

INSTITUTE OF FINANCIAL ADVISERS INC.

**CODE OF ETHICS
AND
PROFESSIONAL CONDUCT**

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DEFINITIONS

Client funds	<p>All money received by a member which is held, or intended to be held, on behalf of a client but does not include:</p> <ul style="list-style-type: none">• Commission contractually committed to being rebated to the client;• a cheque made payable to another person or entity received by a member for the purpose of forwarding to the payee;• money from a client who gives the member a signed direction in writing for the money to be dealt with in a manner otherwise than by its deposit into a trust account;• personal funds of a member or the member's immediate family (spouse, sibling, children, parents), including those held in trust.
Custodial services	<p>Where a person or organisation holds securities on behalf of a client and where the securities are registered in the name of the client but the client has given that person or organisation a power of attorney which allows them to trade in or otherwise deal with these securities.</p>
Execution without advice	<p>The processing and completion of a financial transaction on behalf of a client, in accordance with the client's instructions, without the member providing advice on such a transaction.</p>
Institute	<p>Means the Institute of Financial Advisers Inc</p>
Member	<p>Means a member of The Financial Planners & Insurance Advisers Institute Incorporated.</p>
Financial asset(s)	<p>Shall include but is not limited to investment property, securities and insurance policies.</p>
Financial services	<p>Shall include but not be limited to services providing advice and or products in the areas of financial planning, life insurance, and financial assets.</p>
Nominee services	<p>When a client has authorised a person or organisation to hold securities in that person's or organisation's name and to trade such securities on the client's behalf. That person or organisation may also authorise a further third party to provide nominee services.</p>
Practitioner(s)	<p>Any member involved in the process of investment advising, insurance advising and/or financial planning but does not include persons such as research house representatives or fund management representatives, who when carrying out their duties as fund management or research house representatives, provide investment advice related to their organisation's products/services.</p>
Promotional activities	<p>Includes:</p> <ul style="list-style-type: none">• speeches• interviews• books and/or printed publications• seminars• radio and television shows• video cassette performances.• Electronic media

safe custody	Where a member is authorised in writing by a client to hold documents of title on behalf of the client where those documents are held in the name of the client, all income is distributed to the client, and the member does not hold a power of attorney to trade in or otherwise deal with the items held. Does not include documents that are a member's personal documents or those of the member's immediate family (partner, sibling, children or parents), including those associated with funds held in trust for the member or the member's immediate family.
trust account	The books of account and records in relation to client funds.
trust account money	Client funds paid into a trust account.
trust banking account	The banking account that contains trust account money or into which trust account money is paid.

RULE 1. PROFESSIONALISM

OBJECTIVE

To provide to clients competent service directly related to their circumstances and in their best interest. It is paramount that reasonable and prudent professional judgement, due diligence and care are exercised.

RULE

When representing a client or prospective client's interests the member shall conduct all services in a lawful, prudent and professional manner consistent with the highest standards of honesty, integrity and ethics, ensuring compliance with all the Institute's Rules, Bylaws, Code of Ethics and Professional Conduct and all other relevant laws. The member shall act in the client's best interests, above consideration of personal gain.

BYLAWS

- 1.1 Members must comply with all relevant legislation.
- 1.2 Members must provide recommendations that are appropriate to the client's needs and circumstances, after taking into account the client's wishes.
- 1.3 Members must be covered by professional indemnity insurance at all times covering those areas in which the member practises, to provide clients with protection from errors and omissions. Such insurance shall also provide the member with cover for libel, slander, employee dishonesty and include full "prior acts" protection.
- 1.4 The minimum level of cover for a member is \$500,000 with the maximum excess allowable being \$10,000.
- 1.5 The minimum level of cover where two or more members practice together in partnership, or as a company, or where a member or any legal entity employs members, is \$500,000 per member up to a maximum level payable of \$5,000,000 per entity, with the maximum excess allowable being \$10,000 per member up to a maximum of \$100,000 per entity.
- 1.6 Members must offer and perform services outlined in any member's agency agreement(s) in an honest and forthright manner.
- 1.7 Where there is doubt that the client is providing truthful and correct information the member is obliged to question the client about such information.
- 1.8 Members must demonstrate respect for other financial service professionals, product suppliers and related professional groups, and engage in fair, honourable and ethical competitive practices.
- 1.9 Members must only be the assignee of an insurance policy if it is ethical and proper and perceived to be in the best interests of the client.
- 1.10 Members must not solicit clients through false or misleading statements or advertisements and comply with the Fair Trading Act 1986 (as amended) and other relevant legislation.
- 1.11 Members are responsible for the ethical and professional conduct of their staff and contractors. Careful and supportive supervision is part of this responsibility.

