



**INSTITUTE OF FINANCIAL ADVISERS INC.**

**CODE OF ETHICS**

**EFFECTIVE  
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## Introduction

There are many benefits of belonging to the Institute of Financial Advisers, but none is more important than what being a *member*<sup>1</sup> says to your *clients* and the public.

Membership of the Institute of Financial Advisers marks you as a professional: a financial adviser people can rely on for quality advice, given in their interests.

Because of that, fundamental to being a *member* is accepting the responsibility to act professionally. Ensuring that Institute of Financial Advisers membership continues to have meaning to the public places an obligation on all *members*: each of us has a responsibility to all of us.

The responsibilities of membership are expressed in the Institute of Financial Advisers Code of Ethics (Code). The Code provides guidance on the standards of professional conduct *members* expect of each other.

Complying with the Code is a requirement of memberships of the Institute of Financial Advisers, and failing to comply can result in disciplinary action and loss of membership. But – more importantly – the Code provides the framework for *members* to create successful and enduring relationships with *clients*.

For most *members* therefore, the expectations of the Code should already be second nature, because the Code simply makes explicit what they already intuitively understand: this is the way professionals conduct business.

The Institute of Financial Advisers affirms its adherence to certain ethical principles and accepts responsibility for delineating the standards of ethical behaviour expected of professional financial *advisers*.

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<sup>1</sup> Note that this Code of Ethics should be read together with and uses the same definitions as the Institute of Financial Advisers Practice Standards. Throughout both documents, defined terms are in italics.

## PART I - PRINCIPLES

In the interests of their clients and of the profession as a whole, all *members* of the Institute of Financial Advisers, including those who may not be engaged directly in providing financial advice, agree to act in accordance with the following principles of ethical and professional behaviour:

### 1. Integrity

***A member will act with integrity.***

#### ***Explanation***

Clients place *members* in positions of trust and confidence. The ultimate source of such public trust is the *member's* personal integrity. Integrity demands honesty and candour that must not be subordinated to personal gain and advantage. Within the characteristic of integrity, allowance can be made for legitimate difference of opinion; but integrity cannot co-exist with deceit or subordination of one's principles. Integrity requires the *member* to observe not only the letter but also the spirit of this Code.

### 2. Objectivity

***A member will be objective in providing professional services to clients.***

#### ***Explanation***

Objectivity requires intellectual honesty and impartiality. It is an essential quality for any professional. Regardless of the particular *service* rendered or the capacity in which a *member* functions, a *member* should protect the integrity of his or her work, maintain objectivity, and avoid subordination of his or her judgment that would be in violation of this Code.

### 3. Fairness

***A member will perform professional services in a manner that is fair and reasonable to clients, principals, partners, employers and employees, and will avoid or disclose conflict(s) of interest and other information relevant to providing such services.***

#### ***Explanation***

Fairness requires impartiality, intellectual honesty, and either the avoidance, or the clear, concise and effective disclosure of any *conflict of interest*, *relationship of influence*, or *remuneration* that could affect a *member's* services. It involves the subordination of one's own feelings, prejudices, and desires so as to achieve a proper balance of conflicting interests. Fairness is treating others in the same fashion that you would want to be treated, and is an essential professional trait.

### 4. Competence

***A member will provide services to clients competently and maintain the necessary knowledge and skill to continue to do so in those areas in which the member is engaged.***

#### ***Explanation***

One is competent only when one has attained the minimum educational standard required by the Institute of Financial Advisers and maintains an adequate level of knowledge and skill through continuing education, and applies that knowledge and skill effectively in providing *services*. Competence also includes the wisdom to recognise the limitations of that knowledge and when consultation or *client* referral is appropriate. In addition to acquiring the necessary knowledge and experience, continuing to be competent requires a *member* to show an ongoing commitment to learning and professional development.

## 5. Confidentiality

*A member will maintain confidentiality of all client information.*

### ***Explanation***

A *client*, by seeking the services of a *member*, is interested in creating a relationship of personal trust and confidence. This type of relationship can be built upon the understanding that information supplied to the *member* will be confidential. In order to provide services effectively and to protect the *client's* privacy, the *member* will safeguard the confidentiality of such information.

## 6. Professionalism

*A member will avoid conduct that may bring discredit upon the profession.*

### ***Explanation***

A *member* will avoid activities that adversely affect the quality of his or her professional *services*. A *member* will behave in a manner that maintains the good reputation of the profession and its ability to serve the public interest.

