

Summary of Consumer Brochure responses

The consumer brochure provided a simplified version of the Issues Paper with just 16 questions, recognising that many consumers are not likely to respond to a lengthy and technical discussion document. The public could answer the questions through an online questionnaire and 248 responses were received. The consumer brochure was distributed through a number of different channels, including consumer organisations, financial adviser associations and the dispute resolution schemes.

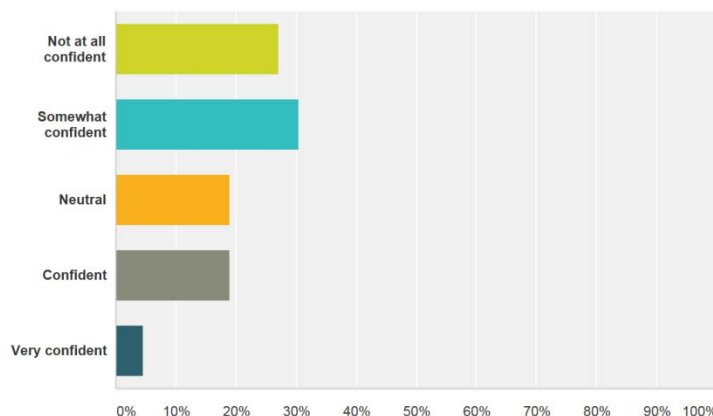
Q1. What role do you think financial advisers play in helping New Zealanders make decisions about their savings, investments and insurance?

Over half of the respondents consider that financial advisers have an important role to play in helping New Zealanders make decisions about their savings, investments, and insurance. Many do not consider consumers have the knowledge to make these decisions themselves, and stressed the importance of having advice that is high quality, independent, qualified, and easy to understand.

Q2. What role should the government play in promoting the quality of financial advice?

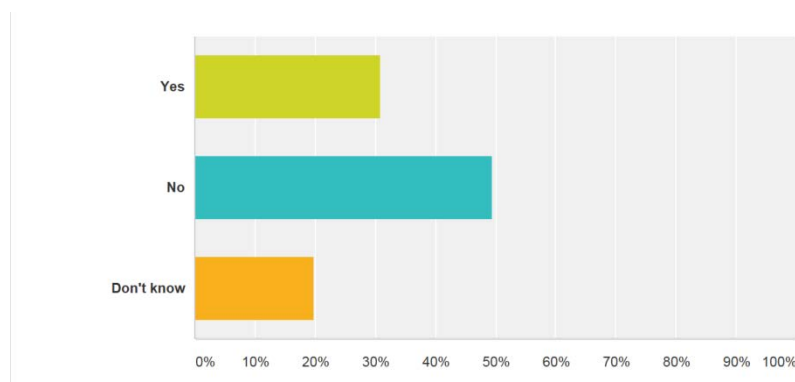
Many respondents consider the regulation and enforcement of financial advisers is a key role for the Government. Improving financial literacy, enhancing transparency and simplicity, improving access to financial advice, and ensuring minimum qualifications and standards were mentioned as possible key roles.

Q3. How much confidence do you have in the professionalism and integrity of financial advisers?



54 per cent of respondents have at least some confidence in the professionalism and integrity of advisers.

Q4. Has this changed since the Financial Advisers Act took effect in 2011?



Almost 50 per cent of respondents said their confidence in the professionalism and integrity of advisers hasn't changed since the Financial Advisers Act took effect in 2011.

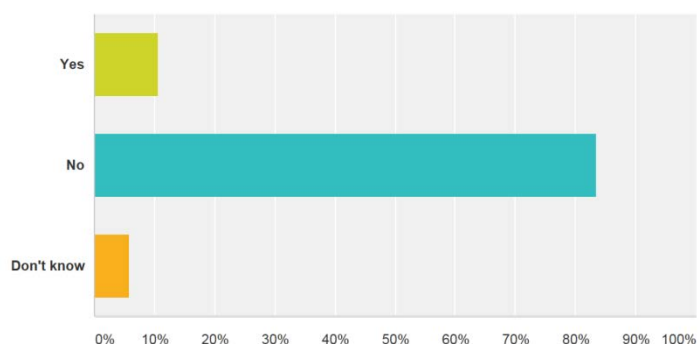
Q5. Do you find the differences between the types of financial adviser easy to understand, and do you think the requirements for each are appropriate? What would you like to see instead?

Overwhelming feedback was that the current regime is overly complicated and should be simplified to make it easier for consumers to understand. The vast majority of respondents said the difference between the types of advisers is difficult to understand and/or the different requirements are inappropriate. Some respondents said the term Registered Financial Adviser suggests the adviser is more qualified than an Authorised Financial Adviser, and/or provides a sense of monitoring or oversight. Others said the designations do not assist consumers in differentiating between advisers or help consumers select the best adviser for their needs.

