



ADDRESS TO GROSVENOR FINANCIAL SERVICES GROUP – FINANCIAL ADVISERS AND A NEW PROFESSIONAL PATHWAY

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1. INTRODUCTION

Good afternoon. I'm delighted to be here to speak about ETITO's partnership with the financial services industry and in particular our work to build a world-class national training and assessment system for professionals like yourselves.

ETITO is an industry body and the standards setter for the financial services sector. In this role, we are mandated by your industry and government to set national standards and qualifications, and manage a national training system for the industry that delivers a highly skilled and professional workforce.

We achieve this by working together with financial service providers and individuals, and I am most grateful to those of you in the room today that have participated in our work to build and implement the training system that I want to speak about this afternoon.

As an industry body, we are keenly aware of the need to engage with the industry as we perform our role in the operationalisation of an assessment system for advisers that supports authorisation under the Financial Advisers Act, and which earns and maintains the confidence of the industry, the Crown and consumers. Events such as your conference today provide important opportunities for dialogue between us, and I



encourage you to engage in the question and answer session that will follow my remarks.

2. THE OPPORTUNITY, WITH OR WITHOUT REGULATION

Before I provide more detail about the training and assessment framework, I want to acknowledge my understanding that not all of you here today will require authorisation under the regulatory regime that began in earnest in September of this year with the Minister's approval of the Code of Professional Conduct for Authorised Financial Advisers. Notwithstanding, what I do want you to consider today [or even reconsider if you think that you have already made up your mind], is that this new era presents an opportunity for you to participate in the professionalisation of your industry, regulation or not.

A good degree of consensus has emerged that the regulatory regime for financial advisers is most certainly a positive one for mum and dad investors and the industry alike. Indeed regulation is good news – to good practitioners. It levels the playing field and it rewards those that meet expected standards, while addressing poor performance. If it's done well, it creates the right incentives so that those that engage in unacceptable performance do not profit. It is protection for consumers. These are both good reasons for regulation.

Moreover, ETITO's observations across other regulated sectors in which we work suggest that industry's expectations of itself will continue to rise. What we see delivered today will tomorrow be considered less than acceptable practice – for consumer protection but also for equality between advisers that seek to improve and create value.



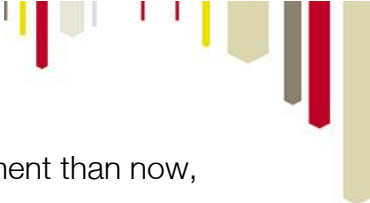
Those advisers seeking to improve - regulation or not - will create the path for others to follow.

However, regulation is not the only motivation for ETITO's work to build and implement a world-class national training system for the financial services industry. In the same way, regulatory compliance should not be the sole motivation of individuals seeking to belong to a profession.

My message to you today is that irrespective of the promulgation of regulation, you belong to an industry well placed to exploit a significant opportunity. The global financial crisis and the turmoil that it has brought about has firmly focused us all on the importance of transparency. It has highlighted the role of client advocacy and the need to fight for terms that are in the best interests of the client and their circumstances. It has underscored the necessity of good advice from professionals that are committed to understanding the nature of risk, their client's appetite for it, and the ways in which it can be mitigated. These are the very principles and practices that underpin financial intermediation and indeed the role of the financial adviser.

I should note too, that the global financial crisis has opened up a whole new talent pool of young people who might once have desired to be investment bankers, but for whom there are no longer investment banks to employ them.

In other words, the time is right for the value that financial services professionals offer to be demonstrated. The time is right to escape the futility of competition based upon price and build a brand based upon quality and differentiation. And there has never been a



better time or an easier time to invest in your own professional development than now, whether or not the legislation says that you must.


3. REFLECTIONS ON THE REGULATORY FRAMEWORK – TWO MONTHS IN

Having established that regulation ought not be the sole motivation for action, I will make some remarks about the regulatory framework, two months in.

As many of you will be aware, the pathway to financial adviser regulation has been something of a journey, full of twists and near misses. I've participated in the development of the regime for the last two years, through the many months of consultation, through the work by many agencies and individuals to shape and draft the regulatory framework and design and build the infrastructure to support it.

There's certainly been robust dialogue along the way, and the regime that has resulted is richer for the contributions that many people have made. As a result, the Code Committee has drafted a Code of Professional Conduct that has since been endorsed by the Commissioner for Financial Advisers and the Minister of Commerce. And we at ETITO have worked with representatives of the industry to build a whole-of-industry, whole-of-tertiary education system infrastructure to support professional development:


- National qualifications at Levels 4 and 5 on the New Zealand Qualifications Framework are available for you right now.
- A self-evaluation tool to assist your understanding of any training or practice gaps that you might have against ETITO's National Certificate in Financial Services [Financial Advice] [Level 5] is up and running right now.