## 7. Diligence

*A member will act diligently in providing professional services.*

### ***Explanation***

Diligence is the provision of services in a timely and thorough manner. Diligence also includes appropriate supervision of those for whom the *member* is responsible.

## PART II - RULES

### Introduction

These Rules provide practical guidelines derived from the Principles. As such, the Rules set forth the standards of ethical and professionally responsible conduct.

### Principle 1: Integrity

*A member will act with integrity.*

#### **Rule 101**

In the course of professional activities, a *member* will not engage in or associate with conduct involving dishonesty, fraud, deceit or misrepresentation, make a false or misleading statement or break the law.

#### **Rule 102**

A *member* has the following responsibilities regarding funds and/or other property of *clients*:

- a. A *member* who takes custody of all or any part of a *client's* financial or other property, will do so with the care required of a professional trustee.
- b. In exercising custody of or discretionary authority over a *client's* financial or other property, a *member* will act only in accordance with the authority set forth in the governing legal instrument (eg, letter of engagement, special power of attorney, or trust deed).
- c. A *member* will identify and keep complete records of all financial or other property of a *client* in the custody of or under the discretionary authority of the *member*.
- d. Upon receiving financial or other property of a *client*, a *member* will promptly or as otherwise permitted by law or provided by agreement with the *client*, deliver to the *client* or other party any financial or other property that the *client* or other party is entitled to receive and, upon request by the *client* or any person duly authorised, render a full accounting regarding such financial or other property.
- e. A *member* will not commingle *client* funds or other property with a *member's* personal funds and/or other property, or the funds and/or other property of a *member's* firm to the disadvantage of any *client*. Commingling one or more *clients'* funds or other property together is permitted with the prior written consent of all affected clients, subject to compliance with applicable legal requirements and provided that accurate records are maintained for each *client's* funds or other property.
- f. A *member* who receives client funds will hold such funds in a properly constituted trust account that is audited at least annually by a Chartered Accountant.
- g. A *member* who provides safe custody, custodial or nominee services, shall have properly documented procedures for these services, and will ensure that these services are audited at least annually by a Chartered Accountant.
- h. A *member* will not use, transfer, withdraw or otherwise employ a *client's* funds or property for his or her fees, or for any other purpose not provided for in the *engagement*, except with the specific written authority of the *client*.

- i. *Client's* financial and other property, including any income they produce, under the custody of the *member*, are the property of the *client* and may be used only for purposes agreed to in writing by the *client*.
- j. A member will return any *client* property that is in their possession in a timely manner after the *client* has requested its return.

### **Rule 103**

A *member* will not engage in any false or misleading communication or advertisement, whether to solicit *clients* or for any other purpose.

- a. A *member* will not make a false or misleading communication about the size, scope or areas of competence of the *member's* practice or of any organisation with which the *member* is associated.
- b. A *member* will not make false or misleading communications or create unverifiable expectations regarding matters relating to *financial advice*, services, any professional activities or the competence of any *member* or person.
- c. A *member* will not give the impression that he/she is representing the views of the Institute of Financial Advisers or any other group unless the *member* has been authorised to do so. Personal opinions will be clearly identified as such.

## **Principle 2: Objectivity**

*A member will be objective in providing professional services to clients.*

### **Rule 201**

A *member* will exercise reasonable and prudent professional judgment in providing professional *services*.

### **Rule 202**

A *member* will act in the interests of the *client*.

## **Principle 3: Fairness**

*A member will perform professional services in a manner that is fair and reasonable to clients, principals, partners, employers and employees, and will avoid or disclose conflict(s) of interest and other information relevant to providing such services.*

### **Rule 301**

A *member* will ensure that any remuneration or reward (whether by fee, commission or otherwise) paid directly or indirectly by a *client* is fair and reasonable having regard to the interests of both the *client* and the *member*.

### **Rule 302**

A *member* will ensure that every *client* or prospective *client* is provided with a *Disclosure Statement* (DS) at the earliest practical opportunity, and before entering into any *engagement*. A DS may be provided in written or electronic form. The language must be clear, concise and effective, and must not be mixed with marketing material or any matter that is not helpful to its primary purpose<sup>2</sup>.

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<sup>2</sup> The minimum requirements of a DS are set out in the Practice Standards under 100-A.

