

Submission to Consultation Paper-New Financial Advice Regime

I wish to make the following limited submission to the above paper and am hopeful the content will be of some assistance in finalising the final draft.

Firstly, I want to remind those involved that one of the prime reasons for change was to remove consumer confusion and help them obtain good advice. It was felt that consumers did not understand what QFE, AFA or RFA stood for and did not help direct them to the areas of advice they may have been seeking.

How anyone can possibly think that Financial Advice Provider (FAP), Financial Adviser (FA) or Financial Advice Representative (FAR) clarifies the situation for consumers is beyond belief.

As a consumer I would be asking myself where, from the three listed, can I get good advice. Well, believe it or not, only one of the three actually offers advice, a Financial Adviser. The Financial Advice Provider (formally QFE) employs or supervises the other two and does not offer advice.

The Financial Advice Representatives, employed by the Financial Advice Provider, are salespeople who promote and sell the limited products offered by their employer. The only advice they are able to give is limited to the products produced or 'white labelled' by that employer.

In a large number of cases consumers are not made aware of the fact that the some of these "advisers" have to place a major part of their business with the one provider. This can range from 80% - 100% in the case of some insurance company arrangements.

To remove any confusion as to where a consumer can go to get financial advice would be to change two of the proposed titles as follows;

Change:

Financial Advice Provider to **Financial Service Provider**

Financial Advice Representative to **Financial Product Representative**

The change from Financial Advice Provider to Financial Service Provider recognises what in fact they do. They do not offer advice they simply offer services which can be provided by either a Financial Adviser or Financial Product Representative.

If a person gives advice, and is not just trying to fit someone into their product range without advice, they can elect to become a Financial Adviser. This also covers the situation of staff working in banks where currently advice is

provided by in-house AFA's. In future this advice would be provided by Financial Advisers working within the organisation.

I personally feel that if the above changes are not implemented we will, in five years' time, be asking the same question, "How can we reduce consumer confusion and help them obtain good advice?"

Secondly, I agree with the duty to place client's interests first however don't believe this is the correct place for such a requirement. In future all advisers will be required to adhere to the revised Code of Professional Conduct.

Currently Code Standard 1 "Placing client's interest first and acting with integrity" covers this of and I feel this is where it should stay. Therefore any person who is a Financial Adviser and individually licensed will be subject to this standard.

If the requirement is included in regulations I feel it will be impossible for Financial Product Representatives to meet the standard. They have obligations to their employers and in many instances, putting the clients' first could result in them failing to meet KPI's.

I feel, that as long as the consumer understands that the person in front of them is just selling a product, then that is all that matters. We must remove any suggestion that could lead a person to thinking they are being given advice when in fact they are just at the end of a sales chain.

Lastly, the proposed transition arrangements relating to existing AFA's and RFA's needs to be thought out a lot more before any definitive decisions are made. There is an assumption that only AFA's have qualifications that can qualify them for an exemption period. Many RFA's have the Level 5 Certificate of a Graduate Diploma that could also qualify them for an exemption period.

With regards competency assessments, if these are to be restricted to advisers with 10 or more years' experience it will fail to recognise those newer advisers who took the time to gain suitable, relevant qualifications. I suggest this threshold also include advisers with five or more years' experience who have obtained a recognised qualification.

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Individual Submission.