

How to have your say

Background information on the submitter

Redacted has been an Authorised Financial Adviser since inception. A sole Director **Redacted** **Redacted** has undergone a sole adviser practise Market Service (FMCA) licensing by providing a Discretionary Investment Managements Service (DIMS).

Redac provides detailed Financial planning (including investment and insurance) to retail Clients (even if they are wholesale Clients).

Redac provides class advice (and if required retail advice) to a larger populations of Clients in areas such as KiwiSaver.

Background information on the New Zealand Adviser Market.

An Advice Problem.

- No KiwiSaver advice. FMA sales and Advice Report 2015 details that only 3 out of 1,000 KiwiSaver Clients are getting personalised advice. This a damning indictment on the current regime and its legislative impact.
- New Zealand independent financial advisers have been locked out of Financial advice on KiwiSaver due to the KiwiSavers ACT banning advice fees being deducted from KiwiSaver balances. This ruling has contributed to the advice failure above. This ruling is unusual in that it is not evident in the UK and Australian regimes. This has contributed to vast KiwiSaver populations 'stuck' in Conservative Funds.
- Morningstar long term analysis points a Conservative fund have 2% less growth on average to a balanced fund. Even with an adviser fee deducted, this is a substantial difference over a long term holding.
- Terrible Life insurance uptake. OECD figures from most recent data show NZ Life and disability products having on average \$669 per person. This is 28% of Australia \$2,387 and 17% of the UK's \$3,952 per person. This is a dramatic underinsurance in our country

http://www.oecd-ilibrary.org/finance-and-investment/average-insurance-spending-per-capita_20755066-table3

- UK and NZ Regimes were shown as these similar jurisdictions were referenced in the Options paper.
- Adviser complaints are low. Financial disputes organisation FDRS have received just 3/4 complaints from investment Financial advisers per annum since inception.
- Authorised Financial Adviser Numbers are dropping as indicated by FSPR registrations.

Chapter 3 – Barriers to achieving the outcomes

1. Do you agree with the barriers outlined in the Options Paper? If not, why not?
[A lack of development of the independent Adviser community has lead to an Advice problem..](#)

2. Is there evidence of other major barriers not captured in the Options Paper? If so, please explain.

Chapter 4 – Discrete elements

1. Which options will be most effective in achieving the desired outcomes and why?
Option 2 will be best for the public in the long term. Having gone through licensing, I believe that it will 'tidy up' many financial practises and encourage them to act in the best interest of the customer. All advice should be delivered so it is the best interests of the Client. How else can we do it? My belief is that adviser practises who are licensed, and who are not tied to any organisation should be able to use the 'independent' title. This is what the public understand and it has largely disappeared from NZ advice lexicon. Advice from one institution to an individual offering their own products is not advice. This can only be called a Sales role. Expert or authorised will mean nothing to the public. My view is that we should focus on being independent financial advisers and sales persons.
2. What would the costs and benefits be of the various options for different participants (consumers, financial advisers, businesses)?
There will be some cost for Financial Advisers to adjust to the option 2 model. I believe that the advice for KiwiSaver should be opened up for adviser payments. This would offset the licensing costs and encourage more advice going out to the public. More advice is the factor that is in the best interests of the public.
3. Are there any other viable options? If so, please provide details.
as above.

4.1 Restrictions on who can provide certain advice

4. What implications would removing the distinction between class and personalised advice have on access to advice?
Class advice should be as it is specified, be one to many. Advice is best when we understand what is in the interests of the Clients
5. Should high-risk services be restricted to certain advisers? Why or why not?
Enter text here. I believe every adviser should prove their competency to deliver advice in every module. Thus an accreditation course in KiwiSaver, retirement planning, retirement decumulation, life insurance, business insurance. How else can all participants give advice unless we are qualified to understand what is in the interests of the Client.
6. Would requiring a client to 'opt-in' to being a wholesale investor have negative implications on advisers? If so, how could this be mitigated?
Advice is better personalised. Just because a customer has large funds, this doesn't make them a professional. We cannot opt out of good advice.

4.2 Advice through technological channels

7. What ethical and other entry requirements should apply to advice platforms?
Advice that is in the best interests of the Clients is personalised advice that takes in all facets of

a client including emotional sentiment I would be interested in looking at an ethics committee that evaluates the options of robo advice to ascertain if they are merely risk questionnaires or full proxies of full advice. More time needed here.

8. How, if at all, should requirements differ between traditional and online financial advice?
Enter text here.As above
9. Are the options suggested in this chapter sufficient to enable innovation in the adviser industry? What other changes might need to be made?
Perhaps we need to bed down the financial adviser context first before automating it online.

4.3 Ethical and client-care obligations

10. If the ethical obligation to put the consumers' interests first was extended, what would the right obligation be? How could this be monitored and enforced?
Regular monitoring of all providers independent advisers, QFE and other advisers such as lawyers and accountants.
11. What would be some practical ways of distinguishing 'sales' and 'advice'? What obligations should salespeople have?
We should all put the customer first irrespective of title or profession.
12. If there was a ban or restriction on conflicted remuneration who and what should it cover?
I think most remuneration is conflicted in some way. Full disclosure for all is the key.