### **Rule 303**

Where a *member's* service to a *client* involves *financial advice*, the *member* will provide the *client* with a *Statement of Advice* (SoA), providing a clear, concise and effective record of the advice, together with relevant background and other details, and taking account of one or more of the *client's* objectives, financial situation and needs<sup>3</sup>.

### **Rule 304**

All *members* who provide financial advice to or on behalf of clients must either follow the six-step process in full or provide the client with a clear, concise and effective written explanation of which of these are included and which are not.

### **Rule 305**

When a *member* is rendering services that involve one or more but not all of the *core components*, the *member* will ensure the *client* receives a clear, concise and effective written statement as to which of the *core components* are covered. Such a statement, provided at the start of a relationship, need only be updated when *services* are provided relating to a *core component* not previously covered.

### **Rule 306**

A *member* must have a professional indemnity insurance policy at all times covering those areas in which the *member* practises, for the protection of clients from errors and omissions. Such insurance shall also provide the member with cover for libel, slander, employee dishonesty and include full "prior acts" protection. The minimum level of cover for a *member* will be determined by the Institute of Financial Advisers from time to time. Refer to Membership By-laws for minimum levels required.

### **Rule 307**

A *member* will immediately inform *clients* of any material change in circumstances and/or details arising subsequent to the provision of his or her *DS* and provide a new *DS* where the change in circumstances and/or details has a material effect on one or more items referred to in Practice Standards 100-B.

### **Rule 308**

Where an *engagement* with a *client* has an ongoing aspect, any *service* provided during that *engagement* is deemed to be *advice* unless the *client* has received a clear, concise and effective statement that this is not the case prior to the commencement of the work.

### **Rule 309**

Where the context suggests that a *member* gives *advice* the *member* is deemed to do so in all contexts in the absence of evidence that the *client* understands that this is not the case.

### **Rule 310**

A *member* will not engage in discriminatory practices as defined in applicable human rights legislation.

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<sup>3</sup> The minimum requirements for a SoA are set out in the Practice Standards under 400-B.



## Principle 4: Competence

*A member will provide services to clients competently and maintain the necessary knowledge and skill to continue to do so in those areas in which the member is engaged.*

### **Rule 401**

A *practitioner member* will keep informed of developments and participate in continuing education throughout the *member's* professional career in order to achieve and maintain professional competence in all areas in which the *member* is engaged. As a distinct part of this requirement, a *practitioner member* will complete all initial and continuing education requirements of the Institute of Financial Advisers.

### **Rule 402**

A *member* will provide services only in those areas in which the *member* has competence. In areas where the *member* is not professionally competent, the *member* will seek the counsel of a suitably qualified person and/or refer *clients* to such a person.

### **Rule 403**

Only *members* who belong to the College of Financial Planners and who have achieved CFP, CLU or AFP status, may refer to themselves as Financial Planners.

## Principle 5: Confidentiality

*A member will maintain confidentiality of all client information.*

### **Rule 501**

A *member* will not disclose any personal or confidential *client* information without the specific written consent of the *client* unless in response to proper legal or regulatory process.

### **Rule 502**

A *member* will act in good faith in all their business relationships incorporating the requirements of all current legislation.

### **Rule 503**

Rules 501 to 502 do not preclude a *member* disclosing such *client* information as is essential to the process to any purchaser of all or part of the *member's* business.

## Principle 6: Professionalism

*A member will avoid conduct that may bring discredit upon the profession.*

### **Rule 601**

In all professional activities a *member* will perform services in accordance with applicable laws, rules, and regulations of governmental agencies and other applicable authorities including the Institute of Financial Advisers.

### **Rule 602**

A *member* entitled to do so will use the CLU or CFP<sup>CM</sup> mark or any other Institute of Financial Advisers mark in compliance with the rules of the Institute of Financial Advisers, as established and amended from time to time.

CFP<sup>CM</sup> and  are registered certification marks and CERTIFIED FINANCIAL PLANNER<sup>CM</sup> is a common law certification mark owned outside the U.S. by Financial Planning Standards Board Ltd. Institute of Financial Advisers is the marks licensing authority for the CFP Marks in New Zealand, through agreement with FPSB.

**Rule 603**

A *member* who has reason to believe that another *member* has committed a violation of this Code that raises substantial questions as to the *member's* honesty, trustworthiness or fitness as a *member*, will promptly inform the Institute of Financial Advisers. This rule does not require disclosure of information or reporting based on knowledge gained as a consultant or expert witness in anticipation of or related to litigation or other formal complaints or dispute resolution mechanisms.

