

**Address to National Roadshow**  
**Michael Frampton**  
**Manager - Strategy and Corporate Relations, ETITO**  
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## **1. INTRODUCTION**

Good morning. My name's Michael Frampton and I am the Manager of Strategy and Corporate Relations at ETITO.

My address to you this morning marks another important milestone in ETITO's development of the assessment system for adviser authorisation. The material that I'm going to cover is the next significant package of practical information for advisers to assist your preparations for competence assessment leading to authorisation. In other words, it's about the point at which you are afforded the opportunity to stop being a 'spectator' and start becoming a 'participant' in your own preparation for authorisation.

## **2. ADVISERS NEED TO ADVANCE THEIR PREPARATION FOR AUTHORISATION NOW**

Following the Commerce Minister's announcement at the end of April about the extension of time for adviser authorisation until 30 June 2011, I've been speculating that many financial advisers may consider this unexpected windfall as an opportunity to relax, delaying their preparation for competence assessment until the last possible moment.

My advice is that this is a very bad idea. 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 the full implementation deadline of 30 June 2011, particularly if they are unsuccessful in an examination or workplace assessment and require a re-sit.

30 June 2011 is a hard deadline imposed by the Minister for full implementation of the regime. So too is 01 December 2010, when it will be illegal for advisers to provide financial advice without being registered on the Financial Service Providers Register.


Alongside these hard deadlines are some soft deadlines. These soft deadlines ensure that applications are received by the agencies responsible for administering the regime in sufficient time to ensure that the Minister's hard deadlines can be met. Now when advisers register, they are also able to apply for authorisation at the same time. The Companies Office system 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.

Advisers should also have completed their competence assessment before 30 April 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 30 April and 30 June 2011 is a real danger zone for those advisers who are still undertaking competence assessment.

My message to you today is that there is no good reason to find yourself in this danger zone. Many parts of the national training and competence assessment systems for authorisation are available right now and there are very practical things that financial advisers can be doing now that will assist their preparations for authorisation:

There's a self-evaluation tool available for advisers to use that will assist advisers ascertain any competence gaps they may have.

There are accredited providers available to deliver training.



ETITO's on-line registration system is operational. This system allows advisers to register with ETITO, receive their unique ETITO identification number, which is required for authorisation, and access ETITO's candidate handbook which provides detailed guidance on the preparation for assessment.

Finally, ETITO's booking engine for assessment is also operational. Advisers can make assessment reservations right now and begin uploading evidence for their workplace assessment.

### 3. **TODAY'S PRESENTATION WILL SET OUT THE PROCESS THAT AN ADVISER SHOULD FOLLOW TO PREPARE FOR ASSESSMENT**

My remarks this morning are organised according to the process that is set out on the slide behind me. ETITO recommends that this process be the one that advisers follow as they prepare for competence assessment over the coming months.

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
- Use the self evaluation tool
- 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.

### 4. **ETITO'S ROLE IS THE DESIGN AND OPERATION OF THE ASSESSMENT SYSTEM FOR ADVISERS**

I'm always pleased to be able to clarify this important point, because it invariably means that most of the difficult questions that you may have lined up for me are likely to be questions that are not for me to answer.

**The Securities Commission** is the principal regulator of the securities markets and responsible for the authorisation and supervision of financial advisers.

**The Code Committee**, appointed by the Commissioner for Financial Advisers, is responsible for developing and maintaining a Code of Professional Conduct for financial advisers.

**ETITO** is recognised by government and industry as the national standards setting body for the financial services industry. We are responsible for the development of national standards and qualifications, and the design and operation of the centrally-administered assessment system for financial advisers. Indeed, ETITO is a multi-industry ITO. We perform a similar function in a number of critical infrastructure and service sectors, including the ambulance, contact centre, electrotechnology, offender management, security and telecommunications industries. Regulatory reform is not unfamiliar to us, and the use of the National Qualifications Framework within a regulated environment is something around which we have much experience.

