

# CODE OF CONDUCT

**CODE GUIDANCE**  
EFFECTIVE 1 JANUARY 2021



**Financial Services  
Council NZ**

# INTRODUCTION

The Financial Services Council (FSC) Code of Conduct is an important milestone for New Zealand's financial services industry.

Recognising the need for the industry to take action to improve itself, FSC Members have worked together to develop a Code of Conduct that promotes good conduct and a strong customer-focused culture.

The Code of Conduct supports existing law and regulations, bringing self-regulation to the industry.



There are nine Code Standards focused around three core objectives:

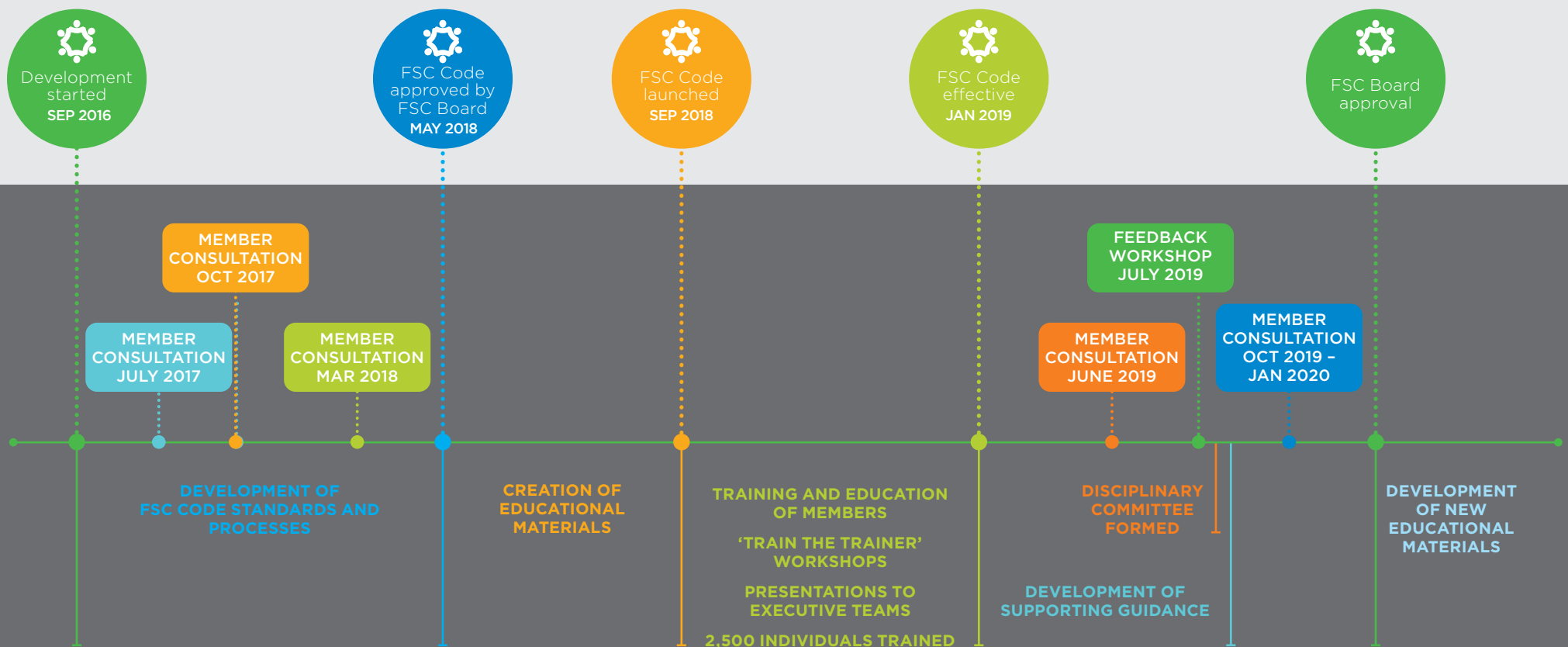
1. **Principal ethical standard**, ensuring business is carried out professionally and with due care.
2. **Customer perspective standards**, ensuring effective two-way customer communications.
3. **Delivering good customer outcomes**, ensuring effective products and distribution, training, risk management, management of conflict and fair treatment of customers.

All potentially material breaches of the Code of Conduct are assessed by an independent disciplinary committee, and potential sanctions range from a reprimand, to fines of up to \$100,000, through to expulsion from the FSC.

This new Code of Conduct demonstrates the commitment of FSC Members to continuously improving conduct, culture and customer outcomes for the benefit of New Zealanders and the New Zealand economy.



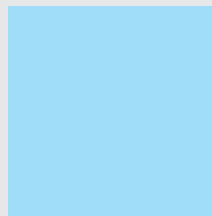
## DEVELOPMENT OF THE FSC CODE



## DEVELOPMENT OF THIS GUIDANCE

Since the FSC Code became effective on 1 January 2019, FSC Members have been hard at work creating supporting guidelines to bring depth to the nine Code Standards. The guidelines are aspirational and designed to drive increasing levels of good conduct.

