to comply with legal obligations, regulatory requirements or professional standards;
- obstructive, misleading or untruthful dealings with others;
- a breach of fiduciary obligation or other obligation involving trust;
- a failure to deal appropriately with conflicts of interest;
- involvement in negligent, deceitful or otherwise discreditable business or professional practices;
- failure to manage business or personal debts or financial affairs satisfactorily.

The information can be set out in a Word document then scanned and uploaded as part of the application process.

Declaration of criminal convictions

The Commission needs to know if you have any criminal convictions in New Zealand or overseas for which you **could** have been sentenced to six or more months in prison. It makes no difference whether or not you were actually sentenced to six months' imprisonment or that you didn't serve an entire six months' term; any conviction carrying a potential penalty of six or more months' imprisonment must be disclosed. If you have any such convictions then you need to disclose to the Commission the details of your convictions including the offence, the penalty and when and where you were convicted.

The Commission will check records held by the Ministry of Justice and may check with overseas government agencies to verify the information you provide.

If you have been convicted of such an offence the Commission must satisfy itself that the offence does not reflect adversely on your fitness to act as an AFA. The fact that you have been convicted of such an offence will not automatically disqualify you from being eligible to be authorised. The Commission has the discretion to take into account the circumstances of the conviction and decide whether the offence reflects adversely on your fitness to act as an AFA.

It is in your interest to disclose any convictions you have and to submit to the Commission any factors it might take into account in reaching its decision. You can also provide relevant information about your financial adviser services or your role relevant to the circumstances of the offence as part of that submission.

Note that nothing in this section affects your rights under the Criminal Records (Clean Slate) Act 2004.

Testimonials

Signed testimonials need to be scanned and uploaded as part of your authorisation application.

You need to provide **two** testimonials – one from option 1 and another from either option 2 or 3, as follows:

1. A recognised industry or professional organisation of which you have been a member for the preceding three years
2. An industry peer or colleague who has known you for the preceding three years
3. An existing client you have advised for the preceding three years.

If you are unable to provide a testimonial from option 1 then you will need to provide **three** testimonials, as follows:

- one from option 2
- one from option 3
- and a third from either option 2 or 3.

In exceptional circumstances you may be unable to supply the combination of testimonials required by the Commission due to your professional or work history. In this case, the Commission will accept three references from other sources. However, these must be accompanied by a covering letter explaining why you can not supply the combination of testimonials required.

Testimonial templates and guidelines

The Commission has produced testimonial guidelines and templates for financial advisers and their referees to explain what you and your referees need to do.

The testimonial templates and guidelines are available on the Commission's website www.seccom.govt.nz/afa and include the following templates:

- Professional body*
- Existing client
- Industry peer or colleague

Please ensure you use the correct template for each testimonial

A number of professional bodies and organisations have developed their own customised testimonial template and have obtained Commission approval to

those templates. We recommend that advisers who are members of a professional body or organisation contact their organisation to ascertain whether the organisation has developed its own customised testimonial template for advisers to use.

PROOF OF COMPETENCE

To be authorised you must meet the minimum standards of competence, knowledge and skills specified in the Code of Professional Conduct for Authorised Financial Advisers. The Code establishes the National Certificate in Financial Services (Financial Advice) Level 5 as the minimum standard of competence for AFAs and sets out the educational requirements and alternative paths available to advisers to meet this minimum standard.

To ensure that you understand the competence requirements please read Code Standards 14 – 16 and Schedule G of the Code at www.financialadvisercode.govt.nz.

You can also use ETITO's self-evaluation tool to check your competence level against each of the unit standards within the National Certificate at www.afacompetence.org.nz. ETITO is the national standards setting body for the financial services industry.

You can then arrange any training you need to address any gaps in your knowledge and skills through an accredited training provider. These are listed at www.afacompetence.org.nz

We encourage you to undertake training and book your competence assessment as soon as possible. You can apply for authorisation before you have completed your competence assessment so that the Commission can start processing your application. ETITO will advise the Commission directly of your assessment results as they become available. However, we can not finish processing your application until the competence requirements have been met.

Alternative qualifications and designations

Certain existing qualifications and designations have been listed in the Code as acceptable alternatives to certain Unit Standard Sets that make up the National Certificate in Financial Services (Financial Advice) (Level 5). These are listed in Schedule G of the Code.

If you hold any of these alternative qualifications or designations you will need to scan and upload evidence of them during the authorisation application process as follows:

- For alternative qualifications you should provide a copy of your qualification or a copy of your academic record which states that you have met the requirements to attain the qualification, or a letter from the relevant educational body or institution confirming that you hold the qualification.
- For alternative designations you will need to provide a copy of your certificate of membership of one of the qualifying professional bodies or institutions or a letter from the professional body* or institution verifying your membership.

Lapsed designations

The following is a summary of requirements only. Please see Code Standards 16 – 18 and the Definitions Schedule in the Code for further details and a full explanation of the terms referred to in this section.