Let's talk now about where advisers should start.

### 5. **ALL INFORMATION ABOUT TRAINING AND ASSESSMENT IS AVAILABLE AT [WWW.AFACOMPETENCE.ORG.NZ](http://WWW.AFACOMPETENCE.ORG.NZ)**

[www.afacompetence.org.nz](http://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.



The structure of the website has very recently been redesigned by ETITO to follow the step-by-step process that we're going to talk about today.

I encourage you to refer regularly to the site, and I recommend that you subscribe to the site's RSS feed, which will automatically update you when we post new information.

**6. STEP #1 IN THE PREPARATION PROCESS IS CLARIFYING THE STANDARD SETS FROM THE NATIONAL CERTIFICATE IN FINANCIAL SERVICES THAT YOU REQUIRE FOR AUTHORISATION**

The Draft Code of Professional Conduct sets out that for those advisers who want to offer financial adviser services, they require “the unit standard sets within the National Certificate in Financial Services [Financial Advice] [Level 5] that are relevant to the financial adviser services provided by an AFA”.

Alternatively, for the purposes of authorisation, an AFA must have attained an alternative qualification or designation specified in the Draft Code. If an adviser does hold one of these listed qualifications / designations, it is proposed that certain Standard Sets within the revised National Certificate will still apply.

ETITO recommends that the first step in your preparation process is to get very clear about how the Code applies to you and your business. You need to understand the particular competence requirements that you need to have satisfied in order to become authorised.

**7. THE NATIONAL CERTIFICATE IN FINANCIAL SERVICES [FINANCIAL ADVICE] [LEVEL 5] HAS BEEN DIVIDED UP BY THE CODE COMMITTEE INTO FIVE SETS OF STANDARDS. TRAINING AND ASSESSMENT TO THESE STANDARDS IS AVAILABLE IN A NUMBER OF WAYS.**

The National Certificate in Financial Services [Financial Advice] [Level 5] has been divided up by the Code Committee into five sets of standards. Training and assessment to these standards is available in a number of ways.

To successfully gain the unit standards and subsequently the Standard Sets required for authorisation, you must demonstrate competence in professional skills and knowledge which are covered by the five groups of unit standards.

As I have said, The National Certificate in Financial Services [Financial Advice] [Level 5] is proposed as the basis for the Code Committee's minimum competence requirement for those advisers wishing to be authorised.

Training for all Standard Sets is available from any registered and accredited training provider. Alternatively, organisations themselves can undertake training. Importantly, advisers do not need to purchase training if they do not believe that they require it. The National Certificate qualification is competency-based. What this means is that if you believe that you are already competent to meet the requirements of the standards, you can proceed directly to assessment.

**Standard Set Core Knowledge:**

**Standard Set D** – Investment Advice:

**Standard Set E**– Insurance Advice:

OR

**Standard Set E**– Residential Property Lending:

For Standard Sets A, D and E, training providers can elect to use their own assessment methodology, independent of ETITO. Providers are able to do so as long as their training and assessment materials are pre-approved by ETITO. Training and assessment fees are also determined by training providers independently of ETITO.



## Capstone Standard Sets

Capstone Standard Sets are those Standard Sets that the Securities Commission have restricted in terms of who can assess them.

**Standard Set B** - Knowledge of the Code:

**Standard Set C** – Practical Investment Advice: The standards within Standard Set C relate to the practical workplace application of the six step advice-giving process. Assessment against these standards requires advisers to produce three client files and discuss them with an assessor in order to demonstrate their competence to provide financial advice in practice. It is proposed that these standards can be assessed via a workplace assessment with ETITO or via a Delegated Assessment Organisation.

