

## Summary of Goals and Key Questions

Goal	Question	RON FLOOD <a href="#">CLU</a> Grad Diploma Business Studies (Massey) Personal Risk management.
Goal 1: Consumers have the information they need to find and choose a financial adviser	Do consumers understand the regulatory framework	<p><a href="#">When regulations were introduced there was a lot of fanfare with the CEO announcing “the sheriff is in town”. This was not followed up with a public awareness campaign so it is not surprising that we now find consumers are confused with the regulatory framework</a></p> <p><a href="#">I believe there should be one designation, Registered Financial Adviser with designations identifying the area of expertise the adviser specialises in, such as;</a>  <a href="#">Investment Adviser, Insurance Adviser, Mortgage Adviser, QFE Adviser etc.</a></p> <p><a href="#">Under the designation QFE adviser there should be mention of the fact they are restricted in what products they can advise on.</a></p>
	Should there be a clearer distinction between advice and sales	<p><a href="#">Yes. Anyone who is being sold product only without advice should be warned that they may wish to seek independent advice before proceeding.</a></p>
	How should we regulate commissions and other conflicts of interest	<p><a href="#">I don't think we need to regulate this area other than to require all advisers, whether they be AFA, RFA or QFE, to disclose fully any commissions and ‘soft dollar’ benefits they are to receive.</a></p> <p><a href="#">I believe this is important with regards to the QFE type advisers. At present they are telling clients they are not receiving any commission or rewards when in fact many have direct commission accounts with providers and receive incentives to make sales.</a></p> <p><a href="#">Unless the regulators make disclosure for all advisers including the 23,000 odd QFE advisers then I believe we should retain the current disclosure requirements.</a></p>

Goal 2: Financial advice is accessible for consumers	Does the FA Act unduly restrict access to financial advice?	As a Registered but not Authorised adviser I have not found this to be the case but am concerned at the low numbers of AFA's operating outside of the QFE's as I believe the QFE based advisers are too restricted in the solutions they can offer consumers and therefore many consumers are disadvantaged.
	How can compliance costs be reduced under the current regime without limiting access to quality financial advice?	I think the present cost paid by advisers is too high and this, on top of satisfying compliance requirements, has led to many advisers deregistering as AFA's.
	How can we facilitate access to advice in the future?	By putting systems in place that tie up less time. This could include having bi-annual reporting unless requested by the authority.
Goal 3: Public confidence in the professionalism of financial advisers is promoted.	Should we lift the professional, ethical and education standards for financial advisers?	Yes. All new entrants who are to advise on Category 2 products should be required to embark on an education track with a minimum Level 5 course of study.  Advisers operating in the investment, financial planning area should be required to have a higher standard evidenced by a Level 7 Graduate Diploma or Degree in the relevant area of advice they give. A CFP (Certified Financial Planner) designation is an industry and advice based qualification that should be promoted.
	Should the individual adviser or the business hold obligations	Both, if it is appropriate.

	<b>1. Do you agree that financial adviser regulation should seek to achieve the identified goals? If not why not?</b>	Yes.
Identified goals of the FA Act	<b>2. What goals do you consider should be more or less important in deciding how to regulate financial advisers?</b>	As long as consumer choice is at the forefront and there is competition in the marketplace regulations should support this.
How is Financial Advice Defined?	<b>3. Does this definition adequately capture what financial advice is? If not, what</b>	Although the current definition is adequate I have a concern that buying and selling real estate is not included. Every day we read about real