**Rule 604**

A *member* will not criticise another *member* without first taking all reasonable steps to make the criticism to the *member*, allowing reasonable time for an explanation. Where the criticism may result in a complaint being lodged with the Institute of Financial Advisers, the *member* must, where required, first submit that criticism in writing to the other *member* for explanation and allow a reasonable time for a response. Notwithstanding this rule, a *member* may first submit a criticism of another *member* to the Institute of Financial Advisers, should the matter be considered of such a nature that prior notice is not appropriate.

**Rule 605**

A *member* who has reason to believe that a member of another profession has engaged in unprofessional, fraudulent or illegal conduct will promptly inform the appropriate regulatory and/or professional disciplinary body. This rule does not require disclosure or reporting of information gained as a consultant or expert witness in anticipation of, or related to litigation or other formal complaints or dispute resolution mechanisms.

**Rule 606**

A *member* who has reason to suspect illegal conduct within the *member's* organisation will make timely disclosure of the available evidence to the *member's* immediate supervisor and/or partners or co-owners, unless the *member* has reason to believe that such a course of action is likely to result in his or her unfair treatment or penalty, in which case the *member* should take his or her concerns directly to the appropriate regulatory authorities including the Institute of Financial Advisers. Where the *member* has approached the *member's* immediate supervisor and/or partners or co-owners about suspected illegal conduct within the *member's* organisation and after a reasonable period remains concerned that the illegal conduct continues to exist, and that appropriate measures have not been taken to remedy the situation, the *member* will, where appropriate, alert the appropriate regulatory authorities including the Institute of Financial Advisers in a timely manner.

**Rule 607**

A *member* will not engage in any conduct that may reflect adversely on his or her integrity or fitness as a *member*, upon any mark of the Institute of Financial Advisers, or upon the profession.

**Rule 608**

A *member* will practice a profession or offer services only insofar as the *member* is qualified to do so and licensed or registered as required by law.

**Rule 609**

A *member* will not bring or threaten to bring a complaint under, or otherwise use the Code or the Practice Standards, with no substantial purpose other than to harass, maliciously injure, embarrass and/or unfairly burden another *member*.

### **Rule 610**

- a. *Members* acknowledge that *clients* have an inalienable right to choose their professional *advisers* and to change professional *advisers* if they wish. It is essential that the legitimate interests of *clients* be protected, but it is also important that a *member* who is asked to replace another *adviser* has the opportunity to ascertain if there are any professional reasons the appointment should not be accepted. This will typically require direct communication with the existing *adviser*, and permission from the *client* to discuss their affairs. If communication with the existing *adviser*, or permission to contact them, is not available, the *member* should endeavour to satisfy themselves by other means, and exercise appropriate caution in deciding to accept the *client*.
- b. On receiving instructions from a *client*, and having confirmed that a proposed new *adviser* is willing to accept the *client*, a *member* will promptly transfer all the *client's* documents or copies of these (as appropriate) to the *client* or, where the *client* so instructs, to the new *adviser*, and advise the *client* accordingly. The *member* will also promptly provide the new *adviser* with any information that is essential for the new adviser to perform the services previously provided by the *member* to the *client*.

### **Rule 611**

A *member* will comply with all applicable requirements established by the Institute of Financial Advisers including, but not limited to: continuing education requirements; payment of subscriptions and other sums that may fall due; as well as promptly signing and returning any annual statement or declaration required by the Institute of Financial Advisers or other authority in connection with the renewal of any practicing certificate, registration or license.

## **Principle 7: Diligence**

*A member will act diligently in providing professional services.*

### **Rule 701**

A *member* will enter into an *engagement* only after securing sufficient information to be satisfied that the relationship is warranted by the *client* or prospective *client's* needs and objectives; and that the *member* has the ability either to provide the requisite competent services or to involve other professionals who can provide such services.

### **Rule 702**

Consistent with the nature and scope of the *engagement*, a *member* will make a reasonable investigation regarding the suitability of financial products recommended to *clients*. Such an investigation may be made by the *member* or by others, provided the *member* will act reasonably in relying upon such investigation.

### **Rule 703**

Before ceasing to act for a *client*, a *member* will give the *client* reasonable advance notice of his or her intent.

### **Rule 704**

A *member* will maintain accurate and complete files and records sufficient to establish all relevant facts in relation to the history of *client* communications and transactions that together constitute their relationship.