- 1.12 Members who have information, not required by law to be kept confidential, relating to a possible violation of this Code or the Institute's Bylaws, or possible illegal activity by another member, shall promptly bring such information to the attention of the President of the Institute.
- 1.13 Members who have knowledge that illegal conduct exists within that member's organisation and that appropriate measures are not being taken to remedy the situation, shall bring this to the attention of the President of the Institute. For the purposes of this Bylaw, knowledge means no substantial doubt.
- 1.14 Members' fees and commissions, whether initial and/or on going, must be fair and reasonable.
- 1.15 Members shall, as and when required by the Board of the Institute, produce to the Institute such information as may be reasonably required, to determine whether members are complying with this Code and the Institute's Bylaws.

RULE 2. COMPETENCE

OBJECTIVE

To ensure that members are committed to maintaining, enhancing and improving their competence in all areas of financial services in which they are professionally engaged.

RULE

Members shall perform services in a competent, efficient and business-like manner. Advice on financial services shall only be offered in those areas in which the member has competence.

BYLAWS

- 2.1 Members shall seek qualified advice in areas of untested or uncertain ability, or refer the client to an appropriately qualified professional.
- 2.2 If a member lacks experience, sophistication or competence in the area of advice being given, that member must ensure the client seeks independent competent advice.
- 2.3 Members shall not give the impression that they are providing legal, taxation or such other professional advice unless that member is professionally qualified to practise in those fields.
- 2.4 Any person employed by a member in contact with the client or the public shall meet the minimum standards of competency as defined by this Code.
- 2.5 Members shall keep informed of new developments in the strategy, technique and application of the principles of insurance advising and/or investment advising and/or financial planning and the provision of financial services in general.
- 2.6 Members shall satisfy all minimum continuing education requirements set by the Institute.
- 2.7 Members shall have access to adequate and reasonable research on relevant markets, suppliers and products when formulating financial strategies and recommending investment or risk products in accordance with customary and accepted practices among practitioners.
- 2.8 Members shall ensure that due diligence and care is maintained in all professional activity.
- 2.9 Members shall be satisfied that reasonable investigation has been made regarding the financial products recommended or provided to clients. Such investigation shall be made by the member or others provided that the member acts reasonably in relying upon such investigation in accordance with customary and accepted practices among Institute practitioners.

RULE 3. CONFIDENTIALITY

OBJECTIVE

To ensure that a client has complete confidence that their affairs will not be discussed or revealed to any third party without their explicit permission, and that the client has full trust in the relationship with the member.

RULE

Members shall not disclose or use any information about a client's personal, family or business affairs that derives from the client relationship, without the client's prior consent in writing, except where required to:

- a. comply with legal process; or**
- b. defend the member against charges of misconduct; or**
- c. provide information during professional mediation of a dispute between the member and the client; or**
- d. provide information in connection with a civil dispute between the member and the client; or**
- e. complete the provision of services agreed by the client.**

BYLAWS

- 3.1 Where a member believes that disclosure of information to a third party would be in the client's best interests, then members must seek express consent from the client, in writing, to disclose the information.
- 3.2 Members must not disclose, or use in any way, confidential client information without written permission from the client.
- 3.3 All confidential documents are to be stored in an area that provides appropriate security.

RULE 4. PERSONAL PROFESSIONAL CONDUCT

OBJECTIVE

To ensure that the overall reputation of the Institute and the financial services profession is enhanced by the personal actions of individual members or their contractors or employees.

RULE

Members shall adhere to this Code of Ethics and Professional Conduct and the Institute's Bylaws, and comply with and understand relevant law and do nothing to bring the Institute or the financial services profession into disrepute.