	<b><i>changes should be considered?</i></b>	estate being a 'great investment' and yet it is not included in the definition. When you consider that a consumer's largest purchase in their lifetime is most likely their property I believe this should come under the Act & regulations.
What are the different types of financial advice?	<b><i>4 .Is the distinction in the FA Act between wholesale and retail clients appropriate and effective? If not what changes should be considered?</i></b>	Yes
	<b><i>5. Is the distinction in the Act between personalised financial advice and class service appropriate and effective? If not what should be considered?</i></b>	Yes
	<b><i>6. Is it appropriate to have different requirements on advisers depending on the risk and complexity of the products they advise on?</i></b>	Yes. Even though it could be argued that some Category 2 products are complex, such as income protection, I believe the industry has been very successful in training advisers in this area. Any risk associated with incorrect or inappropriate advice will not be reduced by regulation but by industry training.
	<b><i>7. Does the current categorisation system adequately reflect the level of complexity and risk associated with financial products. If not, how could it be improved?</i></b>	Yes. I believe it is important to protect consumer's capital. With Category 1 products, consumers are investing their own dollars and any failure results in an immediate financial loss.
Who can provide different kinds of advice?	<b><i>8. Do you think the term Registered Financial Adviser gives consumers an accurate understanding of what these advisers are permitted to provide advice on and the requirements that apply to them? If not, should an alternative term be considered?</i></b>	As mentioned in goal 1, due to the FMA's failure to educate the public with an awareness campaign, consumers have no idea who is who and what is what. Registered Adviser is thought by consumers as the mark of a fully qualified adviser rather than just a registration on a Companies Office website (several surveys confirm this).  There is a need to change this and the above designations should be considered. Once again I believe that all advisers, including the current 23,000 anonymous QFE advisers, should be named.
RFA Conduct Requirements	<b><i>9. Are the general conduct requirements applying to all financial advisers, including RFAs, appropriate and adequate? If not, what changes should be considered?</i></b>	I believe that all advisers should be required to adhere to the current Code of Conduct for Authorised Financial Advisers.
RFA Disclosure	<b><i>10. Do you think disclosing this information</i></b>	No. I believe that all RFA advisers should have to disclose any

	<b><i>is adequate for consumers? Should RFAs be required to disclose any additional information?</i></b>	relevant qualification they have, length of time as an adviser and any adverse findings, complaints, or if they have ever had an agency cancelled by an insurer, whether by mutual agreement or not.
RFA Entities	<b><i>11. Are there any particular issues with the regulation of RFA entities that we should consider?</i></b>	Only as listed above.
Authorisation	<b><i>12. Are the costs of maintaining an adviser business statement justified by the benefits? If not what changes should be considered?</i></b>	No comment
Investment Planning Services	<b><i>13. Is the distinction between an investment planning service and financial advice well understood by advisers and their client? Are there any changes needed to the way that an investment planning service is regulated?</i></b>	No comment.
Discretionary Investment Management Services	<b><i>14. To what extent do advisers need to exercise some degree of discretion in relation to their client's investments as part of their normal role?</i></b>	No comment
	<b><i>15. Should any changes be considered to reduce costs on advisers who exercise some discretion, but are not offering a funds management-type service?</i></b>	No comment.
AFA Disclosures	<b><i>16. Are the current disclosures for AFAs adequate and useful for consumers?</i></b>	I do not operate in this area and have no experience in the AFA disclosure statements.
	<b><i>17. Should any changes be considered to improve the relevance of these documents to consumers and to reduce the costs of producing them?</i></b>	No comment
Code of Professional Conduct	<b><i>18. Do you think the process for the development and approval of the Code of Professional Conduct works well?</i></b>	Yes. I was involved in the early days through a Professional Body and the process worked well.
	<b><i>19. Should any changes to the role or composition of the Code Committee be</i></b>	No

