



INSTITUTE OF FINANCIAL ADVISERS INC.

G2 - CONSTITUTION ROLE DESCRIPTIONS

EFFECTIVE 1 JANUARY 2012

Role Descriptions for IFA Leadership bodies and positions: Council, President, Board, Special Interest Groups and Committees

INTRODUCTION

This document sets out role descriptions for the key bodies and positions under the 1 January 2012 IFA Constitution. It covers the following:

- Council
- Board
- Responsibilities of the chairs of Council, Board, Branches and Committees
- President
- Board Chair
- Board Directors
- Appointments & Remuneration Committee
- Audit and Finance Committee
- Professional Development Committee
- Certification Committee
- Professional Conduct Committee Disciplinary Tribunal
- Special Interest Groups
- Branch Committees

COUNCIL

Council is the representative body and plays a role similar to a Parliament in the sense that it is made up of delegates from each Branch as well as Board Directors and Special Interest Group Coordinators. Voting power is dominated by Branch Delegates who have votes proportional to their membership, while Board members and Special Interest Group Coordinators have only a single vote each.

Council:

- Sets policy, primarily through approving key documents such as the Bylaws, which are equivalent to legislation for IFA members. The Code of Ethics, Practice Standards, Rules of Conduct, Membership Bylaws, Certification Bylaws, and Disciplinary Bylaws are key documents approved by Council.
- Elects the President and practitioner Directors of the Board.
- Appoints the Chair of the Certification Committee.
- Approves Member subscriptions.
- Approves the establishment, amalgamation or dissolution of Branches and the geographic areas they operate in.
- Approves the establishment and disestablishment of Special Interest Groups.
- Approves the award of Life Memberships and Fellowships.
- Plays an important monitoring role by reviewing accountability reporting from the Board with power to revoke or review Board decisions.
- At each meeting Council receives reports from the President, Board Chair, Chief Executive, Special Interest Groups, Branches and Council Committees (if any). It also receives a financial report.
- Holds an Annual General Meeting which considers the Annual Financial Statements and appoints the auditor.
- Has power to remove an Officer from office (but only for good reason and after a formal procedure).
- Considers remits from the Board, Branches, Special Interest Groups or Councillors.

- Has power to amend the Constitution, requiring a Special Resolution which needs 66% of the votes at a meeting attended by at least 80% of Councillors.

Council normally meets twice a year, in November and May. The November meeting includes the AGM and the May meeting is when elections take place. There is provision for special Council meetings as well as meetings by telephone conference and voting by post or electronically.

BOARD

While Council's role is similar to a parliament, the Board's role is more like Cabinet. As such, the Board has the role of governance of IFA. Governance in its widest sense refers to how any organisation is run. It includes responsibility for the processes, systems, and controls that are used to safeguard assets and operate IFA. Governance is not management (the responsibility of the Chief Executive). Rather it means guiding the direction and operation of IFA, subject to approval by Council of key policies, mainly through Bylaws.

The Board

- Elects the Chair of the Board.
- Approves the Strategic Plan.
- Sets the direction for operations and develops proposals for major policies for recommendation to the Council for approval.
- Approves the budget and recommends the Member Subscriptions to Council.
- Appoints the Chief Executive.
- Appoints the chairs and members of the Professional Conduct Committee and Disciplinary Tribunal.
- Establishes any other committees and appoints their members.
- Oversees and supports the Special Interest Groups and Board Committees.
- Has power to act with regard to any significant matter where in its opinion it would be inadvisable to delay action until a Council meeting.

The Board is required to meet at least four times in every financial year. Normal practice has been for five meetings to be held in July, September, November, February and May with an additional day for strategy. Telephone conferences may be held to discuss significant issues between meetings. E-mail is also used frequently for discussions between formal meetings.

RESPONSIBILITIES OF THE CHAIRS OF COUNCIL, BOARD, BRANCHES AND COMMITTEES

While each of these positions has different roles, there are some common responsibilities, particularly as chair.

In this section, "Members" refers to members of any of these governance structures within the Institute of Financial Advisers. "Entity" refers to Council, Board, Branch or Committee as appropriate.

The common roles are to:

- Oversee the structure, composition, membership, and activities of the entity.
- Ensure that the entity and members discharge their principal roles. Adopt procedures and ensure that resources are available to members in order that the entity can conduct its work effectively and efficiently, including deciding committee structure and composition, agenda setting, scheduling and management and operations of meetings, within the framework defined by the rules and by-laws of the Institute.
- Ensure that the roles and responsibilities of the entity and its members are well understood by the members, and are executed effectively.