A designation that has lapsed at the time you apply for authorisation will still be recognised if you have completed at least 20 hours of continuing professional development (CPD) relevant to the financial adviser services you intend to provide, including at least 10 hours of structured training, in the 12 months prior to when you first apply for authorisation.

In this instance, you will need to provide the following documents when you apply for authorisation:

- Proof of the lapsed designation. This could be either:
 - a copy of your most recent certificate of membership or
 - a letter from the relevant professional body or institution verifying your former membership and date of termination.
- Proof of meeting CPD requirements. Please provide a letter from the training provider or from your employer or principal confirming that you have completed the required CPD. If you have completed more than one course you may need to provide several letters of confirmation. You will need proof that, in total, you have done at least 20 hours of CPD.
- Specific evidence of the minimum 10 hours of structured training, ie a letter of confirmation from the relevant DAO**, QFE, professional body or educational body or institution.
- A one page word document listing all of the CPD that you have completed to meet the requirements, including the following information:
 - the name of the course/s, training programme or other CPD
 - a brief description of its content
 - the number of hours it involved
 - the date you completed it.

Please ensure that you provide specific details of the structured training you have undertaken.

* Professional body - a membership-based organisation whose principal activities are associated with the finance industry in New Zealand where ongoing membership requires compliance with continuing professional development or training requirements specified by the organisation.

** DAO - an entity registered by ETITO as a Delegated Assessment Organisation accredited for the provision of training for and assessment of Unit Standard Set C.

ETITO registration identification number

When you apply for authorisation you will be asked for your ETITO registration identification number. This number is also required when you book competence assessment and exams through ETITO

To obtain this number go to www.afacompetence.org.nz and register with ETITO's centrally administered assessment system. You will then receive access to ETITO's Candidate Handbook which explains the competence assessment process.

We recommend that you register with ETITO as soon as possible so that you are "in the system" even if you do not book your competence assessment at that time.

AFA ADVISER BUSINESS STATEMENT (ABS)

Before you apply for authorisation the Commission requires you to prepare an Adviser Business Statement (ABS). This document describes your business and explains the systems and procedures you have to ensure that you conduct your business in a professional way. It will also help the Commission determine the level of regulatory monitoring appropriate to you.

The Commission has produced an AFA Adviser Business Statement Guide that explains how to write your ABS. To download a copy, please go to: www.seccom.govt.nz/afa

During the online application process you will be asked to confirm that you have an ABS. You don't have to attach your ABS to your application. It will also be a requirement of the Standard Conditions of your grant of authorisation to have an up to date ABS.

QFE FSP REGISTRATION NUMBER

If you are either an employee or a nominated representative of a QFE or a member of a QFE Group you will need to provide your QFE's FSP registration number when you apply for authorisation. Your QFE will be able to give this to you.

If your employer does not yet have an FSP registration number you can still proceed without it to avoid any delay in processing your application. However, you will need to add this to the information you have provided on your online application as soon as you are aware that the number has been issued to your QFE. See *How to apply for authorisation* for instructions on how to return to your online application.

HOW TO APPLY FOR AUTHORISATION

You must apply for registration as a financial services provider and apply for authorisation as an AFA on the Financial Service Providers Register (FSPR) at www.fspr.govt.nz. Registration and authorisation are different but can be applied for at the same time.

We recommend that, prior to logging on to the FSPR website, you use the *Quick Guide* on page 5 to ensure that you have prepared everything you will need during the application process.

The online application process has been designed to allow you to apply for registration and then apply for authorisation at the same time. Help text is provided on screen to make the process easy to follow and you can also refer to this guide for additional information.

For registration you will be asked to provide some basic personal and business information, as well as selecting financial adviser services you provide, and the dispute resolution scheme that you or your employer have joined.

Once you have applied for registration you will be asked if you wish to apply to be authorised as an AFA. If you continue with your application for authorisation, you will be asked to provide additional information to satisfy the Commission that you meet the requirements for authorisation.

If you start your authorisation application and find that you don't have all of the relevant information available or need to interrupt the process, you can save and exit the application and return to complete it within 30 days. In this case, it will appear as "My Unfinished Business" when you log on again.

You can choose to submit your registration application and then apply for authorisation at a later date. To do this you simply return to the FSPR website and enter your igovt logon. This will allow you to make changes to your application and you can proceed to fill out the authorisation application section. In this case, you will need to supply all the authorisation information during the online session – you cannot save and exit this part of the process as you can at the time of registration.

However as described in the *Proof of competence* section of this guide, you can apply for authorisation before you complete your competence assessment as ETITO will advise us directly once your assessment results are available.

Uploading documents

At various steps in the application process you will need to upload documents you have already prepared, such as testimonials and evidence of alternative qualifications. These documents should be in Word or pdf format (please note that Word documents are converted to pdf files automatically when they are scanned).

Application confirmation

When you have completed your application you will be asked to confirm that you are the person named in the application and that, if authorised as an AFA, you will act with professionalism and integrity.