	<i>considered?</i>	
	<b>20. Is the Financial Advisers Disciplinary Committee an effective mechanism to discipline misconduct against AFAs?</b>	Yes.
	<b>21. Should the jurisdiction of this Committee be expanded?</b>	Not unless all advisers are required to adhere to the Code.
Qualifying Financial Entities  QFE Conduct Obligations	<b>22. Does the limited public transparency around the obligations of QFEs undermine public confidence and understanding of this part of the regulatory regime?</b>	I believe that some of the practices of some QFE's has undermined public confidence. The ethical behaviour in relation to Kiwi Saver transfers by some QFE providers has gone unchecked and has left a bad taste in the mouths of many consumers and advisers.
	<b>23. Should any changes be considered to promote transparency of QFE obligations?</b>	QFE advisers should be required to be on the Register of Financial Advisers with the same personal disclosure requirements as other advisers. Sales targets, incentives and any conflicts of interest should be disclosed.
QFE Disclosure	<b>24. Are the current disclosure requirements for QFE advisers adequate and useful for consumers</b>	No as mentioned above.
	<b>25. Should any changes be considered to improve the relevance of these documents to consumers or to reduce the costs of producing them?</b>	Mentioned above
Brokers and custodians  Broker requirements	<b>26. How well understood are the broker requirements in the FA Act? How could the understanding be improved</b>	When I registered I found it confusing and initially included this as a service I offered. More clarity around this definition is needed.
	<b>27. Are these requirements necessary and/or adequate to protect client assets? If not why not?</b>	No comment
	<b>28. Should consideration be given to introducing disclosure requirements for brokers? If so, what would need to be disclosed and why?</b>	No comment
	<b>29. What would be the costs and benefits of</b>	No comment

	<b><i>applying the broker requirements in the FA Act to insurance intermediaries?</i></b>	
Custodial obligations	<b><i>30. Are the requirements on custodians effective in reducing the risk of client losses due to misappropriation or mismanagement?</i></b>	No comment
	<b><i>31. Should any changes to these requirements be considered?</i></b>	No comment
FA Act exemptions	<b><i>32. Is the scope of the FA Act exemptions appropriate? What changes should be considered and why?</i></b>	I think it is wrong that Accountants or Lawyers are not included. This is an area needing change as there are many acting outside the exemptions into areas that are not 'in the course of their usual business'.
Monitoring and enforcement of the FA Act	<b><i>33. Does the FA Act provide the FMA with appropriate enforcement powers? If not, what changes should be considered?</i></b>	Yes
	<b><i>34. How accessible and useful is the guidance issued by the FMA? Are there any improvements you would like to see?</i></b>	Guidance notes are good but I would prefer to see more advice on how the FMA would like them applied, ie more direction.
Goal 1: Consumers have the information they need to find and choose a financial adviser		
Do consumers understand the regulatory framework?	<b><i>35. What changes should be considered to make the current regulatory regime simpler and easier for consumers to understand? For example, removing or clarifying the distinction between AFAs and RFAs.</i></b>	I believe there should be one designation, Registered Financial Adviser with designations such as Investment Adviser, Insurance Adviser, Mortgage Adviser with a person able to have one or more depending on their qualification and experience. Advisers working as employees of institutions, formally called QFE's, would have a designation such as (Name of bank) (Designation) Adviser or (Name of Institution) (Designation) Adviser.  I also believe Accountants and Lawyers should be regulated.
Should there be a clearer distinction between advice	<b><i>36. To what extent do consumers understand that some financial advisers' primary roles may be selling financial</i></b>	Once again, due to the FMA's failure to inform the public, the public has no idea of what the primary roles of advisers are. Unless things change in the future and any changes followed up by a wide spread awareness

and sales	<b><i>products, rather than solely acting as an unbiased adviser to their clients?</i></b>	campaign, we will be discussing the same question in five years time, or whenever the next review is due to take place.
	<b><i>37. Should there be a clearer distinction between sales, information provision, and advice? How should such a distinction be drawn? What should or shouldn't be included in the definition of financial advice?</i></b>	Yes. I believe consumers who are sold a product should have to sign a disclosure that the product was sold with no advice and the they consider obtaining independent advice before proceeding.
How should we regulate commissions and other conflicts of interest?	<b><i>38. Do you think the current AFA disclosure requirements are effective in overcoming problems associated with commissions and other conflicts of interest?</i></b>	As long as the disclosure statement contains all the relevant information associated with perceived conflicts then the current disclosure is fine.
	<b><i>39. How do you think that AFA information disclosure requirements could be improved to better assist consumer decision making?</i></b>	No comment
	<b><i>40. Do you support commission and conflict of interest disclosure requirements being applied to all financial adviser types?</i></b>	Only if all advisers are subject to the requirements of the Code and institutional employees (Current QFE advisers) also have to disclose. These disclosures to include details of incentives, sales expectations (targets) and any other benefits they receive such as bonus payments and commission.
	<b><i>41. Do you think commissions should be restricted or banned in relation to financial advice, and if so, in what way? What would be the costs and benefits of such an approach?</i></b>	<p>Not entirely, especially in relation to insurance products. Currently New Zealand does not fare well in the percentage of GDP we spend on insurance premiums compared to our neighbour Australia. We have an underinsurance problem which will only be exacerbated if commissions were restricted or banned.</p> <p>Consumers do not have an appetite for paying fees for advice (insurance) and most consumers, when asked, would prefer the current commission model.</p> <p>The amount of insurance commission payable currently is based on the model that most of the work done to implement cover happens at the front end of the engagement. The time to engage with the client, complete an analysis, provide solutions to their needs and implement</p>