The guidelines have been developed using a process of stakeholder engagement, through workshops, consultation and feedback sessions. In creating the guidelines, the teams took into account the work of regulators (NZ and Australia), industry standards and case law.



Between November 2019 and January 2020, the FSC Code Working Group reviewed all of the feedback received from FSC members from the October 2019 consultation. Through a series of workshops, the Working Group developed the guidance in this document. The guidance is designed as a series of self-enquiry questions helping FSC members to understand and demonstrate compliance with the FSC Code of Conduct.

The FSC Code guidance was approved by the FSC Board on 4 February 2020.

We should remember that the nine Code Standards are binding on all FSC Members, whereas the guidelines are aspirational and non-enforceable.

We acknowledge that FSC Members have different business models. Some of the Code Standards and guidelines may be directly, indirectly or not relevant to each FSC member. For this reason, all FSC members are reminded that it is important to read the Code in the context of the business they are in, and their business model.

## THE CODE

### CODE PURPOSE

This is a code for FSC Members, designed to support the professionalism of the financial services industry.

It is about increasing trust and confidence in the providers of financial services and the products they deliver. The benefit is that Members can help more New Zealanders grow, manage and protect their wealth.

### CODE OBJECTIVES

The objectives of this code are to:

- Lift the professionalism of the financial services industry
- Help Members deliver good customer outcomes
- Increase trust and confidence in the financial services industry
- Enable more New Zealanders to build, manage and protect their wealth
- Build a sustainable financial services industry

### CODE APPLICATION

This code is effective from 1 January 2019, and applies to all dealings that could impact the standing of the New Zealand financial services industry.

### WHAT IS THE CODE?

The code consists of code standards and additional guidance. The code standards are enforceable by the FSC and the Disciplinary Committee may have regard to the guidance when considering a Member's compliance with the code standards. The guidance provides a non-exhaustive list of prompting questions to help Members consider ways to drive good conduct and demonstrate compliance with the Code.





## THE CODE

### REVIEW OF THE CODE?

The FSC Board will review the code at least every three years.

### WHO MUST COMPLY WITH THIS CODE?

All Members of the FSC must comply with this code. The FSC rules state that Members must:

- Comply with the rules, and any applicable codes of conduct and standards
- Act in a way to maintain and enhance the good image of the industry
- Use reasonable endeavours to ensure that employees and agents are aware of, and comply with, codes of conduct and standards

This code is not intended to create legal or other rights between any person other than the FSC and its Members. This code is intended to complement existing New Zealand law and is not intended to replace it in any way. In the event of any conflict or inconsistency between New Zealand law and this code, the law takes precedence. Members are expected to comply with New Zealand law and maintain a high standard of risk and compliance practice.

This code will operate in conjunction with, and complement, industry codes and standards. The code standards apply as they relate to each FSC Member's business model. Members are responsible for their own actions and compliance with statutory and relevant contractual obligations. Members are responsible for discharging their responsibilities in relation to their intermediaries; however, they are not responsible for the actions of any independent intermediary.



# CODE STANDARDS & GUIDE



Financial Services Council.  
Growing and protecting the wealth of New Zealanders

# #1

## CODE STANDARD #1

Members must carry out business professionally, with due care, competence and skill, and act with integrity. They must behave in a way that promotes public confidence in the financial services industry.



### GUIDE OF THINGS TO CONSIDER:

- » What processes do you have in place to support your organisation having a skilled, capable and competent workforce? For example, at recruitment, induction, performance appraisal and exit.
- » What systems, processes and evidence do you have in place to support good conduct and identify poor conduct?
- » How do your people know the conduct and ethical expectations of them as employees of your organisation?
- » What processes do you have in place to create an open and transparent culture that encourages people to raise concerns?
- » What processes do you have in place to support media articles or public activity of your entity promoting confidence in the financial services industry?



#2

## CODE STANDARD #2

Members must communicate with customers clearly and effectively.



### GUIDE OF THINGS TO CONSIDER:

- » How do your communications provide the right information at the right time to help customers make informed decisions?
- » What steps do you take to develop communications that are easy-to-understand for your customers? For example, concise, everyday words, avoiding jargon and acronyms.
- » How do you take customer preferences into account with regard to communications? For example, timing, channel, delivery method, and providing customers with options to contact you.
- » What steps do you take to assess whether customers have understood your communications?
- » What processes and systems do you have in place to effectively manage your communication with customers?
- » How do you use data and insights to inform your customer communications?
- » What support do you provide to customers who need help with their understanding of your communication?
- » What steps do you take to check that your customers receive your key communications?

# #3

## CODE STANDARD #3

Members must make reasonable efforts to ensure that customers are provided with sufficient information to make informed decisions about products and services.



