



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 Advisers 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 Advisers Act 2008 (**FAA**).

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 essence of our submission is that there needs to be a clear distinction between those that provide sales from those that provide advice to retail investors.

Our feedback on the Packages is in the Appendix.

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

Yours faithfully

Redacted

Jim McElwain

Executive Director
Institute of Finance Professionals New Zealand Inc.

Mob: +64 21 632 047

Email: exec@infinz.com

Web: www.infinz.com

APPENDIX

Feedback on the Packages

The major issues we see in relation to the FAA regime, and what we therefore consider should be the **objectives** of any reform, are:

1. The aspects of the regime that make it difficult for investors to understand the status of the people who can provide them with advice and the status of that advice. Particularly of the types of financial advisers and the distinction between 'sales' and 'advice'.
2. Availability of advice to 'middle' retail investors. This is exacerbated by the sector's still early stage understanding of the regime and consequently its (and the FMA's) expectations of financial advisers. Particularly the over-engineering of compliance responses which result in voluminous paperwork provided to investors, and uncertainty among advisers as to their ability to provide scaled (or 'right sized') advice.

While Packages 2 and 3 go further than the 'minimum intervention' approach which is at the heart of our submission, Package 1 does not address the issues that give rise to objectives 1 and 2 above.

We consider **Package 3: Distinguishing sales and advice** comes closest to addressing our concerns and is preferred over Package 2 for the reasons outlined in the following table:

Element	Summary	Comment
Types of advice service	<ul style="list-style-type: none">• No distinction between "class" and "personalised" advice• All Advisers required to provide a service that matches the consumer's request (eg advice on a discrete matter, full financial plan)• Execution only (no advice) outside scope of regime	Supports both objectives 1 and 2 - aids investor understanding and access to advice Same as Package 2
Types of advisers	One type of financial adviser and one type of salesperson. <ul style="list-style-type: none">• Financial Adviser can offer full range of financial advice services but only within their area of competence• Salespeople can sell 'own' financial	Supports objective 1 - aids investor understanding Preferred to Package 2 where distinction between advisers who advise 'complex' and 'high risk' products and others is potentially as confusing for consumers as

	<p>product. Must therefore be aligned to a single financial product provider. Must provide a prescribed notice to consumer and ensure product is suitable for the consumer</p>	<p>Category 1, category 2 distinction</p>
Types of products	<ul style="list-style-type: none"> • No distinction between product types (ie no Category 1 and Category 2) 	<p>Preferred to Package 2 where distinction between Expert Financial Advisers and Financial Advisers is potentially as confusing for consumers as Category 1, category 2 distinction</p>
Competency requirements	<ul style="list-style-type: none"> • All Advisers subject to principles-based requirement to ensure they are competent at all times to provide their services • Detail on how to comply determined through a licensing process 	<p>Already applies to AFAs and QFE advisers</p> <p>Preferred to Package 2 where distinction between competency requirements for Expert Advisers is cumbersome and potentially confusing</p>
Licensing model	<ul style="list-style-type: none"> • Advisor businesses and sole traders licensed by the FMA • Required to have the right processes to comply with the ethical and competency requirements for the services they supply 	<p>Assists objective 1</p> <p>Preferred to Package 2 where distinction between entity and individual licensing perpetuates current confusion between AFAs and QFEs</p>
Roles of regulatory and industry bodies	<ul style="list-style-type: none"> • Increased role for industry associations • Liaise with the FMA to provide 'best practice' guidance that will meet licensing standards • Help consumers find an adviser. 	<p>Assists both objectives 1 and 2</p> <p>Lead-in time needed to allow industry bodies to develop competency to achieve the expected roles</p>