Some quick remarks on the Delegated Assessment Organisation [DAO] model, DAOs are another avenue through which advisers can access assessment for Standard Set C. This model has been developed by ETITO in consultation with the financial services industry to provide a means of rapidly building industry capability and capacity for the workplace assessment of the competence standards in Standard Set C ONLY, and the workplace evidence component of standards contained within Standard sets A, D, and E referred to in the Code Committee's competence proposal.

DAO licensing is available to:

- Firms with employees and nominated agents;
- Industry associations
- Accredited training providers with enrolled trainees

Delegated Assessment Organisation status will allow organisations to conduct assessment for their employees / members / trainees to the workplace practice standards contained within Standard Set C of the Code Committee's proposal. The final decision to award credit is made by an ETITO validator, following a quality assurance process of the assessment activity.

## 8. **STEP #2 IN THE PREPARATION PROCESS IS TO REGISTER WITH ETITO FOR YOUR UNIQUE ID#**

If there is just one thing that you should take away from my remarks today: it is to visit [www.afacompetence.org.nz](http://www.afacompetence.org.nz) and use ETITO's registration system.

Registration with ETITO is mandatory and free of charge. Taking no longer than five minutes, registration with ETITO will provide you with your unique ETITO Identification Number. Your ETITO number is important as it forms part your application for authorisation which must be lodged with the Companies Office by the First of December 2010.

Once registered, advisers will be provided access to ETITO's Candidate Handbook. This handbook is a must read and includes detailed information about the assessment process and how to best approach it.

When you register with ETITO, you do not need to proceed immediately to book examinations or assessment if you are not yet ready.

In summary, there is no reason for those of you that are here today to not register with ETITO today. Its one step in the authorisation process that you can get out of the way and you will have access to important information that will assist you in the preparation for assessment.



**9. STEP #3 IN THE PREPARATION PROCESS - IS TO GET FAMILIAR WITH THE UNIT STANDARDS AGAINST WHICH YOU WILL BE ASSESSED**

Once you know what Standard Sets you require for authorisation, it is imperative that you make yourself familiar with the unit standards contained within them. These standards are all available from ETITO's AFA website.

Unit standards are technical documents, but do not be afraid. We do recommend that you read the content of all standards within the Standard Sets that you require for authorisation, paying particular attention to the:

**Elements** which refer to a learning outcome within a standard. Together these elements comprise of outcomes of standards as expressed in its title.

**Performance criteria** which specify the quantity and quality of the evidence required to meet the outcomes in the element.

**10. STEP #4 IN THE PREPARATION PROCESS IS TO USE THE SELF-EVALUATION TOOL**

Once you have read and familiarised yourself with the unit standards against which you must be assessed, now is the time to use ETITO's self-evaluation tool, also available on the AFA website. This tool provides advisers with an indication of any current knowledge and / or skills gaps that they might have and it will assist advisers to identify what action they might take to be in the best possible position for assessment.

There is a charge of \$28+GST to use the tool, but it seems to me to be a better investment than heading straight to examinations and assessment if you are not entirely confident that you will be successful the first time around.

Over 1,100 advisers have now registered to use the tool and results suggest that approximately 50% of advisers are not yet ready to undertake assessment.

**11. THE SELF-EVALUATION TOOL CONTAINS UP TO 240 QUESTIONS ORGANISED BY STANDARD SET**

The tool poses questions against Standard Sets A, C, D and E. Most advisers will select only those sections relevant to their circumstances, answering approximately 160 questions on average. This should take around two hours to complete. Note that the tool does have a mechanism that allows you to save the incomplete results and return to complete it at a later time.

**12. THE SELF-EVALUATION TOOL REPORT PROVIDES FEEDBACK RELEVANT TO EACH UNIT STANDARD**

Once you have completed the questionnaire, you will be sent a profile report which contains feedback for each unit standard contained within each Standard Set for which you answered questions. An example of the responses provided by the profile report is outlined on screen behind me. This feedback will help you determine what next step is best for you.