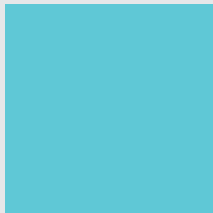
### GUIDE OF THINGS TO CONSIDER:

- » What steps do you take to explain product benefits and features so customers can make informed choices?
- » What steps do you take to provide intermediaries with the right information at the right time to support interactions with customers?
- » What structures, processes and systems do you have in place to manage your product information and make it easily accessible to customers?
- » What do you do to make your product information easy to understand?
- » How do you provide information to help the customer determine whether a product or service meets their needs? Does the information you provide include:
  - The risks and benefits of any product or service
  - How much the customer will pay for a product or service and how that may change over the lifetime of the product or service
  - Fees and charges
  - Any obligations that the customer must meet and the potential consequences of not meeting them, and
  - Information on what ways the product meets their needs

#4

## CODE STANDARD #4

Members must seek and consider customer feedback.



### GUIDE OF THINGS TO CONSIDER:

- » How do you bring the customer perspective into your business decisions?
- » What steps do you take to record and consider customer feedback?
- » How do you understand the customer journey from beginning to end?
- » How do you take customer feedback into account at all stages of the customer journey? What do you do with the feedback?
- » What do you do to make it easy for customers to provide feedback?

#5

## CODE STANDARD #5

Members must design and distribute products responsibly.



### GUIDE OF THINGS TO CONSIDER:

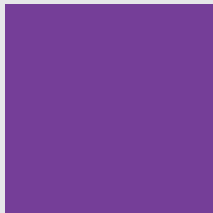
- » What processes do you have in place to support products and services being designed with customer needs in mind?
- » What processes and systems do you have in place to periodically review and monitor all of your products from a customer outcomes perspective?
- » What actions do you take when you find that products and services are not working as designed and are delivering poor customer outcomes?
- » What processes do you have in place to support and maintain responsible distribution of your products and services?
- » What do you know about the skills and capabilities of the people distributing your product?
- » How do you work with your intermediaries to support good customer outcomes?
- » What action do you take when you find irresponsible distribution of your products and services?
- » How does your organisation's sales culture drive good customer outcomes?



#6

## CODE STANDARD #6

Members must provide employees and distribution channel personnel with appropriate training.



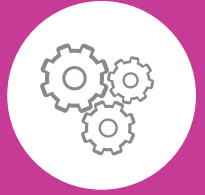
### GUIDE OF THINGS TO CONSIDER:

- » What processes do you have in place to design and deliver appropriate (initial and ongoing) training for your people?
- » How can you demonstrate that your people are appropriately trained?
- » How do you know your third parties are appropriately trained to deliver your products and services?
- » What processes do you have in place to provide appropriate training support for third parties who distribute your products and services?
- » What steps do you take to support continuity of knowledge among your people? For example, to mitigate key person risk.
- » How do you identify and address training gaps?
- » What steps do you take to keep training up to date and incorporate feedback into training materials?

#7

## CODE STANDARD #7

Members must maintain appropriate internal processes for explaining the risks to a customer of replacing or retaining an existing product or service.



### GUIDE OF THINGS TO CONSIDER:

- » What steps do you take to provide information and support to your customers for their decisions to replace or retain existing products or services? For example, providing information or offering, recommending or arranging financial advice.\*
- » Are your sales and advice processes designed so that customers understand the risks and benefits of replacing, retaining or disposing of, their current product or service?
- » How do you know that your customers have access to all the information they need to understand the risks and benefits of replacing, retaining or disposing of a product or service?
- » What processes do you have for identifying whether a customer has an existing product or service?
- » How do you monitor the customer outcomes from replacing or retaining an existing product or service?
- » What do you do when you identify concerns with potential customer outcomes (from replacing or retaining a product or service)?

\*Note what is appropriate for each member will depend on its products, services and distribution channels.

#8

## CODE STANDARD #8

Members must manage conflicts of interest fairly and in a way that promotes good customer outcomes.



### GUIDE OF THINGS TO CONSIDER:

- » What systems, processes and arrangements do you have in place to identify, avoid (where possible) and manage actual and potential conflicts of interest throughout the customer journey?
- » What do you do where conflicts of interest have not been appropriately managed?
- » How do your remuneration and incentive arrangements promote good customer outcomes?
- » What steps do you take so your customers only pay for the products and services they receive?
- » How do you provide customers with clear and transparent information about the initial and ongoing incentives and commissions associated with the sale of a product or service?
- » How do you monitor your sales activities to determine whether there are any conflicts of interest leading to poor customer outcomes?

#9

## CODE STANDARD #9

Members must treat customers fairly.



### GUIDE OF THINGS TO CONSIDER:

- » What processes and systems do you have in place to support fair treatment of customers at all times?
- » If you find an issue, how do you demonstrate that all customers impacted are treated fairly?
- » How does your organisation define complaints?
- » How do you demonstrate that your complaints process is clear, transparent and customer-focused?
- » How do you know your complaints process is working for your customers?
- » How do you use the insights from complaints to identify and fix broader issues?
- » What steps do you take to action customer requests in a reasonable timeframe, and keep customers updated with progress?
- » When you can't satisfy a customer's request, what steps do you take to let the customer know why and what they can do next?
- » What processes do you have in place to identify and support customers who may be experiencing vulnerability?
- » How do you know that your processes are working for your customers who may be experiencing vulnerability?



**Financial Services  
Council NZ**

Grow the financial  
confidence and wellbeing  
of New Zealanders

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