



ADDRESS TO THE IFA ROADSHOW, WELLINGTON

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Good morning. I'm delighted to be here this morning to speak with you as part of this important roadshow series. Given the approval yesterday of the Code of Professional Conduct for Financial Advisers by the Minister of Commerce, the scene is now set to advance the agenda of professionalism for your industry. It's a particularly important time for all of you here today and there are important messages that I have for you and the sector this morning.

Before I begin, I want to commend again the IFA and other industry bodies for the leadership role that they have assumed on behalf of their members at this time of transformative change for the sector. This roadshow series is demonstrative evidence of the commitment of the IFA to preparing advisers for authorisation, and of the value that membership of a professional body confers.

Certainly the path to financial adviser regulation has been something of a journey - full of twists and turns. It's involved many months of consultation and work by many agencies and individuals not only to shape and draft the regulatory framework, but also to 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. A good degree of consensus has emerged that this new regime 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.

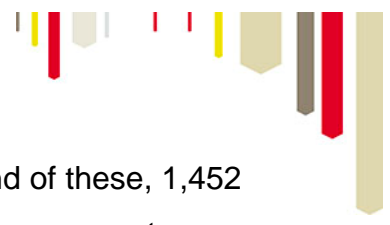
My colleague Leonie Wallwork will follow me with specific information intended to assist you to prepare for competence assessment leading to authorisation. Before she does, I want to take this opportunity to raise some issues that are becoming increasingly critical for financial advisers and the security of your ability to operate in the new regime after 01 July next year.

As all of you here today will know, it will be illegal for individuals to provide personalised advice to retail clients after 01 July 2011 unless they have been authorised as an Authorised Financial Adviser. This means that they cannot provide advice. If they try to, they open themselves up to action by the disciplinary committee.

As the regulator, the Securities Commission is responsible for the authorisation and ongoing monitoring of financial advisers. The Commission has made it plain that all financial advisers must have applied for authorisation by 31 March 2011 in order for their application for authorisation to be processed before 01 July. To complete their application for authorisation, advisers will need to have registered and obtained an identification number from ETITO.

As the national standards setting body, ETITO is required to examine Standard Set B and assess Standard Set C, as these are capstone standard sets within the National Certificate in Financial Services [Financial Advice] [Level 5].

It is difficult to quantify just how many financial advisers will be seeking authorisation but the general consensus is that there are potentially between 5,000 and 7,500 individuals. To date, ETITO has been advised that there are an estimated 4,600 advisers enrolled with registered and accredited training providers for courses of training and education to the National Certificate programme.




At midday yesterday, just 1,843 advisers have registered with ETITO, and of these, 1,452 advisers have activated their registrations. 178 advisers have made an assessment reservation for a Standard Set B examination and even fewer – just 40 – have registered for assessment against the requirements of Standard Set C.

Our concern is that a very real risk exists for financial advisers who have yet to fully engage in preparation for the competence assessment process. This could mean that those advisers may not be authorised in time for 01 July. We at ETITO are not alone in this trepidation. Many other organisations involved in preparing advisers for the regime – including your own professional body – share the same view because we understand the lead times involved in engaging with, and completing, the training and assessment process.

Indeed the last six months has seen much speculation in industry media about whether the assessment system will have sufficient capacity to process the demand that will present. Over this time, ETITO has been focused on building and making that capacity available. However, it is clear to us that as each week passes and the system is underutilised, capacity is being lost that cannot be replaced. To this end, we have spent the month of September carefully considering the system capacity that is available for the conduct of examinations and assessment between October and June 2011. We have also been modelling the point in time at which the system must be fully utilised in order to ensure that advisers who need to be assessed for Standard Sets B or C can be assured of access to examinations and assessment in sufficient time to be authorised by 01 July.

Your industry must act decisively now – and so must we as the organisation that is responsible for operating the assessment system for the purposes of authorisation. I am announcing this morning that **29 October 2010 is the date by which all advisers must be registered with ETITO and must have made examination and assessment reservations for Standard Sets B and C in the window between 29 October 2010 and 31 March 2011 if they wish to be assured of access to examinations and assessment in sufficient time to be authorised by 01 July.**

In other words, for those advisers who are not registered with ETITO by 29 October 2010 and who have not booked the examinations and workplace assessment that they intend to undertake through us between 29 October 2010 and March 2011 by that date, we can



offer no guarantee of access to examinations and assessment in time for the authorisation deadline.

If the system is fully utilised from October 2010, there is sufficient capacity for the demand that we estimate. Effective from 01 October, there will be capacity for 1,600 Standard Set B examinations each month. Capacity for 430 examinations for Standard Sets A, D and E has been available, but underutilised, for some months. In addition, a team of trained assessors has been available since August, ready to conduct assessment of Standard Set C. However, they have not been utilised. If these assessors are not fully utilised from October 2010, the expected volumes of assessment will cascade into April, May and June. This will pose real risks for advisers who wish to be authorised by 01 July 2010.

Advisers who wish to sit examinations in regional centres may find that fewer examination sittings are available than is the case for main centres. Please be assured that we will be monitoring the demand for examinations in the provincial centres and we will be allocating additional capacity where demand indicates it is necessary.

I acknowledge that advisers may not have a definitive date for completion of any training in which they are currently engaged. I also acknowledge that a number of advisers have availed themselves of services from Delegated Assessment Organisations and are in the process of preparing for assessment for Standard Set C through such organisations. I continue to commend the services of DAOs, but I do suggest that advisers who have decided to use the services of a DAO confirm with the DAO that they have reserved capacity in our assessment system for the validation of their Standard Set C assessment. In addition, I remind advisers that they must make a reservation in ETITO's system for an examination booking for a Standard Set B examination.

ETITO urges advisers to act now. In addition to the imperatives that I have outlined, immediate action is indicated because advisers need to factor in the possibility that they may need to resit examinations or assessment. Sufficient time will be required to ensure that such resit opportunities are available.

In closing, I do want to acknowledge the uncertainty that has prevailed around the requirements of regulation and the impact that this may have had on advisers. Some have taken the view that they will wait until full clarity prevails before proceeding. Yesterday's



approval of the Code by the Minister provides just that clarity for a large number of advisers, and there is no further reason or excuse for delay. I also must stress that for most financial advisers, there has never been any doubt that preparation for examinations and assessment would be required. The assessment system infrastructure has been carefully designed to provide sufficient capacity in time for the dates that I have outlined – but it is currently being under-utilised by advisers.

Please accept my personal assurance that we will be working very hard with advisers to ensure that they meet the authorisation deadline. Advisers must however play their role and act to ensure that they are best placed to meet the challenge of 01 July, enabling them to continue to provide services beyond 01 July 2011.

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