

31 March 2017

Financial Markets Policy
Building, Resources and Markets
MBIE
PO Box 1473
Wellington 6140

By email to: faareview@mbie.govt.nz

Re: Financial Services Legislation Amendment Bill

QBE Insurance (Australia) Limited is a member of the Insurance Council of New Zealand (ICNZ) and supports its submission on the Financial Services Legislation Amendment Bill. QBE also agrees with the issues with the current regime and the objectives of the Financial Adviser regime review, as set out in MBIE's consultation paper.

Although the policy direction set out in the consultation paper broadly reflects this, some of the detail in the Bill should be considered further, as detailed in ICNZ's submission. QBE would like to expand on ICNZ's points regarding financial advice providers who advise only (or predominantly) wholesale clients:

- Where a financial advice provider has distinct retail and wholesale workforces, or only a handful of retail clients, then the current drafting of the Bill suggests that the licensing requirements would be triggered in relation to a financial advice provider's entire business. For example, competency requirements would appear to apply to all of a licenced entity's advisers, even though only some of them may be involved in advising retail clients.

This will impose unnecessary compliance costs for entities that fall within this categorisation, and may in fact lead to them removing their offerings to retail clients (contrary to the objectives of the review) to ensure they fall outside of the licensing regime. Under the QFE model it has been possible for entities to demarcate their people and processes in this way, and comply with these requirements only in relation to advice and services given to retail clients. We suggest this should also be possible for licensed financial advice providers – which would also act as an incentive for financial advice providers with a predominantly wholesale client base to become licensed. Alternatively unlicensed entities that only provide advice to wholesale clients will be in a situation where, if a wholesale client opts out of the wholesale regime, or a one-off retail client requires advice, then they are left with the choice either to become licensed (a time consuming process) or to no longer provide advice to that client.

QBE strongly supports there being clear obligations on advisers to disclose to consumers details of their sources of remuneration.

QBE supports ICNZ's view that a longer transition time than 6 months will be required to assess the full impact of the change and how this will affect the entity's operations, consult across the business, implement changes required and apply for a transitional licence (if applicable).

As detailed in ICNZ's submission, we agree that some definitions and exclusions could do with further clarity, to ensure that there is certainty and consistency around interpretation and use of terminology, particularly in the general insurance context.

QBE will be more than happy to provide any further assistance or explanation, should you wish to contact us.

REDACTED