



Institute of Finance Professionals New Zealand Inc.

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Financial Markets Policy
Ministry of Business, Innovation & Employment

By email: faareview@mbie.govt.nz

INFINZ feedback On MBIE's Options Paper - Review of The Financial Service Providers (Registration and Dispute Resolution) Act 2008

The Institute of Finance Professionals New Zealand Inc. (**INFINZ**) provides this submission in response to MBIE's request for feedback on its Options Paper on the Review of the Financial Service Providers (Registration and Dispute Resolution) Act 2008 (**FSPA**).

INFINZ is the peak industry body for financial and capital markets professionals in New Zealand. It has a membership of over 1100 individuals drawn from across the industry and includes treasury professionals, investment analysts, fund managers, bankers, lawyers and students. One of INFINZ objectives is 'to promote the proper control and regulation of the New Zealand finance and capital markets'.

The introductory comments and general submissions we made in July 2015 in our submission on MBIE's issues paper on which the Options Paper is based hold true. There are some adjustments that can be made to address key issues that impact on the efficiency and effectiveness of the regime. In context of this submission on the FSPA, and in general terms, this means being clear on the purpose of the register and sharpening the restrictions around use of the term 'RFA'.

We have set out our response to Question 37 in the Appendix.

INFINZ has no objection to publication of this submission and would welcome further discussion with you.

Yours faithfully

Redacted

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Appendix - INFINZ Response to Questions for Submission

Question 37: what option or combination of options do you prefer and why? What are the costs and benefits?

As we understand it, the intent and purpose of the FSPA was that it would:

- Provide a relatively quick and cheap means of resolving disputes between retail customers and financial service providers; and
- Meet the Financial Action Task Force's requirement for the NZ government to register its finance sector to enable it to understand risk assessment and supervision for Anti Money Laundering purposes.

The public nature of the FSP Register, and the legislation's reference to the term 'Registered Financial Adviser' have enabled some unscrupulous or careless operators to mislead consumers in New Zealand and overseas that they are licenced or actively regulated in New Zealand.

Accordingly, we support **Option 6: Convert the current FSP Register into a non-public notification list.** This is the only option that removes the current benefit of registration for overseas-controlled firms that do not provide services in New Zealand and therefore the incentive to register.

We suggest that option be supplemented by:

- measures to inform consumers of the dispute resolution scheme of which providers are members. This could be easily achieved by requiring each dispute scheme to continuously publish a current list of its members in a readily searchable form.
- a requirement for applicants for notification to provide information about their place of business in New Zealand and the nature of that business.
- a power for the FMA or the Registrar of Financial Service Providers to call for evidence to support the above to their satisfaction and automatic de-registration (or refusal of "registration") if that standard is not met.

While some amendments to legislation and processes will be required, we consider the costs of these changes are merited by the improvement to customer outcomes and to New Zealand's reputation as a responsible member of the world's financial markets. It will also permit the FMA to focus more of its scarce resources on improving outcomes for NZ consumers.

The cost of the changes to bona fide New Zealand financial market participants (and therefore to investors) are likely to be small.