

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

Your name and organisation

Name	Peter Dine
Organisation	Saturn Advice Limited

Responses to discussion document questions

1	<p>Will the proposed record-keeping requirement be workable in practice?</p> <p>Yes. In practice client specific disclosures (i.e. other than publically available disclosures) will be saved in the CRM records of the person(s) being provided the advice.</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>Whilst we agree with Financial Advice Providers disclosing the types of advice and the types of financial advice products, we do not believe this should extend to providing a list the financial products / providers it gives advice on. Our business includes advice on investing in a wide range of managed funds / providers which may change from time to time. Not all of these products will be relevant to every client or prospective client. Providing a list of all potential products will only serve to confuse prospective clients as they may not be relevant to their circumstances. We believe disclosure of actual products / providers is best given when advice is provided to clients, and in the case of Discretionary Investment Management Services (DIMS), through the Investment Proposal.</p> <p>We do agree there should be an explanation of any limitations or restrictions to products, or payments received from product providers when providing the nature and scope of advice, particularly if there are any restrictions in the products / providers that can be advised on. E.g in-house products. This will help prospective clients get a sense of the scope of advice that can be provided and/or alert them to potential conflicts of interest.</p> <p>We don't agree financial advice providers should be obliged to provide publically available information in hard copy and the regulations should reflect the electronic age we are in. In practice we would be looking to disclose publicly available information on our website and investors at their option could print this information from our website. We accept where clients have no means of receiving public information electronically that it would need to be provided in hard copy.</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>In the interests of reducing duplication, we believe the information to be given when the nature and scope of advice is known should <u>not</u> be required to include information already made available publicly and instead, clients should be directed where to find publicly</p>

available information .e.g. company website.

On that basis the disclosure around the nature and scope of advice should be limited to;

- Reliability history
- Identifying information
- Fees and expenses specific to the advice being provided
- Conflicts of interest and incentives specific to the advice being provided

Note that when the nature and scope of advice is known, this doesn't mean the products likely to be recommended are known. This is best dealt with through a Statement of Advice and disclosure obligations in the case of DIMS.

As with publicly available information, we are in an electronic age and don't believe clients should have the right to request hard copies of disclosure in circumstances where they are able to receive the information electronically. We accept hard copies may be the only option for clients that have no means of receiving disclosures electronically.

For fees and expenses, we believe in instances where fees are disclosed elsewhere (e.g. DIMS Investment Proposal) there shouldn't be a need to replicate the information here, but instead, tell clients where to find this information.

We are of the view the time-frame for new regulation 229D(7) should be 15 months as opposed to 12 months. The reason being is the most practical way of updating clients with financial advice practice and adviser disclosure is to include this information with other regular material e.g. annual report to clients. The actual date reports are provided may vary slightly from one year to the next, and a 15 month window provides an appropriate buffer for this.

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Do you have any comments on the draft Regulations that will require the disclosure of information when the financial advice is given?

The same principle applies as above re duplication of information. On that basis our views is

- Identifying information – OK
- Fees and expenses – agreed, to the extent not already disclosed, or provided elsewhere e.g. DIMS Investment proposal. We don't believe fees should need to be disclosed on an ongoing basis unless there is a change to the fees previously disclosed and agreed to by clients. We are specifically referring to situations where clients have agreed to fees for on-going financial advice relating to the management of a portfolio of investments based on funds under advice. The fees clients are paying are already disclosed through regular portfolio reports.
- Conflict of interest and incentives – agreed, but only if there are material changes to the information already provided and only specific to the advice provided. Clients should be able to rely on general comments on conflicts of interest that are publically available.
- Duties Information – We believe it would be better to provide this information upfront in publicly available information rather than at the time of providing advice.
- Availability of information – as per previous comments, we believe hard copies should only be required to be provided where the client is unable to receive the information electronically.

5	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?
	No.
6	Do you have any comments on the draft Regulations that set the manner in which information must be disclosed?
	No.
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.
	No. We envisage the only people providing advice in our business will be financial advisers employed by our financial advice practice. Note disclosures may be sent to clients on behalf of the financial adviser by admin staff but the disclosure will still be specific to the Financial Advice Practice and the Financial Adviser.
8	Do you have any further comments on new regulation 229A to 229H of the draft Regulations?
	No
9	Do you have any further comments on new Schedule 21A in the draft Regulations?
	<p>As a general observation, we believe the draft regulations appear overly complex. Our view is where possible disclosures that relate to the Financial Advice Practice and that aren't specific to an client's individual circumstances should be included in the publicly available disclosure, and that only disclosures that are specific to the client's situation should be provided either at the point of when the nature and scope of advice is known or when the financial advice is provided.</p> <p>As previously mentioned we don't agree with the requirement of Schedule 21A Part 2, 4(3)(ii) – and elsewhere- to name products/providers until advice is provided as not all products/providers will be applicable to all clients and may change from time to time. This is better managed through the specific advice provided to each client e.g. Statement of Advice or by reference to the Investment Proposal in the case of DIMS.</p> <p>If a list of products/providers is required to be disclosed before advice is provided, what would represent a material change necessitating updating the disclosure? A single change of product/provider? More than x%? This could become time consuming without adding any value to clients or prospective clients in respect of disclosure.</p>
10	What (if any) transitional provisions should be included in the regulations?
	We don't envisage our business requiring transitional provisions for the new disclosure requirements.