BYLAWS

- 4.1 A member's conduct in all matters is to reflect credit upon the profession and the Institute. Actions that might bring the reputation of the financial services profession into question are to be avoided.
- 4.2 The title "Financial Planner" is restricted to CERTIFIED FINANCIAL PLANNER^{CM} members, or Associate members of the College of Financial Planners.
- 4.3 The Institute's logo, the Institute's name and the abbreviation "INSTITUTE OF FINANCIAL ADVISERS" projects the professionalism and character of the Institute. Incorrect or inappropriate use of the name, abbreviation and/or logo is prohibited.
- 4.4 In order to protect the integrity and value of the logo and what it stands for, no person or entity other than the Institute itself shall be permitted to use the Institute's logo.
- 4.5 Use of a member's name in connection with false, misleading or deceptive advertising is prohibited. In particular it is prohibited to misrepresent the size, scope or areas of competence of a member, or a firm which that member is associated with.
- 4.6 In promotional activities of any kind members shall take special care to avoid deception of the public in matters relating to providing financial services, or in the professional activities and competence of the member.
- 4.7 Personal opinions must be clearly identified as such, and under no circumstances shall members give the impression they are representing the views of the Institute or any other group unless they have been authorised to do so.
- 4.8 In making public statements concerning specific products or services, members shall not indicate that the Institute endorses or approves such products or services.
- 4.9 Members shall disclose to the client any possible conflict of interest in relation to personal endorsements.

RULE 5. DISCLOSURE

OBJECTIVE

To ensure that client/adviser relationships are premised on the basis of open and willing disclosure.

RULE

Members shall provide a written disclosure document as prescribed by this Code.

BYLAWS

- 5.1 Members must supply to clients/prospective clients a written disclosure document. A master copy of this document must be lodged with the Institute and an updated copy lodged with the Institute when any change has occurred.
- 5.2 Members' disclosure documents must include the following:-
- a. all requirements to meet the initial disclosure section of the Investment Advisers (Disclosure) Act 1996;
 - b. the relationship of the member to the organisation the member represents and the date the member commenced with the organisation;
 - c. disclosure of any conflict of interest which could impair the member's independence and objectivity as an adviser or provider of financial services;
 - d. a statement that the member is bound by this Code and the Institute's Bylaws;
 - e. the member's method of remuneration i.e. fee only, commission only, or fee and commission;
 - f. procedure for the handling of client funds;
 - g. a statement that the member carries professional indemnity insurance, and the name of the insurer;
 - h. the fact that a complaints procedure is available through the Institute for all clients dealing with Institute members;
 - i. the member's relevant qualifications and experience;
 - j. the membership status of the member.
- 5.3 Members must advise clients/prospective clients of any important changes to member's business details, such as, address, telephone/facsimile number, credentials, qualifications, remuneration structure, affiliations or agency relationships.

RULE 6. HANDLING OF CLIENT FUNDS

OBJECTIVE

To ensure that public confidence is maintained by prescribing strict business practices for the handling, custody, ownership and reporting of monies, securities, property and documents.

RULE

Members shall adopt the highest standards of a custodial trustee when engaged in the handling of client's funds. Mixing of client funds with the member's personal or business funds is strictly prohibited. Those members who are permitted to hold client funds must do so through an audited trust account in accordance with this Code.

BYLAWS

- 6.1 Members who receive client funds shall hold those funds in a trust account that is operated in accordance with the following:
- a. all client funds received by a member shall be banked into the member's trust account;
 - b. client funds must be banked within one working day of receipt by the member into that member's trust banking account;
 - c. a member shall keep strict account of all client funds over which the member has been given authority;
 - d. a sequentially numbered receipt must be issued;
 - e. trust accounts must only be used for the handling and recording of client funds and on no account may be used for personal transactions;
 - f. individual client funds/balances must be separately identifiable. Mixing one or more client funds together in a trading bank account is permitted, subject to compliance with applicable legal requirements and provided accurate records are maintained;
 - g. a member shall maintain proper books of account for each trust account. The books of account shall be kept in such a manner so that it is possible, at any time to;
 - i. clearly establish all dealings in client funds in general and the client funds of each individual client in particular, and
 - ii. carry out an audit thereof conveniently and properly.
 - h. all payments from a trust account shall be authorised in writing by the client;
 - i. the placing of trust account money on term deposit with the bank that holds the member's trust banking account must first have the client's approval in writing;
 - j. cheques drawn on a trust account must have two signatories;
 - k. where payment from a trust account is made to purchase securities then records must be maintained including the client's signed written instructions which must specifically address what the client wanted the member to purchase, and in whose name the securities purchased were to be registered. The valuation at date of purchase of securities shall be at the purchase price plus any brokerage or commission applicable to the type of security. The client must be made aware of any brokerage or commission that will be payable in addition to the purchase price;
 - l. fees may be deducted from trust accounts provided the client has previously agreed in writing that fees may be debited;
 - m. a member shall not make a payment to or on behalf of a client from a trust account that is in excess of the amount standing to the credit of that client in the trust account;
 - n. bank charges and other costs such as statutory charges shall be charged to the member's business bank account except where a separate trust banking account is maintained for the client at their request;
 - o. unless otherwise instructed in writing, a member must ensure that amounts greater than \$12,000 held for a client for more than five days, or until cleared by the bank in the normal course of banking, earn interest for the client at the prevailing on-call interest rate;

