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c/o Securities Commission  
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May 7, 2010

## **Submission on the Draft Code of Professional Conduct for Authorised Financial Advisers**

### **Summary of Submission**

The New Zealand Society of Actuaries (Incorporated) ["NZSA"] submits that the Unit Standards A, C and D should be treated as having been satisfied through attainment of the Fellow of the New Zealand Society of Actuaries (FNZSA) designation, in the same manner that Chartered Financial Analyst and Chartered Accountant designations have been recognised by the Code Committee.

Queries can be directed to

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### **Introduction**

NZSA represents some 150 fully qualified Fellows and some 100 Associate actuaries. The NZSA was founded over 50 years ago. As with all professions, the actuarial profession in New Zealand has a specialised set of knowledge, rigorous entry and continuing professional development requirements, as well as enforcement processes.

Actuaries typically provide advice to wholesale clients, though actuaries also find themselves advising retail clients in certain circumstances. NZSA acknowledges that Cabinet has recently proposed changes in the wholesale advice area.

### **Description of actuarial qualifications**

#### **NZ Legislative recognition of FNZSA**

The role of the actuary is currently recognised in New Zealand legislation relating to superannuation and life insurance. The new prudential supervision regime for insurance companies is expected to also legislate for the role of actuaries in health and general insurance.



### Nature of professional activities

Actuaries typically manage, or provide wholesale advice to, financial services entities; including life insurers, general insurers, health insurers, friendly societies, banks, savings funds and superannuation funds.

Actuaries can be self-employed, employees of consulting firms or employees of financial services entities.

Actuaries can also be investment consultants to Trustees of defined benefit and defined contribution superannuation schemes, community trusts/iwi, local and central government and corporate entities. In this role, recommendations are typically made in terms of asset allocation and investment manager selection.

Actuaries may be involved in discussions with individuals in limited circumstances, such as:

- valuing a pension entitlement for a matrimonial property settlement; or
- advising a member group in a restructure of a corporate superannuation fund; or
- responding to queries from insurance policyholders, holders of units in a unit trust or members of a superannuation fund; or
- making presentations to broader member groups of corporate superannuation/KiwiSaver schemes.

### FNZSA attainment

New Zealand actuaries typically commence their actuarial studies after completing an undergraduate degree in mathematics or finance, and qualify as Fellow under the Australian or UK examination and specialisation process. In the last decade or so the Australian examination system is the more commonly used, owing to the greater applicability of the specialist topics.

Because of the low number of actuaries and degree of specialisation, an overseas examination process is the primary means of qualification. The syllabus for actuaries in the initial set of examinations is not geographically specific as the same syllabus is used globally (with the UK as a core provider). As actuaries specialise towards Fellowship status, the requirements become more focussed on the local conditions of the examining Institute.

The Fellow of the New Society of Actuaries (“FNZSA”) designation is earned after completing a rigorous set of overseas examinations. The Associate qualification of the overseas actuarial bodies, achieved after successfully completing Part I of the examination process, is one of the few qualifications which have an internationally adopted syllabus and global recognition.

To attain Associate status requires study and examination of economics, investments, risk, compound interest and financial modelling.

To attain the Fellowship qualification, Associates are required to deepen their knowledge with further study and examination of corporate finance, life and general insurance, superannuation and investments; as well as communication, professionalism and ethics prior to full



qualification. These areas of study are examined to a high generalist level, with each person then specialising in a limited number of the topics to reach Fellowship.

Pass rates for the subjects are typically 50% initially, reducing to less than 30% for later subjects. New Zealand actuaries usually study whilst employed in the financial services sector. It typically takes five to ten years of part time study to achieve Fellowship.

Upon completing the specialisation process and being awarded the Fellowship qualification from overseas, an application is made locally for the FNZSA designation.

All NZSA members are subject to Society rules, including compliance with the Code of Professional Conduct, and Professional Standards. Fellows are also required to maintain an ongoing programme of relevant Continuing Professional Development.

## Submission

This submission relates solely to the Alternative Qualification or Designation for Unit standards in the 31 March 2010 Draft Code of Professional Conduct for Authorised Financial Advisers.

The NZSA submits that the following Unit Standards should be treated as having been satisfied through attainment of the FNZSA designation.

### **NZSA Submission**

Unit standard sets	Qualification Designation
Set A: Knowledge of the industry, financial markets, the advice process and products	Fellow of the New Zealand Society of Actuaries (FNZSA)
Set C: Professional practice advice process and complying with legislation	Fellow of the New Zealand Society of Actuaries (FNZSA)
Set D: Investment Specialist Standards	Fellow of the New Zealand Society of Actuaries (FNZSA)

The NZSA believes that the less specialised Associate qualification would be likely to be appropriate for some unit sets, however we are submitting on the basis of the much higher hurdle of the FNZSA designation being suitable for exemption. The NZSA believes that the Fellowship designation delivers, to a very high standard, a relevant package of experience, academic qualification, professionalism and governance.

## Relevant actuarial syllabus content

A comparison of the actuarial subject syllabus and the unit standards is attached. The unit standard is compared to the current actuarial subject syllabus. As with many professions, knowledge and professionalism requirements have broadened and globalised over time; however professionalism and knowledge of financial markets have been longstanding parts of actuarial qualifications.