		<p>the cover over 2-4 or more meetings justifies upfront commission being much higher than the ongoing renewal commission received. Annual reviews, tweaking of cover due to any changing needs and updates usually require a lot less time and justify the much lower renewal commission paid.</p> <p>We currently have MBIE researching the area of replacement business and if in fact New Zealand has a 'churn' problem. I think some advisers actively 'churn' policies but this not helped by insurance companies offering 'take over' terms.</p> <p>Some of the 'churned' business may be due to the 'upfront' commission paid on the new business. I believe this could be reduced by restricting the amount of this commission to say 20% each year on the amount of the existing premium with the adviser given the option of upfront commission on any increase in premium. Any adviser who knowingly disregards this requirement would be put on notice and if their action persists would be deregistered.</p> <p>Some of the churn is also due to 'enhanced trauma benefits' where a company entices an adviser to take advantage and transfer cover to them. This could be reduced by following some overseas jurisdictions and regulate insurers to all having the same definitions.</p>
<p>Goal 2. Financial Advice is Accessible for consumers</p> <p>Levels of competition</p>	<p><b><i>42.Has the right balance been struck between ensuring advisers meet minimum quality standards and ensuring there is a wide range of providers (and potential providers)?</i></b></p>	<p>No. The establishment of QFE's has resulted in many consumers being 'sold' a product rather than receiving advice from an experienced and qualified adviser. Some products 'sold' are 'not fit for purpose'. An example is the [REDACTED] Insurance which will only pay a benefit if the mortgage is with [REDACTED] As soon as the mortgage is shifted to another provider the policy is cancelled leaving a client who has become uninsurable out in the cold with no prospect of getting future cover.</p> <p>A further example is [REDACTED] death benefit which will not pay if the person dies as a direct or indirect result "of the insured's involvement in an unlawful act whether or not the insured is charged or convicted of an</p>



		offence in respect of that act". (Excessive speed? Excess blood alcohol? Driving whilst disqualified?).
	<b>43. What changes could be made to increase the levels of competition between advisers?</b>	<p>Firstly I believe all advisers should be on an equal footing. All should be required to disclose their qualifications, experience and conflicts of interest.</p> <p>More complex products such as Income Protection should require advice before being implemented. Any replacement of cover should be accompanied with a checklist comparing existing benefits with proposed new benefits.</p>
Regulatory constraints on advice and boundary issues	<b>44. Do you think that the Code of Professional Conduct for AFAs strikes the right balance between requiring them to understand their clients and ensuring that consumers can get advice on discrete issues?</b>	Yes.
	<b>45. To what extent do you think that the categorisation of types of advice and advisers is distorting the types of advice and information provided?</b>	Some products are being incorrectly sold through some QFE providers and this needs to stop. To make the price of their products more palatable to consumers, some QFE providers are selling 'pure vanilla' products and replacing 'higher quality' products with them.
How can compliance costs be reduced in the current regime without limiting access to quality financial advice?	<b>46. Are there any specific compliance requirements from the FA Act regulation that have affected the costs and availability of independent financial advice</b>	I have spoken with some ex AFA's who now only provide advice on Category 2 products. They could not see the future benefit of retaining their authorisation in the absence of any support in the marketplace by the authorities (no public promotion of their status, pressure placed on their clients whenever they entered their bank, continued adverse public perception of advisers due to high profile court cases).
	<b>47. How can regulatory requirements be made less onerous without reducing the quality and availability of financial advice?</b>	There is a certain amount of duplicity in the requirements. If a person supplies you with details of a personal New Zealand bank account why the requirement to also go through the full identification process. What is the use of annual reporting other than justify jobs in the Ministry.