- p. no member shall open or operate any interest bearing account that includes trust account money for more than one client;
 - q. all amounts withdrawn by a member from any interest bearing account, subject to these standards, shall be paid into a trust banking account of that member.
 - r. all trust account records must be retained by the member for ten years.
- 6.2 Where a company receives the client funds, and the company either is not, or is not related to (within the meaning of “related company” in the Companies Act 1993), a trustee company under the Trustee Companies Act 1967, the Public Trust, a registered bank or a company listed on the New Zealand Stock Exchange or the Australian Stock Exchange, the member shall procure the company to agree in writing with the client that the company will be bound by the provisions of bylaws 6.1 and 6.4 as if the company were a member of the Institute.
- 6.3 Where a member holds client funds in a trust account which is operated in accordance with the New Zealand Stock Exchange’s or New Zealand Law Society’s standards for the operation of trust accounts then the member is deemed to be operating a trust account in accordance with these Bylaws.
- 6.4 Where a member operates a trust account then the member shall have this service audited annually in accordance with this Code.

RULE 7. SAFE CUSTODY SERVICES

OBJECTIVE

To ensure that public confidence is maintained, maintaining strict business practices for the custody of securities, property and documents of clients.

RULE

Members who provide safe custody services must adhere to the Institute's Bylaws covering the use of safe custody of documents.

BYLAWS

- 7.1 Members who provide safe custody services shall keep strict account of the financial assets of the client held in safe custody in accordance with this Code.
- 7.2 Where a company provides the custodial services, and the company either is not, or is not related to (within the meaning of "related company" in the Companies Act 1993), a trustee company under the Trustee Companies Act 1967, the Public Trust, a registered bank or a company listed on the New Zealand Stock Exchange or the Australian Stock Exchange, the member procure the company to agree in writing with the client that the company will be bound by the provisions of bylaws 7.1 and 7.3 to 7.7 (both inclusive) as if the company were a member of the Institute.
- 7.3 Members who provide safe custody services shall have these services audited annually in accordance with this Code.
- 7.4 The assets shall be registered in the client's name with the address in the manner the client chooses.
- 7.5 Members shall maintain a register of documents held, and the register is to be held in a lockable fireproof safe or cabinet.
- 7.6 Members shall release all or any of the documents immediately to the client upon a signed written request received from the client.
- 7.7 All income received in relation to the documents shall be either sent to the client within three working days, paid into a trust account or distributed in accordance with the client's written instructions.

RULE 8. NOMINEE AND CUSTODIAL SERVICES

OBJECTIVE

To ensure that public confidence is maintained by prescribing to members strict business practices for handling, ownership and reporting of securities, property and documents when offering nominee and custodial services.

RULE

Members providing nominee and/or custodial services must adhere to the Institute's Bylaws covering the provision of such services.