You will be asked to authorise the Registrar to disclose personal information to the Securities Commission and to authorise the Commission and other parties to collect, use or disclose personal information for the purpose of authorisation.

You will be asked to confirm that you understand that it is a criminal offence under Section 136 of the Financial Advisers Act to knowingly make a false or misleading representation or omission in seeking authorisation status, or to use a document knowing it to be false.

Submitting your application

Once you have completed and submitted your application and paid the required fees, the FSP Registrar will carry out a criminal history check and advise you by email if you are registered within five working days. If registration is confirmed then your application for authorisation will be forwarded automatically to the Securities Commission to process.

For authorisation fees see the Frequently Asked Questions at www.seccom.govt.nz/afa

WHAT HAPPENS NEXT?

Authorisation will only be granted by the Commission when we are satisfied that you have met all of the authorisation requirements. The time it takes to process your application will depend on a number of factors, including whether there are any gaps in the information you provide. If we have any questions regarding your application we will contact you directly. The Commission will endeavour to process your application as quickly as possible.

The Commission will formally notify you that you have been granted authorisation and advise you of the Standard Conditions and any individual conditions attached to your authorisation. We will also advise you of the term and expiry date of your authorisation.

The Commission will advise the Registrar of your authorisation. Your status as an Authorised Financial Adviser will be published on the Financial Service Providers Register and the FSP Registrar will notify you of this by email.

If your authorisation application is declined, the Commission will formally notify you of our decision and the reasons for it. You may appeal against the Commission's decision to the District Court within 20 days of being notified of our decision. Your appeal rights are set out in section 138 of the Financial Advisers Act.

QUESTIONS AND FURTHER INFORMATION

If you have any questions about authorisation please check the Frequently Asked Questions on the Commission's website first at www.seccom.govt.nz/afa

You can also call the financial adviser helpline on 0800 434 567.

The following sites provide further useful information:

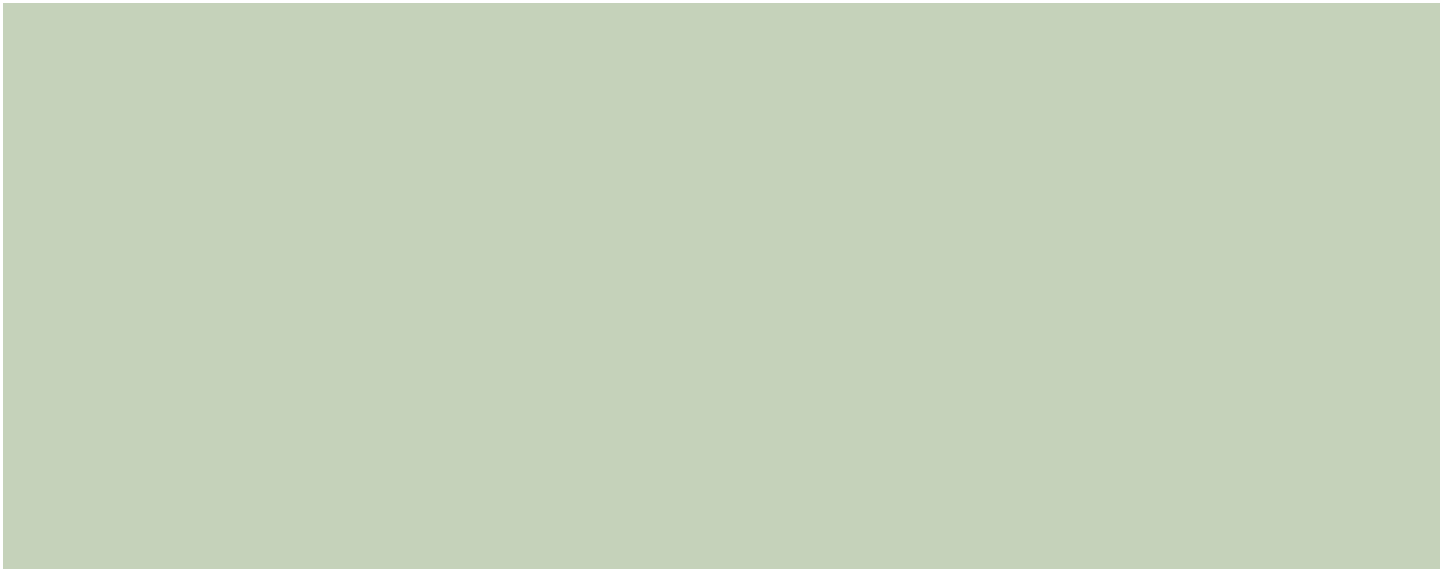
www.seccom.govt.nz/afa – Securities Commission information for AFAs

www.financialadvisercode.govt.nz – Code of Professional Conduct for AFAs

www.afacompetence.org.nz – ETITO information on competence standards and assessment

www.fspr.govt.nz - the Financial Service Providers Register and FAQs on registration

www.consumeraffairs.govt.nz – Ministry of Consumer Affairs information on dispute resolution schemes.



SECURITIES COMMISSION
NEW ZEALAND