		What purpose do they serve other than ticking a box?
	<b>48. What impact has the Anti-Money Laundering and Countering Finance of Terrorism Act had on compliance costs for advisers? How could these costs be minimised?</b>	Advisers who do not handle investments directly but use regulated institution's should be able to piggyback onto the institutions audit and be exempt. This would cut down on the time and expense they are currently faced with.
How can we facilitate access to advice in the future?	<b>49. What impact do you expect that Kiwisaver decumulation will have on the market for financial advice in New Zealand? Are any specific changes to regulation needed to specifically promote the availability of Kiwisaver advice?</b>	More advice will be required and more advisers should be encouraged to become involved without the need to be authorised. An education standard should be made available to advisers who want to advise in this area.
Introduction of the Financial Markets Conduct Act	<b>50. What impact do you expect that the introduction of the FMC Act will have on the market for financial advice in New Zealand? Should any changes to the regulation of advice be considered in response to these changes?</b>	No comment
Internationalisation	<b>52. How beneficial are the current arrangements for the trans-Tasman mutual recognition of qualifications? Should further arrangements be considered?</b>	No comment
Opportunities and challenges of technological change	<b>53. In what ways do you expect new technologies will change the market for financial advice?</b>	DYI financial solutions will increase, especially amongst the younger age groups.
	<b>54. How can government keep pace with technological developments to ensure that quality standards are maintained, without inhibiting innovation?</b>	By monitoring industry trends, especially overseas markets, which seem to be more advanced in this area.
Goal 3. Public confidence in the professionalism of financial advisers	<b>55. Are the minimum ethical standards for AFAs appropriate and have they succeeded in fostering the ethical behaviour of AFAs?</b>	Yes they are appropriate and I believe all advisers should be required to adhere to the ethical standards.

is promoted		
	<b>56. Should the same or similar ethical standards apply to all types of financial advisers?</b>	Yes.
Qualification requirements	<b>57. What is an appropriate minimum qualification level for AFAs?</b>	Graduate Diploma Business Level 7 or University Degree both being in the area relevant to their area of advice.
	<b>58. Do you think RFAs (for example insurance or mortgage brokers) should be required to meet a minimum qualification relevant to the area of advice that they specialise in? If so what would be an appropriate minimum qualification?</b>	Level 5 Certificate in Financial Services or a similar qualification approved by the regulator. This could include the designation Chartered Life Underwriter (CLU), recognised overseas as the preeminent qualification for insurance advisers.
	<b>59. How much consideration should be given to aligning adviser qualifications with those applying in other countries, particularly Australia?</b>	I can't see a reason for aligning qualifications to overseas jurisdictions. If an adviser wishes to become 'Global' then let them meet the standards required without imposing them on all advisers
The Role of Professional Bodies	<b>60. How effective have professional bodies been at fostering professionalism among advisers?</b>	I belong to two professional bodies, Institute of Financial Advisers (IFA) and the New Zealand Financial Advisers Association (NZFAA). Both bodies are very proactive in promoting professionalism amongst their members. They are a very important 'cog' in the wheel of adviser regulation.
	<b>61. Do you think that professional bodies should play a formal role in the regulation of financial advisers and if so, how?</b>	No. Although the aforementioned professional bodies do a great job in providing support and education I feel there are too many bodies to play a formal role and their current status should remain.
Should the individual adviser or the business hold obligations?	<b>62. Should any changes be considered to the relative obligations of individual advisers and the businesses they represent? If so, what changes should be considered?</b>	No.
	<b>63. Is the QFE system achieving its goals in terms of consumer protection and reducing compliance costs for large entities? If not, what changes should be considered?</b>	No. Consumer protection has been compromised (refer my earlier comments Goal 2, Q42).  Changes should include QFE advisers to be named on the register and the requirement, where a QFE adviser is recommending a change of product to clearly identify areas where benefits are being down graded.