BYLAWS

- 8.1 Nominee and custodial services may be provided by a member or other party.
- 8.2 Where members provide the custodial and/or nominee services they shall do so in accordance with the following:
- a. a letter of appointment in favour of the member as a nominee or custodian, setting out the terms of the appointment, must be signed by the client and the member;
 - b. all investments arranged for or on behalf of the client must be held, at the client's option either in the name of the client or in the name of the member for that client;
 - c. income must be paid out or reinvested in accordance with the client's written instructions;
 - d. no money or documents may be released to any person other than the client without the written direction of the client, which direction shall be retained by the member or other party providing the service (as the case may be);
 - e. members must account to the client at least annually in respect of all transactions and securities held including external confirmation of the securities held. Such information must be provided in writing on demand by the client;
 - f. the client must be entitled to uplift all moneys, securities or other property held by a member on behalf of the client, including transaction information, within a reasonable period of the request being made. In respect of transaction information, securities and moneys they shall be available within two working days of the request.
 - g. the client may revoke an authorisation to pay or apply funds or investments to any third party at any time, with such notice to be given in writing;
 - h. the member must handle marketing information, external annual statements of holdings, company reports and other documentation in accordance with the clients instructions either to send the information to the client or destroy it;
 - i. the remuneration for the custodial service and the manner of payment must be specified. The member may, if authorised in writing, deduct from moneys held by the member fees properly payable under the custodial arrangement;
 - j. members shall be liable for his/her own incompetence or failure to meet these Bylaws, but shall not be liable for the performance of the assets held;
 - k. member shall have these services audited annually in accordance with Rule 9 of this Code.
- 8.3 Where services are provided by a company either which is not, or which is not related to (within the meaning of "related company" in the Companies Act 1993), a trustee company under the Trustee Companies Act 1967, the Public Trust, a registered bank or a company listed on the New Zealand Stock Exchange and/or the Australian Stock Exchange, the member shall procure the company to agree in writing with the client that the company will be bound by the provisions of bylaws 8.2 and 9.1 to 9.9 (both inclusive) as if the company were a member of the Institute and bylaw 8.2 shall be read and construed as if "member" refers to the company supplying the nominee and/or custodial services,

RULE 9. AUDIT PROCEDURES

OBJECTIVE

To ensure that members are required to maintain a high standard of service to clients when offering trust account, safe custody or nominee and/or custodial services.

RULE

Where members receive client funds, provide safe custody, custodial or nominee services then these services are to be audited in accordance with this Code.

BYLAWS

- 9.1 The auditor shall be a financial member of the Institute of Chartered Accountants of New Zealand.
- 9.2 The auditor shall deliver a copy of the audit report to the Institute within three months of the end of the twelve month period which is the subject of the audit.
- 9.3 Members shall advise the Institute in writing of the name of the accountant appointed as auditor of that member's services.
- 9.4 Members shall ensure that the auditor's written consent to the appointment is forwarded to the Institute. The consent letter shall indicate the willingness of the auditor to allow the Institute, or its representatives, to review the audit working papers.
- 9.5 No accountant shall be qualified for nomination by a member as the auditor of that member's trust account if:
 - a. the accountant is, or at any time within the immediately preceding period of one year has been a partner of or employer of the member; or
 - b. the accountant is an employee of any other member; or
 - c. the accountant is, or at any time within the immediately preceding period of one year, has been engaged in keeping the personal books of account of the member; or
 - d. a member of the accountant's firm is, or at any time within the immediately preceding period of one year, has been engaged in keeping the personal books of account of the member; or
 - e. an employee of the accountant is engaged in keeping the personal books of account of the member.
- 9.6 An accountant who is closely related by blood or marriage to the member may be disqualified as auditor by the Institute being undesirable on account of the relationship by blood or marriage.
- 9.7 The audit of the member's trust account, or is no longer qualified, or his or her appointment has in any way been lawfully terminated, then the member shall within one month of that event give notice to the Institute in respect of the appointment of an alternative auditor.
- 9.8 Every practitioner shall, as and when required by the auditor, produce to the auditor all:
 - books, papers or files of papers
 - accounts
 - statements
 - bills of costs or copies of such bills

- documents
- receipts and evidence of authority for payment
- securities
- books of trust receipt forms used and unused

required by the auditor for the purposes of the audit, and shall give to the auditor such other information as the auditor may reasonably require.