Your profile report could indicate that there are unit standards for which you need to undertake formal training prior to undertaking assessment. It could point to unit standards for which you may consider undertaking self-directed study, reviewing your practice, and / or speaking with a practice mentor prior to undertaking assessment. It might however, confirm that you have knowledge and skills sufficient to place you in a good position to prepare for assessment.

**13. STEP#5 IN THE PREPARATION PROCESS IS TO ACCESS TRAINING IF YOU REQUIRE IT**

There are now seven training providers accredited to deliver the National Certificate in Financial Services [Financial Advice] [Level 5].



I can tell you that there are four new providers who have been accredited:

- Universal College of Learning [UCOL]
- UNITEC New Zealand
- Waikato Institute of Technology [WINTEC]
- Southern Institute of Technology [SIT]

They join the existing providers:

- The Open Polytechnic of New Zealand
- Adviserlink Ltd
- Strategi

NZQA-registered and accredited training providers will be able to provide training for all unit standards contained in Standard Sets A, B, C, D and E. They will also be able to provide assessment against Standard Sets A, D and E.

A number of other providers are seeking accreditation for the standards, and ETITO continues to actively work to ensure a range of quality training provision are available to financial advisers in both modular and full-course form.

#### **14. STEP #6 IN THE PREPARATION PROCESS IS TO REMEDY ANY PROFESSIONAL PRACTICE GAPS**

If you feel that you need to address any gaps in your professional practice, or if the self-evaluation tool indicates this to be the case, there are a number of options that you can employ to do this.

It is important that you review your client files and your current business practices to see if they meet the requirements of the unit standards. Remember that you'll need to provide three client files as evidence of your competence against Standard Set C.

If you are unsure that these actions on their own will address gaps that you might have, you can discuss the matter with a colleague or mentor, or you can search out professional development opportunities offered by dealer networks, professional associations, and training providers .

#### **15. STEP#7 IS TO MAKE ASSESSMENT BOOKINGS WITH ETITO THROUGH OUR AFA WEBSITE**

Currently, you can book examination slots for Standard Sets A, D and E between the first of June 2010 and the 31st of July 2010. As I pointed out earlier, Standard Set B – the Capstone Knowledge of the Code Standard Set - will become available when the Code of Professional Conduct has been approved by the Minister of Commerce.


Advisers should note that while you can book a date for an examination, your workplace assessment will not be scheduled until you have fulfilled the examination component of the Standard Set.

#### **16. ETITO'S ASSESSMENT SYSTEM USES A COMBINATION OF EXAMINATIONS AND WORKPLACE ASSESSMENT**

Outlined on this slide is the examination and assessment process for each Standard Set as offered by ETITO.

Standard Sets A, D and E require both an examination and workplace assessment. Examinations need to be undertaken first and passed successfully before a workplace assessment slot is confirmed.

For capstone Standard Set B, assessment will occur by examination only.  
Capstone Standard Set C is assessed via workplace assessment only.



**Standard Set A - Core Knowledge:** A supervised on-line examination of 3 hours and workplace assessment.

**Standard Set D – Investment Advice:** A supervised on-line examination of 3 hours and workplace assessment.

**Standard Set E– Insurance Advice:** By supervised on-line examinations of 1 hour each for each unit standard and workplace assessment.

**OR**

**Standard Set E– Residential Property Lending:** By a supervised on-line examination of 3 hours and workplace assessment.

### **Capstone Standard Sets**

**Standard Set B - Knowledge of the Code:** It is proposed that this is a capstone standard which will only be assessed by ETITO via a supervised online examination of one hour.

**Standard Set C – Practical Investment Advice:** The standards within Standard Set C relate to the practical workplace application of the six step advice-giving process. Assessment against these standards requires advisers to produce three client files and discuss them with an assessor in order to demonstrate their competence to provide financial advice in practice. It is proposed that these standards can be assessed via a workplace assessment with ETITO or via a Delegated Assessment Organisation.