- Serve as the “hub” for all member activity and provide effective leadership, overseeing all aspects of the entity’s direction and administration, ensuring that the members work as a cohesive team, building a healthy governance structure.
- Arrange for meetings to occur on a regular basis.
- Allot sufficient time during meetings for serious discussion on agenda items, relevant issues of importance to members.
- Encourage all members to ask questions and express viewpoints during meetings.
- Deal effectively with dissent and work constructively towards achieving consensus and arriving at decisions.
- Ensure that members receive information that is high in quality, in the appropriate quantity, in a timely fashion, in a convenient format, and from reliable and suitable sources.
- Set agenda and chair meetings of annual strategic planning or other meetings.
- Oversee preparation and distribution of communication material to outside stakeholders when required and appropriate.
- Monitor and periodically suggest changes to officer role descriptions.
- Oversee annual member and entity effectiveness assessments.
- Encourage and assess ongoing professional development of members, and induction of new members.
- Manage registers of interests, and proactively manage conflicts of interests.

PRESIDENT

The President’s role is primarily to be the professional leader of the Institute. The functions of the President are:

- Chair of the Council.
- Representing IFA on professional matters (including internationally). This would include representing the Institute to its members and other stakeholders, such as government agencies, industry training organisation, major education providers, other industry associations, significant employers of members and product companies.
- Spokesperson on professional matters. In this role the President would be the main spokesperson to the media and stakeholders on any professional matter such as practice standards.
- The President is responsible to Council and reports to Council. They are required to present an address to the Council at its November meeting covering a review of the Institute’s activities during the past financial year and for the period to the date of the meeting.
- The President is also a member of the Board and has the responsibilities of a director.

BOARD CHAIR

- Under the Constitution the Chair of a Board will be elected annually by the Board members – The Chair may be: An Independent Director
- A Practitioner Director
- The President

The Chair’s role is:

- Chairing the Board.
- Setting the agenda for the Board in consultation with the CEO and other directors.
- Management of the CEO relationship.
- Spokesperson for the Board on governance issues (while the President is spokesperson on professional and practitioner matters and the CEO is spokesperson for the IFA).
- The Chair, like the President, is accountable to Council and required to provide reports to Council. The Board Chair is required to report to the November Council meeting, giving a summary of the acts of the Board during the past financial year and for the

period to the date of the meeting and an indication of the policy the Board proposes to implement during the year of office.

BOARD DIRECTORS

The majority of IFA Board Directors are practitioners, elected by Council from nominations by Branches. While the process of appointment is as representatives of members, once appointed, their prime duty is to act in the best interests of the Institute as a whole. This is the normal fiduciary obligation of any director.

There are two Independent Directors who are appointed by the Council on the recommendation of the Appointments and Remuneration Committee. The purpose of having Independent Directors is to provide wider input to the Board, but they have the normal obligations of any director.

The responsibility for the success or failure of an entity rests primarily with the Board of directors and how it fulfils its duties. Boards are decision-making bodies whose effectiveness depends not only on the competencies and behavioural characteristics of their members, but on the manner in which directors complete all their tasks. Directors need to be fully informed as to what they are expected to do and the clear difference between the governance roles and the management role of the CEO. In addition to the concept of the duties of care and loyalty to the entity that every director must meet a director should comprehend and work to translate these responsibilities into action.

Directors, in the process of fulfilling all their responsibilities to the many different stakeholders, must:

- Contribute to fulfilling the fiduciary, oversight, strategic and governance tasks of the Board.
- Attend all Board of directors and committee meetings of which they are a member.
- Attend the annual general meeting and the Institute's annual strategy review.
- Prepare fully for the meetings of the Board of directors and committees of the Board of which they are a member.
- Participate knowledgeably and meaningfully at Board and committee deliberations inside and outside of meetings.
- Ask appropriate questions of management.
- Insist on receiving satisfactory answers to all pertinent questions.
- Listen carefully and bring personal skills, experience and knowledge to discussions regarding the strategic issues facing the entity.
- Work constructively with Board colleagues.
- Encourage discussion of key issues.
- Introduce items for discussion that are not on the agenda.
- Initiate meetings with fellow directors to discuss critical issues.
- Exercise mature business judgment, not emotion, in discussion of issues.
- Refrain from interfering in the day-to-day responsibilities of management.
- Be available when needed for consultation and advice.
- Not panic over a crisis.
- Comply with the IFA's Bylaws (including the Code of Ethics).
- Act with integrity and high ethical standards.
- Abide by principles of collective responsibility: "the board speaks with one voice".
- Disclose any actual and potential conflicts of interest and respond appropriately if any issues arise, e.g. by not taking part in decisions.

APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remuneration Committee is a committee of the Board and consists of the President, Chair of the Board and immediate past President. The Board appoints the Chair of the committee. The committee has the following tasks:

- Recommending to Council candidates for appointment as Independent Directors.
- Recommending to the Board appointment of the Chief Executive Officer and their remuneration, terms and conditions.
- Evaluating the Chief Executive Officer's performance and meeting with the Chief Executive Officer to discuss this evaluation.