## New Zealand Society of Actuaries (Inc)

The attached table denotes the aspects of the actuarial syllabus that can be regarded as covering Unit Standards A, C and D.

NZSA would be pleased to appear in support of our submission or to discuss the contents of our submission in more detail if required.

For further information regarding our submission, please contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'H Neels', written in a cursive style.

Heathcliff Neels  
Council Member



# New Zealand Society of Actuaries (Inc)

## Actuarial Syllabus and Unit Standards

Part	Name	Description	Unit Standard A	Unit Standard C	Unit Standard D
I	Actuarial Studies	University Course or Remote Learning to single global syllabus	CT 2 – Finance and Financial Reporting [ii, iii, v,viii]  CT7 – Business Economics [i,ii,iv,v,xii]	CT9 – Business Awareness Module [i, ii, iv, v]	CT 2 – Finance and Financial Reporting [i]  CT7 – Business Economics [xvi] CT8 – Financial Economics [ii, iii, v, vi, vii, ix]
<i>Associateship (Part I) is recognised internationally as meeting the minimum requirements to be an actuary.</i>					
II		Specialisation in insurances, finance and investment; by country for all candidates			
		Australia: Actuarial Control Cycle	Actuarial Control Cycle: [1b, 5, 8achi]	Actuarial Control Cycle: [2ace, 4bc]	Actuarial Control Cycle: [3c, 8hi]
		United Kingdom	CA1 – Actuarial Risk Management [2.1, 2.3, 2.4, 2.5, 2.7, 2.8, 3.4.4, 10]	CA1 – Actuarial Risk Management [1.1 -1.4, 1.6, 2.6]	CA1 – Actuarial Risk Management [3.1.3 – 3.1.7, 3.1.11, 3.2.1, 3.4.2, 3.4.3, 3.4.5, 7.5, 7.7, 8.4]
III	Specialisation	Subject specific specialisation <i>Fellows will have studied further in their specialist area of healthcare, insurance, finance, investment or pensions</i>			
	Professionalism Course			See Learning Objectives bullets 1 to 5 from IAAust link listed below	
	Fellowship	Granted by Australia (FIAA) or UK (FIA or FFA)  New Zealand fellowship FNZSA granted on application per Society rules			

*Fellowship is recognised in legislation and regulation as a primary criterion for statutory roles.*



## Data Sources

### **United Kingdom**

#### *Part I Syllabus*

[http://www.actuaries.org.uk/students/syllabus/syllabus\\_2010](http://www.actuaries.org.uk/students/syllabus/syllabus_2010)

#### CT 2 – Finance and Financial Reporting

[http://www.actuaries.org.uk/data/assets/pdf\\_file/0008/148688/FandI\\_CT2\\_2010\\_syl.pdf](http://www.actuaries.org.uk/data/assets/pdf_file/0008/148688/FandI_CT2_2010_syl.pdf)

#### CT7 – Business Economics

[http://www.actuaries.org.uk/data/assets/pdf\\_file/0005/148703/FandI\\_CT7\\_2010\\_syl.pdf](http://www.actuaries.org.uk/data/assets/pdf_file/0005/148703/FandI_CT7_2010_syl.pdf)

#### CT8 – Financial Economics

[http://www.actuaries.org.uk/data/assets/pdf\\_file/0010/148708/FandI\\_CT8\\_2010\\_syl.pdf](http://www.actuaries.org.uk/data/assets/pdf_file/0010/148708/FandI_CT8_2010_syl.pdf)

#### CT9 – Business Awareness Module

[http://www.actuaries.org.uk/data/assets/pdf\\_file/0011/148709/FandI\\_CT9\\_2010\\_syl.pdf](http://www.actuaries.org.uk/data/assets/pdf_file/0011/148709/FandI_CT9_2010_syl.pdf)

#### *Part II Syllabus, Actuarial Control Cycle*

##### CA1 – Actuarial Risk Management

[http://www.actuaries.org.uk/data/assets/pdf\\_file/0004/148684/FandI\\_CA1\\_2010\\_syl.pdf](http://www.actuaries.org.uk/data/assets/pdf_file/0004/148684/FandI_CA1_2010_syl.pdf)

### **Australia**

<http://www.actuaries.asn.au/Education>

#### *Part II Syllabus, Actuarial Control Cycle*

<http://www.actuaries.asn.au/NR/rdonlyres/BAAB7D2C-E34A-4357-8214-EF6395E0A433/4446/FinalPartIISyllabus.pdf>

#### *Professionalism Course*

<http://www.actuaries.asn.au/Education/Courses/Professionalism>

### **New Zealand**

<http://www.actuaries.org.nz>

#### Rules of the Society

<http://www.actuaries.org.nz/pdfs/Rules%202006.pdf>

#### Code of Professional Conduct

<http://www.actuaries.org.nz/publications/Code%20of%20Professional%20Conduct%20Final.pdf>

#### Continuing Professional Development

<http://www.actuaries.org.nz/publications/PS7%20CPD%20Standard%20Final%20May%202008.pdf>