## **17. ETITO HAS DESIGNED AN INTEGRATED ASSESSMENT OPTION FOR ADVISERS WHO REQUIRE MULTIPLE STANDARD SETS**

For advisers who need to be assessed against the most common combination of Standard Sets for authorisation ETITO has designed an integrated assessment approach. This requires you to book your examination sessions for Standard Sets A, D OR E all at the same time. Please do not confuse this with sitting them all at the same time.

If you have indicated your preference for the integrated assessment option, you are not tied to a workplace assessment date as this cannot be allocated until you have passed the examinations that you have booked and satisfied the evidence requirements for all Standard Sets.

A comment on ETITO's fees: these fees cover the direct and indirect costs of ETITO's administration of the examination and workplace assessment systems. They also cover the maintenance of the examination question bank and assessment resources over time and the recovery of ETITO's initial investment in the development of the assessment system over and above that which is funded by the Crown.

So what is the cost to an adviser for assessment? The answer depends entirely on the Standard Sets that the adviser requires for authorisation. As an example, based on the comprehensive integrated assessment model, an adviser seeking assessment against Standard Sets A, B, C and D will encounter the following fees:

Standard Set B examination \$275 + GST

Standard Set A examination \$400 + GST

Standard Set D examination \$400 + GST

Integrated Workplace Assessment for Standard Sets A, C and D \$1295

**TOTAL \$2370 +GST**

For those advisers who are only required to meet specific Standard Sets, there is a modular option for booking examinations and assessment. The Draft Code of Professional Conduct proposes that all advisers seeking authorisation will be required to sit the examination for Standard Set B. Note also that for advisers who are also required to gain Standard Set C without any of A, D or E, there is a standalone cost of \$950 + GST.



**18. STEP #8 IS TO BEGIN UPLOADING EVIDENCE TO YOUR [E] PORTFOLIO. YOU CAN START AS SOON AS ASSESSMENT BOOKINGS HAVE BEEN MADE**

If you head out of here today and purchase your examinations and workplace assessment, you will be provided access to the [e] portfolio system and you can begin uploading evidence.

Evidence that you upload will be reviewed by the ETITO workplace assessor that is allocated to you for your assessment. Our intention is that if, upon initial review, your evidence does not meet the requirement of the standards, you will be advised that further evidence is required. We at ETITO are very concerned to ensure that by the time that you have your workplace assessment discussion with an assessor, your evidence is sufficient to maximise your chances of success at assessment.

**19. THE CONTENTS OF YOUR [E]-PORTFOLIO SHOULD INCLUDE DOCUMENTS TO DEMONSTRATE YOUR COMPETENCE**

The purpose of the [e] portfolio is to use your existing documents to demonstrate your competence against the requirements of the unit standards. Some of the examples of the documents that you will need to supply for the three client files you present include:

- Signed disclosure statements
- Fact find / needs analysis
- Written recommendations / statements of advice / financial plans
- Other documents based on how you document your application of the advice process appropriately

You may be concerned with the security and privacy of your client information. Please be assured that there are processes in place to ensure client privacy and the principals of the Privacy Act 1993 do apply.

Note that it is an adviser's responsibility to ensure that they have completed all of the evidence requirements of the standards against which they are to be assessed. These requirements are set out in the Candidate Pack that accompanies each Standard Set.

**20. STEP#9 IS UNDERTAKING THE EXAMINATIONS THAT YOU HAVE BOOKED. EXAMINATIONS ARE AVAILABLE AT A NUMBER OF LOCATIONS THROUGHOUT THE COUNTRY**

ETITO has 16 examination locations throughout the country as indicated on the slide behind me.

In addition, we have mobile examination capacity that can be deployed to other locations throughout the country if sufficient demand exists. Mobile deployment can be arranged through our financial services call centre.

