



8 Nov 2019

Financial Markets Policy, Building Resources, and Markets  
Ministry of Business, Innovation and Employment  
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New Zealand

By email to: [faareview@mbie.govt.nz](mailto:faareview@mbie.govt.nz)

## **Submission on the Disclosure requirements in the new financial advice regime**

### **1. Introduction**

Thank you for the opportunity to submit feedback on the *Discussion Paper Exposure Draft: Financial Markets Conduct (Regulated Financial Advice Disclosure) Amendment Regulations 2019*.

The NZ Automobile Association Limited (NZAA) is an incorporated society providing a roadside assistance service and motoring advice to over 1.7 million Members. Founded in New Zealand in 1903, NZAA has grown from a pioneering automobile club to a multifaceted modern organisation, offering insurance, finance, maps and travel guides, driver licensing, vehicle servicing and repairs and is an advocate of transport issues for the private motor vehicle owner and driver.

Over time, NZAA's services have expanded into related areas of interest for Members and motorists, including a wide range of insurance and tourism offerings. As a partner in one of New Zealand's leading general insurers and as a major publisher, NZAA is able to leverage its scale for the benefit of its Members.

NZAA has 37 retail centres operating face to face. Our QFE advisers help our customers with their insurance needs through this distribution channel.

### **2. Summary of our view**

We agree with the intent of the disclosures which is to ensure that customers have the right information to support their decisions at different stages in the advice process. However not all advice processes are the same.

A typical customer contacting our Centre Network has a discrete insurance need, and is not seeking or expecting any advice beyond that necessary to assist them make an informed decision about the NZAA product available to meet that need. Our focus is on assisting the customer to satisfy that

insurance need as efficiently as possible. A key risk we perceive is that if the disclosure or advice process is too cumbersome, the customer will disengage and look to satisfy their need through direct channels, without the benefit of any advice. When customers receive a significant amount of paperwork when seeking advice from financial advisers, they may feel disengaged and overwhelmed therefore reducing the effectiveness of disclosure.

In many cases the customer will have already made a decision to acquire a product through NZAA, and is just seeking advice as to the details of the product that will best suit their need, such as level of cover or excess, third party only or comprehensive cover, etc. Introducing multiple layers or excessive details into our disclosures will not provide our customers with what they want or need, and is not consistent with delivering a good outcome for them from their interaction with our Centre Network. Instead, it would serve as an impediment to them engaging in the advice process, and may drive them toward making a decision without any advice. It is therefore essential that disclosures fits within, and does not dictate the advice process.

We therefore strongly support the disclosure regulations incorporating sufficient flexibility to effectively cater for one-off, very limited advice scenarios that are close to information-only discussions, in a time-efficient manner that will not discourage our customers from maintaining engagement with our team long enough to receive advice.

We attach to this letter our submissions on the Discussion Paper in the submission template provided.

We welcome the opportunity to discuss this matter further with the officials.

Contact details relating to the matter of this submission are:

Rishad Smartt  
Senior Risk Manager  
The New Zealand Automobile Association  
Contact number:  
Email address:

# Submission on discussion document: *Exposure draft: Financial Markets Conduct (Regulated Financial Advice Disclosure) Amendment Regulations 2019*

## Responses to discussion document questions

1	<p>Will the proposed record-keeping requirement be workable in practice?</p> <p>The NZAA being the authorised body that will hold the Financial Advice Provider license, will ensure records are kept according to the requirements.</p>
2	<p>Do you have any comments on the drafting of the Regulations that will require information to be made publicly available?</p> <p>We support in principle that information stated in clause 4 new Schedule 21A should be made publicly available to customers. We believe the information would be useful to customers.</p>
3	<p>Do you have any comments on the draft Regulations that will require the disclosure of information when the nature and scope of the advice is known?</p> <p>We support flexibility in timing and form of disclosure in order to effectively provide information to customers in different scenarios.</p>
4	<p>Do you have any comments on the draft Regulations that will require the disclosure of information when the financial advice is given?</p> <p>As noted, we support flexibility in timing and form of disclosure in order to effectively provide information to customers in different scenarios.</p> <p>We note that some of the information required to be provided at different stages of the advice process are duplicated and we do not believe it will improve the effectiveness of the disclosures or allow for frontline staff at the NZAA to use the limited time available with the customer most effectively.</p>
5	<p>Do you have any comments on the draft Regulations that will require the disclosure of a provider's complaints handling and dispute resolution processes when a complaint is received?</p> <p>Regulation 229F requires a financial advice provider who receives a complaint to give the complainant an overview of their complaints handling process. The NZAA supports this requirement.</p>
6	<p>Do you have any comments on the draft Regulations that set the manner in which information must be disclosed?</p> <p>We support the flexibility for information to be disclosed in different methods.</p>

7

Are there instances in your business when regulation 229D might apply to someone who is not the one to give advice to the client? Please give examples and provide any comments on how the draft Regulations apply in such scenarios.

This instance is not applicable to NZAA

8

Do you have any further comments on new regulation 229A to 229H of the draft Regulations?

As noted above.

9

Do you have any further comments on new Schedule 21A in the draft Regulations?

As noted above.

10

What (if any) transitional provisions should be included in the regulations?

Yes, a transitional period would be required to allow for system, policy, process changes and training to the employees on those changes.

Due to current system updates at the NZAA, it would be beneficial if the new disclosure regulations are finalised and published by mid-December 2019.