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- Eight registered and accredited training providers, including private training establishments, polytechnics and universities are available to offer courses of training and assessment right now.
 - Fourteen Delegated Assessment Organisations are available to conduct assessment to Standard Set C right now.

Moreover, your industry is engaging in the system. Over 4,000 advisers have registered with ETITO, indicating their desire to seek authorisation. Over 4,000 advisers are enrolled in some form of training intervention at a registered and accredited training provider in preparation for assessment, and thousands of advisers are preparing for Standard Set C assessment through a Delegated Assessment Organisation.

All of you in the room seeking to become an Authorised Financial Adviser must sit and pass Standard Set B. Over 1,300 advisers are currently booked to sit the Standard Set B examination – and over 450 have now sat and passed the examination. To date, approximately 120 did not pass the examination first time around. Those who have re-sat – albeit a small number at the moment – have all passed at their second sitting. This means the current pass rate sits at around 80%.

We should note though that ETITO's experience indicates that this number is likely to decrease over time as more people sit the examination. Those who have engaged early are likely to be those who are well-informed and have been




preparing for some time. These are the advisers who are taking the opportunity to be among the first who will carry the designation Authorised Financial Adviser.

The need to consider that financial advisers may not all pass on the first sitting is just one of the many reasons you may have heard or read the regular calls from ETITO and others such as the regulator urging financial advisers who wish to pursue authorisation to commit without delay to the training and assessment they require in order that they can continue to practice from 1 July 2011.

4. INVESTING FOR THE FUTURE OF THE FINANCIAL SERVICES INDUSTRY

As I mentioned earlier, ETITO and the industry ought to be as interested and committed to life beyond regulation as we are to regulation itself. Our shared challenge is to build a sustainable and robust community of professionals right across the industry – including financial advisers, mortgage and insurance brokers, those in front-line customer service roles within financial institutions and those in other specialised or support roles. And so while the conversations and headline news of the last twelve months have focused firmly on financial advisers and the National Certificate in Financial Services [Financial Advice] [Level 5] qualification, we must recognise and address the needs of a much wider industry group that needs to be – and in fact wants to be – engaged in professional development.


Indeed, ETITO is charged with much more than just delivering an assessment system for advisers seeking authorisation. It is also our remit and our desire to develop and deliver national qualifications solutions for occupational roles right across the sector and prepare the next generation of financial services professionals.



To this end, we are extending our commitment to increasing the professional development opportunities to those in the industry via the National Certificate in Financial Services [Level 4]. The Level 4 certificate is designed for financial services professionals engaged in a customer advice, product advice or technical or support roles, such as customer service representatives working with a qualified financial adviser. To gain this qualification, candidates must demonstrate competence in both generic and professional skills which are covered by compulsory and elective standards. The compulsory skills and knowledge include principles of professional practice in a financial services organisation.

This afternoon, I am delighted to be able to make a significant announcement about additional funding and service support for national qualifications training in the financial services industry. Specifically, ETITO will be making available \$500,000 of funding support to the industry for trainees that enter national qualifications training before the end of 2010, and successfully complete the qualification during 2011. Our support is calculated on the basis of a subsidy of \$500 per person for up to 1000 trainees. Details of any funding support for trainees that enrol after the end of 2010 will be announced early in 2011.

Our investment is a significant one that we believe will provide added impetus to professional development across the broader financial services industry. Moreover, it is demonstrable evidence that we have heard the messages from many parts of the sector over the last twelve months that we must respond not only to those who are to be




authorised, but to those who want to play their role in the professionalisation of the industry.

If you, your organisation or someone you know could benefit from the investment that we are making, please make contact with Ross Clarke, Leonie Wallwork or Kevin Webby, ETITO staff who are present in the audience this afternoon. The places and the timeframe are limited.

5. THOSE REQUIRING AUTHORISATION NEED TO ACT DECISIVELY NOW

I now want to make some remarks about the challenges facing those of you that seek to become authorised as AFAs before 01 July 2011. Despite the significant level of engagement in the system that I outlined earlier, I believe that there remain many individuals who have not yet accessed the system and begun to make preparations for the competence assessment that they require. Let me be very clear that this is not the time for a 'she'll be right' mentality because I suspect that it won't be right for individuals who are not already engaged in the system with a clear plan for the period between now and mid-2011.

For those who need to be authorised, it is most unwise to be relying upon the prospect of any last minute reprieve to the 01 July 2011 deadline for authorisation. There is a real risk that by delaying entry into the competence assessment system, advisers are leaving themselves exposed to the prospect that they may not meet this full implementation deadline, particularly if they are unsuccessful in an examination or workplace assessment and require a re-sit.