9.9 The auditor should include the following procedures within his or her audit as a minimum:

- a. obtain a breakdown of the trust account at each month end and perform the following tests:
 - test mechanical accuracy
 - ensure all funds have been appropriately allocated to clients and that there is no surplus/deficiency of funds
 - ensure that the total of the trust banking account has been reconciled to the bank statement and to the trust account
 - ensure that no client balance has gone into debit at any stage
 - ensure that statements were issued on at least a quarterly basis to clients
- b. for a sample of purchase transactions undertaken by the member on behalf of clients, check the transaction for the following:
 - that the member bought/sold what s/he was instructed to buy/sell
 - that any securities bought were registered in the name that the client requested them to be registered in
 - that any securities purchased were correctly valued as at the date of acquisition, and that the client paid a fair price for them
 - that the commissions were rebated if so contracted
 - that fees were charged in accordance with the agreement
- c. for a sample of cash receipts into trust accounts test to ensure that:
 - a receipt was issued
 - the money was promptly banked into the approved trust account
 - the sequence of receipts has been accounted for and is complete
- d. for a sample of payments from the trust account (including direct credits, direct debits, automatic payments and money transfers) obtain paid cheques from the bank and ensure that:
 - they were restrictively endorsed
 - the payee on the cheque is the same as that noted in the trust account records
 - the cheques were signed by the authorised signatories
 - any payments for expenses have been authorised by the client, either via the overall contract, or specifically for one off items
- e. review the trust account records for the following items:
 - evidence of personal or other non-client transactions;
 - instances where client funds in excess of \$12,000 held for a client for more than five days, or until cleared by the bank in the normal course of banking, have not been put on deposit to earn the client interest;
 - instances of the trust banking account becoming overdrawn, and
 - any unusual transactions.

If any of the above items are noted, details should be provided in the audit report to the Institute.
- f. if the member operates interest bearing accounts for client funds, the above testing should be extended to include transactions carried out via these accounts. Withdrawals from these accounts should always be paid into the member's approved trust account.
- g. obtain representation from the member or otherwise confirm that all client funds have been correctly accounted for through an approved trust account.

- h. where a member holds documents in safe custody for clients, check that a register is being maintained, and the documents listed in the register are held in a fireproof lockable safe or cabinet. Check also that the member has written authority to hold these documents.
- i. where a member offers a custodial or nominee service, for a sample of services provided ensure that:
 - a letter of appointment setting out the terms of the arrangement, signed by both the member and the client, is held on file
 - any income received is dealt with in accordance with the client's wishes, and that all income has been accounted for and calculated correctly
 - the investments are held in the name of the member or the name of the client as specified in the letter of appointment
 - no documents or monies have been released to any person other than the client without the client's written permission
 - annual statements have been issued to the client
 - any fees deducted by the member are in accordance with the letter of appointment and have been properly calculated
- j. draft audit report, ensuring any matters arising are included in both the report required by the Institute as well as formally reported to the member so that they can take corrective action.

9.10 The report of the auditor should confirm that:

- a. they are a registered member of the Institute of Chartered Accountants of New Zealand;
- b. they are eligible under these Bylaws to conduct the audit;
- c. they have audited the trust account, safe custody, nominee and/or custodial services of the member for the twelve month period ended (Date) in accordance with these Bylaws;
- d. the audit was conducted in accordance with New Zealand Auditing Standards and included examination, on a test basis, of client transactions, balances and assets;
- e. the member's services have complied with these Bylaws and that:
 - i. the trust account is in order;
 - ii. all documents held in custody or for forwarding to clients have been correctly dealt with;
 - iii. the nominee or custodial services have been provided in accordance with the Bylaws; and that in the opinion of the auditor there are no matters that need to be communicated to the Institute except for those listed.

RULE 10. EXTENT AND TYPE OF SERVICE

OBJECTIVE

To make the client, or prospective client, fully aware of the level and type of service being offered or provided by the member.

RULE

Members shall clearly define and explain to the client, or a prospective client, the financial services being provided or offered. A written statement is to be supplied to the client stating those areas being covered.

BYLAWS

- 10.1 Members shall provide to the client, or prospective client, a written statement stating the type of services being provided/offered. The statement may be provided separately or as part of another document.
- 10.2 The statement shall contain words to the effect that either:
- a. the member is providing a comprehensive financial plan; or
 - b. the member is providing services (either written or verbal) in accordance with the client's instructions which are limited to the areas listed in the declaration; or
 - c. the member is conducting a transaction on behalf of the client, without the provision of advice, in accordance with that client's instructions.
- 10.3 A copy of the extent of service statement must be supplied to clients in accordance with the service provided as follows;
- a. when providing written advice (including a comprehensive financial plan) then as early as the member decides but no later than at the time of presentation of the advice; or
 - b. when providing verbal advice then as soon as possible after the provision of the verbal advice and, if possible, prior to accepting instructions to implement advice, otherwise immediately following the verbal communication; or
 - c. when executing instructions without advice then immediately following the verbal communication with written confirmation of the transaction.
- 10.4 If providing a comprehensive financial plan members must follow the internationally recognised six-step financial planning process of:
- a. collect and assess all relevant data;
 - b. identify personal goals and translate to financial goals;
 - c. define and analyse financial problems;
 - d. provide a written financial plan with recommendations;
 - e. implement or co-ordinate the implementation of that plan;
 - f. periodically review the plan.