**21. EXAMINATIONS WILL BE UNDERTAKEN USING COMPUTERS AND CONTAIN QUESTIONS IN EITHER MULTI-SELECT, MULTI-CHOICE OR SHORT-ANSWER FORM**

Examination questions will use multi choice, multi-select and short answer formats that are completed on a computer screen. All materials required for the examination will be provided. Please note that examinations are not open book.

All candidates must bring photo identification with them to the examination. You will not be permitted to sit your examination without photo identification.

Once examinations are complete, they are automatically marked and results and feedback will become available through your account on the ETITO AFA website. Generally, results will be available within two hours of the completion of your examination.



## **22. EXAMINATIONS MUST BE SAT AND PASSED BEFORE WORKPLACE ASSESSMENT IS UNDERTAKEN**

I implore you not to run from the room upon sight of this slide. This is an overview of the process and corresponding activities that you can expect when you have:

- passed the examination/s that you have booked;
- completed and uploaded all of the evidence required for your workplace assessment; and
- signaled through your ETITO account that you are ready for assessment.

Again, for those who are undertaking Standard Set C as a standalone assessment, you can signal that you are ready for assessment once you have completed and uploaded all of your evidence.

## **23. STEP #10 IS THE COMPETENCY DISCUSSION WHICH WILL CAPTURE FURTHER EVIDENCE TO COMPLETE THE OVERALL ASSESSMENT**

The purpose of the workplace assessment is to allow you to demonstrate your competence in applying professional practice in your day to day work as a financial adviser.

You must confidently be able to demonstrate the six step advice process and standards of professional practice and you must be able to show that you give accurate and responsible advice. Overall, you must demonstrate competent performance and sound judgment for the area of practice for which you are being assessed.

The purpose of the competency discussion is to capture further evidence needed to complete your overall assessment. These competency discussions are fully recorded and take place between you and the assessor at a mutually agreed time.

## **24. SO WHAT NEXT?**

After you have successfully completed your examination[s] and your workplace assessment, ETITO will be reporting all credit achievement to the Securities Commission, whether through a training provider or ETITO. We will also be reporting them to NZQA.

If an examination or workplace assessment has not been achieved successfully, you will be provided with feedback.


You can appeal an examination or workplace assessment result. This can be done at a cost. If the result of the appeal is a change to your examination or workplace assessment result, the appeal charge will be refunded to you.

You may book and re-sit an examination or workplace assessment if you are unsuccessful the first time around. In this situation, you will receive feedback that indicates where you fell short and whether you need to engage in further study or practice review. It will also suggest that you review particular unit standards where you did not meet all of the requirements, and you can then use this as a guide for your further study. If you require a re-sit, you may then proceed to book your re-sit through the registration and booking log in.

## **25. ADVISERS SHOULD BE PREPARING RIGHT NOW. MANY PARTS OF THE SYSTEM ARE ALREADY AVAILABLE**

The practical actions that you can take right now include:

- Registering with ETITO to gain your ETITO Identification Number and access the Candidate Handbook.
- Familiarising yourself with the unit standards contained within the Draft Code of Professional Conduct.
- Using ETITO's self-evaluation tool.

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- Reviewing the services of a training provider **if** your self-evaluation tool feedback suggests that you need to consider further training.
  - Reviewing your business practice, undertake some self-directed study or speak with a practice mentor **if** your self-evaluation tool feedback suggests that you should consider doing so.

Moreover, it's still important that you remain informed of developments in the work of the Code Committee, the Securities Commission and ETITO.

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. And as Horace said many years ago, 'No one man [and I'm very certain that he meant person] ever reached to excellence without having passed through the slow and painful process of study and preparation'.

There is some work that many of you here today will need to invest to prepare yourself for authorisation. I'm not convinced that it'll be as slow and painful as Horace contemplated, but it remains nonetheless about reaching the same excellence that he talked of some 300 hundred years ago.

Thank you for the opportunity to speak with you. I wish you well in your journey to authorisation. I'm now happy to take any questions that you might have.