In particular, advisers must make reservations for Standard Set B examinations as soon as possible to ensure that they have sufficient time for a re-sit should they require it. Moreover, for those advisers who require Standard Set C assessment, I urge you to engage in preparation and assessment reservations now. While ETITO will do everything possible to ensure that sufficient capacity exists within the assessment system between now and July 2011, no system can provide for limitless capacity when all the demand presents at once, and I am very concerned for those advisers who have not begun to make a plan for themselves at this late point in time.

When advisers register, seeking to become AFAs, they are also able to apply for authorisation at the same time. The Companies Office system which has now opened at www.fspr.govt.nz has been designed in such a way to make the process simple and integrated. To take advantage of this facility, advisers must be registered with ETITO and have their unique ETITO Identification Number, as this is a requirement for an authorisation application.

There are a number of things that advisers can do now in order to be in the best possible position to meet the authorisation deadlines without putting themselves in what I might characterise as the 'danger-zone'. Advisers should have completed their competence assessment before 31 March 2011 in order to be sure that their application for authorisation can be processed by the Securities Commission in sufficient time to meet the 30 June 2011 implementation deadline. Put another way, the period between 31 March and 30 June 2011 will be a real danger zone for those advisers who are still undertaking competence assessment.




If you haven't already done so, advisers need to:

- Get clear about the standard sets required for authorisation
- Register with ETITO as a candidate for assessment and download the candidate handbook
- Develop familiarity with the competence standards required for authorisation
- Access training if required
- Remedy any professional practice gaps if required
- Make assessment bookings
- Begin uploading evidence to [e] portfolio in preparation for the workplace assessment
- Undertake examinations, and undertake workplace assessment.

6. TOOLS AND RESOURCES FOR PROSPECTIVE AUTHORISED FINANCIAL ADVISERS

Those of you wishing to become Authorised Financial Advisers must be registered with ETITO to receive your unique ETITO identification number. Registration with ETITO takes just a few minutes and it's free. Head to www.afacompetence.org.nz, click on the registration and booking tab and follow the instructions. This system allows you to register with ETITO, receive a unique ETITO identification number which is required for authorisation, and access ETITO's candidate handbook which provides detailed guidance on preparation for assessment.

The site also provides information about training providers and Delegated Assessment Organisations that are available to support your access training and assessment. As I indicated earlier, we're very pleased to report that there are now eight registered and accredited training providers available to deliver training. There are now fourteen



Delegated Assessment Organisations who can undertake assessment of Standard Set C. And over 100 individuals have taken part in assessor training for the conduct of Standard Set C assessment.

Finally, ETITO's booking system for assessment is operational. Advisers can make assessment reservations and begin uploading evidence for their workplace assessment. Examination bookings for Standard Set B can be made through to March next year. The system has been designed so that when a pre-determined level of bookings have been received for a session, another will be opened at that venue and we're monitoring system demand and capacity very closely.

In other words, we're doing everything we can to ensure that the infrastructure is available to support advisers to access the training and assessment that they need. Advisers requiring authorisation must work with us, playing their part in protecting their ability to operate their businesses from 01 July 2011.

**7. ALL INFORMATION ABOUT TRAINING AND ASSESSMENT IS AVAILABLE AT
WWW.AFACOMPETENCE.ORG.NZ**

www.afacompetence.org.nz is your portal to all the information about the competency requirements required for authorisation. From here, you can download the unit standards of competence, you can use the self-evaluation tool, you can register with ETITO and receive your candidate handbook, you can make examination and workplace assessment reservations, and you can check your assessment results.



8. PROFESSIONAL DEVELOPMENT AND PROFESSIONALISM

I want to conclude by noting that the Financial Advisers Act has at its heart the twin objectives of promoting the sound and efficient delivery of financial services, and encouraging public confidence in the professionalism and integrity of the industry. These objectives are crucial for the health of New Zealand's securities market. Significantly however, the objectives of the legislation speak to more than those who are seeking to become AFAs. All those working in the financial services sector should be committed to the business of delivering sound and efficient services in which consumers have confidence.

Investment in professional development – regardless of regulation – is a clear demonstration of this commitment. It is just part of what can help strengthen your reputation and your competitiveness, spark innovation, improve the quality of services you provide and increase the responsiveness to the needs of your clients and staff.

As I finish, I want to leave you with a thought. And it's this. While a profession is representative of an occupational group, professionalism is reflected in the behaviour of individuals.

Right now, there is an opportunity to make some choices about investing in professional development using national qualifications, and avail yourself of a significant training and assessment infrastructure that exists just for you.

Thank you for the opportunity to speak with you this afternoon, and I am now happy to take any questions that you might have.

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