RULE 11. APPROPRIATENESS OF ADVICE

OBJECTIVE

To provide all clients and prospective clients with prudent advice appropriate to their circumstances and to give clients confidence that they may reasonably rely on such advice.

RULE

To ensure that any advice is appropriate and in the best interests of the client, members must have established that advice using reasonable and prudent judgement, after gathering sufficient information about the client's circumstances, level of sophistication, financial position and their objectives. When giving advice, members shall adhere to the provisions of the "Prudent Person Principle", as set out in the Trustee Amendment Act 1988.

BYLAWS

- 11.1 Members must only enter into a relationship with a prospective client after securing sufficient information to satisfy the member that:
 - a. a relationship is warranted by the prospective client's individual needs and objectives; and
 - b. the member has no personal reservations concerning the provision of services to that individual.
- 11.2 Members must ensure that reasonable research has been made regarding those products and/or services recommended or provided to clients.
- 11.3 Where advice involves investments, members must be able to demonstrate that a reasonable attempt was made to ensure that the client has a clear understanding of the potential volatility of the investment markets into which they are entering, to ensure that they can properly understand and cope with the likelihood of rises and falls associated with the value of the investments provided or recommended.

RULE 12. INSURANCE AND INVESTMENT PRODUCT REPLACEMENT

OBJECTIVES

To ensure that changes made to a client's investment/insurance products are being made in the client's best interests and to prevent duplication of *up-front* initial charges and undisclosed fees or commissions, whether received by the member or not.

RULE

Members shall not induce, or attempt to induce, a client to replace an existing investment /insurance policy, unless there is sound evidence that the existing investment/insurance policy should be amended, replaced, or it no longer meets the investor's or life assured's needs.

BYLAWS

- 12.1 Prior to advising a client to replace an existing insurance policy members shall:
- ensure that an up to date written analysis of the client's financial needs is on file. This must include, the number of dependents, personal/family/business financial obligations, an evaluation of financial means, a review of existing life and disability insurance policies, including their characteristics and the insurers that issued them;
 - present and review with the client a fully completed "Advice on Replacement Business" disclosure document in the form as prescribed by the new insurer or other insurance authority as appropriate;
 - be personally responsible for forwarding to the new insurer, within five business days of the date of the new application, the prescribed "Advice on Replacement Business" advice together with the new application, and ensuring that the new contract terms and conditions are issued correctly;
 - ensure that the information supplied fully and fairly represents the facts and complies with the Fair Trading Act 1986, Consumer Guarantees Act 1993, Investment Adviser (Disclosure) Act 1996, and all other relevant legislation.
- 12.2 Prior to the completion of replacing an investment members shall:
- ensure that they adhere to this Code;
 - ensure that the information supplied fairly represents the facts and complies with the Fair Trading Act 1986, Consumer Guarantees Act 1993, Investment Adviser (Disclosure) Act 1996, and all other relevant legislation.
- 12.3 Members must exercise care and due diligence to ensure that minimal investment switching charges are incurred by the client.
- 12.4 Members must ensure that the client is fully informed of any available alternatives for changing existing insurance policies or investments where these may preserve appropriate benefits or where additional costs to the client may be avoided. In all cases the appropriate test is the best interest of the client.
- 12.5 Members must disclose all material facts, including product expenses to avoid any act or omission being detrimental to the client.
- 12.6 For those products with an investment element, new acquisition costs on any replacement product shall be avoided, or minimised. If new acquisition costs are payable by the client on the investment element of the acquisition then these shall be fully disclosed by the member to the client prior to the transaction being undertaken.

12.7 Members must advise the client to make certain that any new insurance policy recommended by the member is in force before action is taken to terminate an existing insurance policy.