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# A Practical Guide to CPD in the New Financial Advice World



# A practical guide to CPD in the new financial advice world

## A KEY AIM OF THE NEW FINANCIAL ADVICE REGIME THAT CAME INTO EFFECT ON 15 MARCH 2021 IS TO LIFT ADVICE STANDARDS TO AT LEAST THAT OF AN AUTHORISED FINANCIAL ADVISER (AFA) UNDER THE OLD REGIME.

But this doesn't mean the pressure is off once advisers have achieved the New Zealand Certificate in Financial Services (Level 5) V2, or its equivalent, necessary to provide regulated financial advice in this new world.

Just as before, there are requirements in place to ensure advisers keep learning, so they stay abreast of developments both within the industry and in their own clients' needs. This comes in the form of continuing professional development (CPD).

These new requirements for CPD apply to both financial advisers (FA) and nominated representatives (NR) within the new system.

Please note, under the Financial Markets Conduct Act 2013, the financial advice provider (FAP) is responsible for the advice provided by its authorised bodies, financial advisers and nominated representatives. For simplicity, the term 'adviser' has been used as a generic term in this document to refer to the various persons who can provide regulated financial advice. A person is the legal term for an entity or an individual.

### What does CPD mean in the revamped regime?

The new CPD standard comes from The Code of Professional Conduct for Financial Advice Services - Standard 9 (the Code), which sets out the minimum expected. The requirements are principles-based, and therefore limited guidance is offered as to what should be studied.

But don't make the mistake of thinking this means advisers can do less CPD than was expected of an AFA under the old regime (which was 30 hours over two years). Remember, the aim of the revamp is to lift industry standards to that of an AFA, not lessen it.

What can be gleaned from the regulation and guidance provided, is that both FAs and NRs must meet the same level of competence, knowledge, and skill. What this looks like on the ground in terms of the type and amount of CPD that needs to be done is determined by a variety of factors, including:

- the nature and scope of advice provided;
- the complexity and risk of the products advised upon;
- the existing level of competence, knowledge and skill of each FA or NR;
- the amount of business change anticipated in the next 12 months;
- the amount, and nature of, changes in the regulatory environment or consumer expectations; and
- the risk appetite of the business.

It is also not just the frontline FAs and NRs that CPD requirements apply to. The financial advice provider (FAP) that the FAs and NRs work under must also continue their education. In everyday terms, this means reviewing the FAPs procedures, systems, and expertise at least annually to ensure it maintains the appropriate capabilities for the financial advice it provides.

In addition, FAPs should carry out, again at least annually, an environmental scan to identify consumer trends and expectations, along with regulatory changes. Client satisfaction survey results and compliance review reports should be delved into to see what can be improved upon then.

FAPs also need to identify the changes intended to be made to the products and services they provide, as well as the environment they operate within, so they can feed all of the information gathered into the training or professional development plans (PDP) of their FAs and NRs. The content for this then needs to be sourced, the delivery mechanism determined, and the training delivered, recorded, and reported upon.

## What counts as CPD?

The legislation, regulation and Code are silent on exactly what is to be studied as part of CPD. This is to be expected and is in line with the 'spirit' of the legislation and Code, and the requirement that CPD is personal to each adviser.

However, the Code does confirm the New Zealand Certificate in Financial Services (Level 5) V2 is the minimum standard to attain and maintain, but the adviser also needs to study anything else that is relevant and applicable to the financial services they provide.

For guidance, Strategi looked to other professions; the 'spirit' of the Financial Markets Conduct Act 2013 the advice regime will be working under; the Code; and the actual terminology used for CPD. Our interpretation of what best practice looks like on this basis, is that it achieves the following things.



**Provides for ongoing competence, knowledge and skills in each CPD period.** So, a great starting point would be having a regular module, quiz or best practice compliance review carried out. While a quiz may be able to test knowledge, a holistic compliance review addressing the six-step advice process and other adviser practices will better serve in assessing competence and skills.



**Keeps the adviser current with new industry developments and prepares them for future potential issues.** By this, Strategi means the adviser is learning each year about topics such as (but not limited to) new legislation, new products, new techniques, new philosophies, new technology and new consumer expectations. It is not a rehash of what was covered the year before, as this would not be 'continuing' professional development.



**Links to their role as an FA or NR.** Strategi suggests advisers consider their role under broad topic areas such as:

- ethics/compliance/best practice;
- product knowledge relating to products recommended or considered;
- behavioural finance - understanding the client and their motivations;
- business management;
- the advice process; and
- personal skills and personal development.

Topics such as fishing, chess, or other unrelated subjects would hardly withstand scrutiny as relevant CPD in a court of law.



**Covers the complete spectrum of competence, knowledge and skills.** Each of these words has a different meaning so there needs to be different training and development to meet the requirements of each. As an example, if all the CPD hours in a given period were spent on improving knowledge, then it may not help to improve adviser skills.



**Is identified as part of the adviser's PDP.** The PDP highlights areas for improvement in the adviser's competence, knowledge, and skills in relation to the financial advice services they provide or intend to provide. This is an important document as it gives the adviser some structure for assessing which training is most relevant. The PDP must be personalised to the specific adviser and their role – a one size fits all approach will not work.

The new regime leaves plenty of room to 'custom-fit' ongoing learning to the needs of your business and advisers. However, standards do need to be high. Ensuring the CPD you provide or undertake is high quality, relevant and linked to what you do, not to mention being defensible, will get you a long way.

### KEY TAKEOUTS

Your CPD training must be:

- ✓ Defendable
- ✓ High quality
- ✓ Relevant
- ✓ Selected through an analysis of what you do
- ✓ Be at or above the minimum competency level of NZCFS (5)

<sup>1</sup> Structured professional development may include technical product training but excludes training provided for the principal purpose of promoting a particular financial product.



### **Radar CPD training – high quality, flexible and affordable**

Strategi Institute offers high quality, defensible and flexible CPD solutions via its online learning platform – Radar – to provide FAPs, FAs and NRs with specific learning modules to meet their varying needs.

The Radar CPD modules are continuously updated with new content and industry changes, ensuring your competence, knowledge, and skills remain current to provide the best financial advice to your clients while growing professionally.

**To know more about continuing professional development through Radar, [click here](#) or copy and paste the URL below in your browser.**

<https://shop.strategi.ac.nz/pages/continuing-professional-development-with-radar>

**Get in touch with our friendly staff to take your CPD to the next level!**

Call: 09 414 1300 or

Email: [info@strategi.ac.nz](mailto:info@strategi.ac.nz)

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