

## In this time of creation

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Tony Vidler | Strictly Business | 31 July 2013

Nobody would dispute that the financial services industry globally is undergoing significant change. It is tectonic-plate type change – globally, the very ground is moving under us.

Radical regulatory overhaul in the UK has ensured that the term "independent adviser" means something very specific in consumers' minds, and that its 100-year old distribution models have been banished at the stroke of a bureaucratic pen. To become a financial planner – as the term is protected in the UK now – will require specific degree level education as an entry point.

Meanwhile, debate rages on in the US over the extent of an adviser's fiduciary obligation, and the correct terminology that may be used to describe an adviser's service.

Of course, in New Zealand, we are still wrestling with far more basic question of whether it should be mandatory for financial advisers to have the equivalent of a trade certificate. To date, we've opted not to go that far.

Internationally, regulators co-operate with each other to bring consistency and transparency to the ever more borderless world of finance. Only a fool would believe that the changes in NZ over the last three years are the full extent of change. If anything, it is still the time of creation for advisers in NZ.

We are fortunate to be able to observe and learn from our international peers and fast-track our development as a profession here. To my mind, we would do well to consider the thoughts of the leading international financial adviser organisation in the world, the Financial Planning Standards Board (FPSB). This is the organisation which created and manages the CFP mark – but that is a rather moot point here in NZ. More importantly, it is globally representative, it is adviser-based, it is standards-focused, and it is probably the premier think-tank for the evolution of self-managed professional standards for financial advisers.

Many advisers and organisations often dismiss arbitrarily the work of the FPSB, because of its use of the term "financial planner" and the consequent implication that their work only applies to only those offering a full financial planning service. However, all advisers provide a financial planning service of one sort or another, be it comprehensive financial planning or specialised advice in a particular discipline. Perhaps more importantly, I would wager that internationally the regulators see that all advisers provide either full or partial financial planning advice. This perspective is reflected in our own regulation with the catch-all phrase "financial adviser" applying universally regardless of specialty area.

Regulation in NZ is still evolving and there remains opportunity for the advice side of the industry to self-regulate to some degree. In order to do so, there needs to be co-operation amongst advisers and the creation of a single unifying professional body focused on maintaining standards. This is similar to how other professions – law, accountancy, medicine – already function in NZ.

Given that the FPSB has already debated and considered these issues for some years, why would anyone try to re-invent the wheel?

In its discussion paper "[Regulation and Oversight of the Financial Planning Profession](#)" (October 2010), FPSB laid out a number of core concepts that establish the framework for the industry at large to consider. A professional body with some self-regulatory ability would need to:

- Represent the community of expert practitioners
- Work in the public interest to enhance and protect consumer confidence

- Be a non-profit organisation
  - Have best practice governance with independent representation
  - Have sufficient HR, financial and infrastructure to achieve its objectives
  - Be accountable by external audit for financial and governance functions
  - Have transparent and co-operative relationships with regulators
  - Lead the development and promotion of professional standards
  - Manage professional certifications and qualifications
  - Support the professional development of practitioner members
  - Monitor member compliance with certification and ethical standards (not legal standards)
  - Be subject to external audit of its professional and certification standards
  - Have an enforceable disciplinary program which actually acts.
  - Have a complaints and disciplinary process which reflects the principles of fairness and natural justice.
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- Lead and manage the evolution of ongoing professional standards.
  - Promote *pro bono* work to enable consumers in need to access professional advice
  - Have legal recognition for its responsibilities

There is no adviser organisation as yet in New Zealand that meets each of these objectives. Indeed, it is probably an impossible list for any existing organisation to achieve. Over-riding everything else is that last bullet point – having legal recognition for its responsibilities.

Regulatory reform globally IS still taking shape, and there have been clear signs that regulators and government in NZ are watching and learning from overseas developments. As advisers, we remain (just!) in the time of creation and opportunity – but there is no time to waste. All advisers wanting to create a profession should be working to create a single organisation that can tick every check point on the above list – and then we might just get that last bullet point. THEN we would have a profession.



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