The results of these tasks will be reported to the Board. The Board will make the formal decisions on appointment of the CEO and their remuneration.

AUDIT AND RISK COMMITTEE

This committee of the Board has responsibility for monitoring the finances of the Institute, internal control systems and processes, the budget and the results of the annual audit. The Board appoints the Chair of the committee. Their role includes:

- Input into development of the annual budget and the recommendation for annual member subscription rates.
- Review of management financial reports during the financial year including meeting with management.
- Reviews of internal control systems.
- Monitoring of potential internal and external risks.
- Input into finalisation of the annual financial statements.
- Input into the recommendation to Council for the appointment of an auditor.
- Meetings with the auditor to discuss the financial statements, annual audit and any recommendations in the auditor's management letter.

PROFESSIONAL DEVELOPMENT COMMITTEE

The Professional Development Committee has responsibility for development and maintenance of the structures for:

- The nature and extent of the overall development framework for members in support of their being a competent, professional practitioner.
- Educational qualifications that are part of the professional development pathway.
- The experience/supervision programme.
- On-going professional development standards as may be required to maintain membership status.
- The oversight of the Special interest Groups.

Members of the PDC are appointed by the Board and must include the Coordinators of each of the Special Interest Groups plus other members as needed. One of the key objectives of the PDC is to maintain compliance with our obligations under the Institutes licence agreement with FPSB. This includes the 4 'E's Experience, Education, Ethics and Examination.

PROFESSIONAL PRACTICE COMMITTEE

The Professional Practice Committee, established by the Board, has responsibilities for developing and recommending changes to the core professional practice areas of:

- Code of Ethics
- Practice Standards
- Rules of conduct
- Member Guidance and Guidance Notes

The Committee has a membership of five, including the President, who acts as chair. Members are appointed by the Board for two-year terms and may be reappointed for further terms. Committee members will ordinarily be practitioners deemed to have extensive experience and where possible, knowledge of the international context. The majority would be required to hold either CFP^{CM} or CLU designations, with at least one member holding CFP^{CM}

The PPC will make recommendations to the Board in its core areas. The Board may approve and issue Member Guidance and Guidance Notes, which are not binding on Members and cannot form part of any disciplinary activities. Changes recommended by the PPC to the Code of Ethics, Practice Standards and Rules of Conduct must be approved by Council on the recommendation of the Board, as these impose obligations on Members.

CERTIFICATION COMMITTEE

The Certification Committee is established by the Constitution as an independently chaired Committee, operating under the Membership Bylaws and the Certification Bylaws. Its role is to administer the rules for acceptance of members into IFA and for award of professional status. The administration of membership applications is a management function, including checking that initial entry requirements have been met for acceptance as a Provisional Member. The Certification Committee:

- Provides advice and recommendations on the requirements for admission to membership of IFA to the Board and Council. These are formalised through Board policy decisions and Membership Bylaws and Certification Bylaws approved by Council.
- Evaluates non-standard applications for membership, where judgment is required or if there is any doubt about the suitability or eligibility for such aspects as recognition of prior experience, assessment of overseas qualifications for recognition in NZ.
- Approves the process for appointment of supervisors (or mentors under the transitional arrangement in place until 30 June 2012) for provisional members.
- Reviews and approves Supervisor reports (or Mentor reports under the transitional arrangement in place until 30 June 2012).
- Approves appointment of General Members and award of higher professional status such as Associate, CLU or CFP^{CM}.
- Approves other changes in membership category, e.g. temporary suspension of practitioner status.
- Approves CPD and additional education requirements for Retired or Inactive Members who wish to return to active practitioner membership.
- May withdraw an Annual Certificate to Practice, professional designation or Membership, where a Member does not comply with criteria, particularly educational or professional requirements. (Where non-compliance relates to ethical requirements, such as good moral character and following business ethics, then the process to be followed is for the Institute to make a complaint under the Disciplinary Bylaws.)

To ensure that the Certification Committee operates in an independent manner, the Chair is required to be an independent person who is not a member. To ensure that the members of the committee have experience as financial advisers, the other committee members are appointed by the Board from each of the major areas of advice within the membership, after consultation with any relevant Special Interest Group. To ensure smooth operation of the committee, each member (other than the Chair) has an alternate who may substitute when a member is absent so the committee can meet with a full quorum. Meetings consist of the Chair, nominated members of the Committee and/or alternate members as required. Where a CFP assessment is required one member of the Committee present must be a CFP^{CM} practitioner. Where a CLU assessment is required, one member of the Committee present must be a CLU practitioner.

PROFESSIONAL CONDUCT COMMITTEE

The Professional Conduct Committee (PCC) has a quasi-judicial role in considering complaints about a Member. The PCC considers complaints in respect to matters of professional conduct of Members.