Register Information	<b>64. Do you agree that the Register should seek to achieve the identified goals? If not, why not?</b>	Yes but it should include details including, but not limited to, qualifications, experience, areas of advice they provide and if they are restricted in the products they can advise on, e.g. "I work for ABC bank and provide advice of products offered by ABC bank only.
	<b>65. What goals do you consider to be more or less important in reviewing the operation of the Register?</b>	As above, provide more information.
What is the Role of the Disputes Resolution Schemes?	<b>66. Do you agree that the disputes resolution regime should seek to achieve the identified goals? If not, why not?</b>	Yes.
	<b>67. What goals do you consider should be more or less important in reviewing the disputes resolution regime?</b>	None
Registration	<b>68. Does the FMA need any other tools to encourage compliance with FSP registration? If so, what tools would be appropriate?</b>	Not that I can think of.
	<b>69. What changes, if any, to the minimum registration requirements should be considered?</b>	None other than information as listed in Q 64
Disputes resolution	<b>70. Does the requirement to belong to a disputes resolution scheme apply to the right types of financial service providers?</b>	Yes
	<b>71. Is the current framework for the approval of disputes resolution schemes appropriate? What changes, if any, should be considered?</b>	Yes
	<b>72. Is the current framework for monitoring dispute resolution schemes adequate? What changes, if any, should be considered?</b>	Yes but there should be publicly available information about cases that have been resolved (with identification of the parties suppressed).
	<b>73. Is the existence of multiple schemes and the incentive to retain and attract members sufficient to ensure the schemes</b>	I was very surprised that the Default Scheme was retained once it became obvious we had enough alternatives. I would recommend that that scheme be wound up and members be distributed amongst the

	<b><i>remain efficient and membership fees are controlled?</i></b>	remaining schemes.
	<b><i>74. Should the \$200,000 jurisdictional limit on the size of claims that disputes resolution schemes can hear be raised in respect of other types of financial services, and if so, what would be an appropriate limit?</i></b>	\$200,000 is too low and a move to \$500,000 should be considered.
	<b><i>75. Should additional requirements to ensure that financial service providers are able to pay compensation to consumers be considered in New Zealand?</i></b>	Every financial adviser in New Zealand should be required to have a policy of Professional Indemnity. There should be a prescribed minimum level of cover and a requirement each year on renewal of registration to provide documental evidence of continuing cover.
Goals for the Register: The Register information is useful, accurate and accessible.		
Could the Register provide better information to the public?	<b><i>76. What features or information would make the Register more useful to consumers?</i></b>	Refer Q64. The register has no 'meat' at present. It does not give the consumer any useful information. Changes should be made as mentioned earlier.
	<b><i>77. Would it be appropriate for the Register to include information on a financial adviser's qualifications or their disciplinary record?</i></b>	Yes. As mentioned above.  With regards disciplinary records, I believe they have a time limit such as the last five years.
How can we avoid misuse of the Register by overseas financial service providers	<b><i>78. Do you consider the misuse of the Register by offshore financial service providers is a significant risk to New Zealand's reputation as a well-regulated jurisdiction and/or to New Zealand businesses?</i></b>	Not in a position to comment.
	<b><i>79. Are there any changes to the scope of the registration requirements or the powers of regulators that should be considered in</i></b>	No comment.

	<i>response to the issue?</i>	
Goals for dispute resolution: Consumers are aware of, confident in, and can access dispute resolution		
What is the impact of having multiple dispute resolution schemes?	<b>80. What are the effects of (positive and negative) competition between dispute resolution schemes on effective dispute resolution?</b>	I wasn't aware there was competition only that there is one too many.
	<b>81. Are there ways to mitigate the issues identified without losing the benefits of a multiple scheme structure?</b>	Reduce by one as mentioned above.
	<b>82. Are the current regulatory settings adequate in raising awareness of available dispute resolution options? How could awareness be improved?</b>	Yes.