4.4 Competency obligations

13. How can competency requirements be designed to lift capability, without becoming an undue barrier to entry and continuation in the profession?
The more competency we deliver the greater the profession will become and the greater the pull of new graduates.
14. Should all advisers be subject to minimum entry requirements (Option 1)? What should those requirements include? If not, how should requirements differ for different types of advisers?
Yes all advisers must be competent to put clients first in every field they advise on.

4.5 Tools for ensuring compliance with the ethical and competency requirements

15. What are the benefits and costs of shifting to an entity licensing model whereby the business is accountable for meeting obligations (Option 1)? If some individual advisers are also licensed (Option 2), what specific obligations should these advisers be accountable for?
I believe both an entity and the individual should be accountable for giving advice in the best interests of clients. It would not be appropriate for either to NOT be accountable.
16. What suggestions do you have for the roles of different industry and regulatory

bodies?

I believe a compulsory adviser body should be set up and follow the law society structure for guidelines. Industry, government and the consumers would benefit from a strong competent hand here. At present the lack of concerted adviser body has formed an oligopoly for the Banks to control the adviser process.

4.6 Disclosure

17. What do you think is the most effective way to disclose information to consumers (e.g. written, verbal, online) to help them make more effective decisions?

All giving advice should give a structured disclosure (including remuneration). this should apply to all whether Sales, full advice or family lawyer.

18. Would a common disclosure document for all advisers work in practice?

Yes

19. How could remuneration details be disclosed in a way that would be meaningful to consumers yet relatively simple for advisers to produce?

The primary and secondary disclosure should work for all.

4.7 Dispute resolution

20. Is there any evidence that the existence of multiple schemes is leading to poor outcomes for consumers?

Enter text here. None noted.

21. Assuming that the multiple scheme model is retained, should there be greater consistency between dispute resolution scheme rules and processes? If so, what particular elements should be consistent?

Enter text here.

22. Should professional indemnity insurance apply to all financial service providers?

Enter text here. Compulsory insurance for all. Common ground for all. Let us get a level playing field the public can understand.

4.8 Finding an adviser

23. What is the best way to get information to consumers? Who is best placed to provide this information (e.g. Government, industry, consumer groups)?

Enter text here. FSPR should be revamped to provide more details. All giving advice should be here including other professions such as lawyers. A level playing field again.

24. What terminology do you think would be more meaningful to consumers?

Enter text here. Web search should be sufficient with more data.

4.9 Other elements where no changes are proposed

The definitions of 'financial adviser' and 'financial adviser service'

25. Do you have any comments on the proposal to retain the current definitions of 'financial adviser' and 'financial adviser service'?

Enter text here. Please see the comments about the proposal to add independent Financial adviser as a designation. This should be one who is non tied. The remuneration does not stop independence. The licensing process will identify if participants are selling from a range, or from a conflicted environment.

Exemptions from the application of the FA Act

1. Are those currently exempt from the regime posing undue risk to consumers through the provision of financial advice in the normal course of their business? If possible, please provide evidence.

We must have a level playing field as Leanne Dalziel specified when reading the Financial Advisers ACT for the first time. It would be a mockery of the Advice process if other professions are not disclosing data, remuneration and conflict of interest. I see this as one of the most important parts of the review. I am advocating for the 'incidental advice' for lawyers and accountants to be removed. I understand that there are many conflicted opinions here, and perhaps an independent panel should be convened to address this issue.

Territorial scope

2. How can the FA Act better facilitate the provision of international financial advice to New Zealanders, without compromising consumer protection? Are there other changes that may be needed to aid this, beyond the technological options outlined in Chapter 4.2?

The AML/CFT guidelines are making this difficult. Financial advisers who do not invest funds in their own institutions should not be designated AML/CFT reporting entities as all AFA are. AFA who only recommend funds going into KiwiSaver or a managed fund that has its own detailed AML are duplicating the effort. Advisers have to fulfil all the obligations of the third party (KiwiSaver) provider anyway. This is a serious duplication of duties and compliance that has not been thought out or consulted on.

3. How can we better facilitate the export of New Zealand financial advice?
As above. A competency provision for overseas customers should be forthcoming.

The regulation of brokers and custodians

4. Do you have any comments on the proposal to retain the current approach to regulating broking and custodial services?

No

Chapter 5 – Potential packages of options

5. What are the costs and benefits of the packages of options described in this chapter?

As above

6. How effective is each package in addressing the barriers described in Chapter 3?

As above

7. What changes could be made to any of the packages to improve how its elements

work together?

Focus on what makes the advice the best for the Client from the most competent adviser.

8. Can you suggest any alternative packages of options that might work more effectively?
Enter text here.

Chapter 6 – Misuse of the Financial Service Providers Register

9. Do you agree with our assessment of the pros and cons of the options to overcome misuse of the FSPR?
Enter text here.
10. What option or combination of options do you prefer and why? What are the costs and benefits?
Enter text here.
11. What are the potential risks and unintended consequences of the options above? How could these be mitigated?
Enter text here.
12. Would limiting public access to parts of the FSPR help reduce misuse?
Enter text here.

Demographics

1. Name: **Redacted**
Enter your name and/or the name of the group of people, business, or organisation you are providing this submission on behalf of here.
2. Contact details: **Redacted**
3. Are you providing this submission:
 As an individual Yes
 On behalf of an organisation single Adviser Company yes
(Describe the nature and size of the organisation here) One AFA and one RFA and 1 further staff member.
4. Please select if your submission contains confidential information:
 Redacted YES Confidential please

Redacted

Redacted