It comprises not less than six General Members and one independent person who is not a Member. Any one of the members may be the Chair. To ensure that the members of the committee have experience as financial advisers, committee members are appointed from the main areas of advice within the membership. Anyone with a conflict of interest must stand down from the committee in respect to that case.

The functions of the Professional Conduct Committee are:

- to inquire into and investigate matters of professional conduct of Members arising from a complaint;
- to promote, in appropriate cases, the resolution of complaints by negotiation, conciliation, mediation or written undertaking (requiring a Member to do or abstain from doing certain things);
- to make final determinations in relation to complaints and investigations;
- to refer matters to the Disciplinary Tribunal for final determination.

The Disciplinary Bylaws set out entitlements for a Member who is the subject of a disciplinary action. These are consistent with the principles of natural justice.

DISCIPLINARY TRIBUNAL

The Disciplinary Tribunal also has a quasi-judicial role in considering discipline cases referred by the Professional Conduct Committee that follow consideration of a complaint about a Member

So that it operates in an independent manner, the Chair is required to be an independent person who is not a member, two other independent members, and to ensure that the Tribunal has access to knowledge of requirements for a financial adviser, not less than three General Members. Anyone with a conflict of interest must stand down from the committee in respect to that case.

The functions of the Disciplinary Tribunal are to hear matters referred to it by the Professional Conduct Committee and to make final determinations in relation to such referrals.

The Disciplinary Bylaws sets out entitlements for a Member who is the subject of a complaint. These are consistent with the principles of natural justice.

SPECIAL INTEREST GROUPS

The purpose of a Special Interest Group is to support members who share a particular special interest in an area of advice and to provide the Professional Conduct Committee and Council with technical support.

The Constitution provides Council with power to establish Special Interest Groups and it is likely that the number of Special Interest Groups will increase to reflect the trend towards specialisation and the need for greater focus on each area of advice or Practice Management as we develop as a professional association. The roles of a Special Interest Group are to:

- Represent the specialist area of advice at the Institute's Council and on the Professional Development Committee.

- Provide input into Institute policy issues, such as the formulation of competency standards, training, education and supervision or mentoring paths, pinnacle marks, codes, professional practice standards, guidelines for good practice and rules.
- Foster research consistent with advancing advisers' technical knowledge and practice standards.
- Provide technical advice and support for Institute submissions to government agencies or international associations (e.g. the Financial Planning Standards Board) on issues such as regulation, practice standards or codes of conduct.
- Provide informed technical comment for the Board to assist it in dealings with government and the public.
- Foster networking and communication among members who are involved in the relevant area of advice..
- Facilitate the dissemination of professional and technical information to Institute members interested in the relevant area of advice, including promotion of best practice amongst members.
- Provide input into relevant continuing professional development.
- Regular reporting to Council.

The Coordinator, as nominated by the Board and appointed by Council, and shall suggest suitable people (who do not have to be members) to be Subject Matter Experts (SMEs) to advise him/her, the Board and Members on professional matters.

BRANCH COMMITTEES

Branches are the focus for Members who reside in their geographic area. Branch Committees are the local democratically elected representatives of Members. Each Branch appoints Delegates to Council with authority to vote on issues in accord with the views of the Branch Committee. The number of Branch votes in Council is proportional to local membership.

Branches nominate the President and Practitioner Directors for the Board.

Branch meetings provide Members an opportunity to keep up with industry developments and to network with industry colleagues.

Each branch is to have a committee responsible for the proper functioning of branch affairs. The Committee is to have a minimum of four members, including a Chair, a Vice-Chair, a Secretary and a Treasurer or a Secretary/Treasurer.

The formal functions of the Branches and Branch Committee are those normally and ordinarily associated with a branch of any association:

- To constitute the local administrative and operational body for Members of the branch.
- Undertake membership development activities.
- Organise membership education and other activities for Members.
- Promote the interests of and foster fellowship amongst Members in all areas.
- Implement policies established by the Board or the Council.
- Involve itself in increasing public awareness of the Institute, including the functions of the Institute and its professional standards.
- Elect maximum of two delegates to the Council, at least one of whom must be a Practitioner Member. Delegates may be the branch Chair and/or other Branch committee members. Directors or Special Interest Group Coordinators may not be Branch Delegates.
- Consider Bylaws or amendments to Bylaws and/or remits to Council so that members can give guidance or instruction to Branch Delegates who will attend Council on their behalf.
- Make recommendations to the Board from time to time.
- Provide National Office with minutes of Branch General Meetings.

- Prepare an annual Business Plan and Budget.
- Manage Branch finances responsibly; ensuring that over time, sufficient funds are raised from fees or sponsorship to cover the cost of activities.
- Provide National Office with details of income and expenditure.