Some suggested there should be one type of adviser with their specific expertise noted in their title. Another common suggestion was to extend the qualification and conduct requirements of Authorised Financial Advisers to Registered Financial Advisers. A number of respondents think the current regime favours banks and other larger Qualified Financial Entities and said they had struggled to find truly independent advisers.

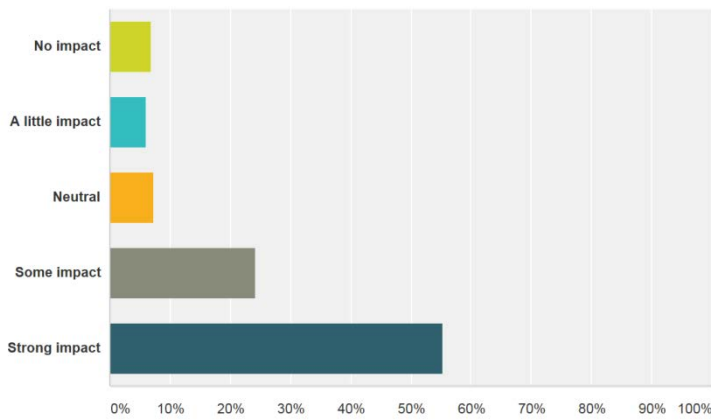
Some respondents noted that it was difficult to get information on which advisers could provide which services and suggested that a register could provide this information.

Q6. Do you think that people who want advice know how to find the right type of adviser for them?



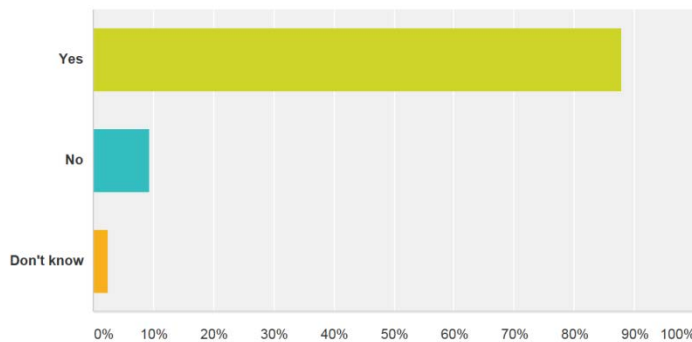
84 per cent of respondents think that people who want advice don't know how to find the right type of adviser for them.

Q7. What impact do commissions and other conflicts of interest have on your level of trust and confidence in financial advisers?



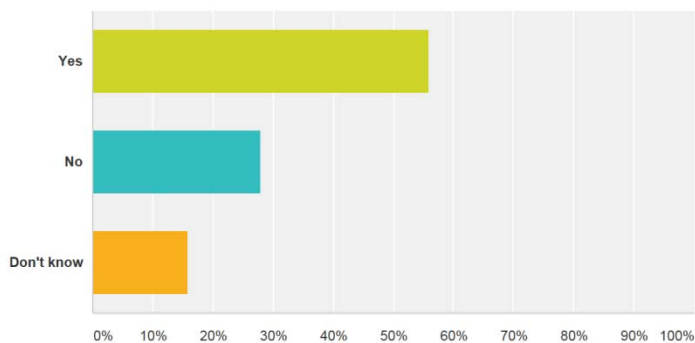
79 per cent of respondents think that commissions and other conflicts have an impact on their level of trust and confidence in financial advisers.

Q8. Do you think disclosure of commission payments is useful?



87 per cent of respondents think that disclosure of commission payments is useful.

Q9. Would you know how to interpret disclosure of commission payments?



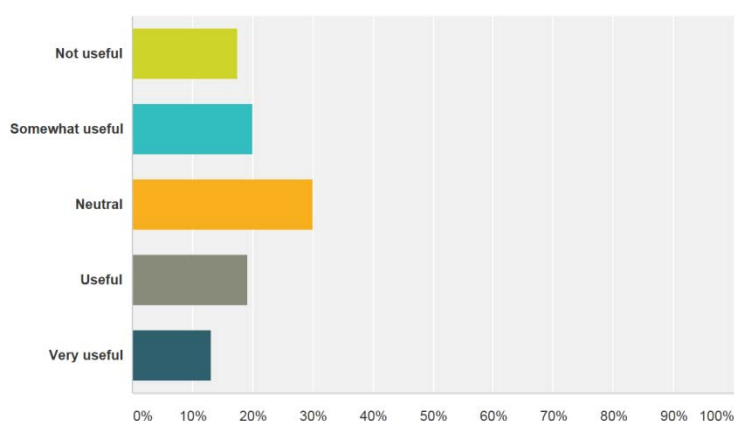
55 per cent of respondents said they would know how to interpret disclosure of commission payments.

Q10. How should financial advice be paid for in future and should any restrictions on commissions be considered?

A large number of respondents said they would prefer for financial advice to be paid for through a fixed fee or an hourly rate rather than a commission. However it was noted that this could deter people with lower levels of funds or first home buyers from seeking advice. Most other respondents said they think commissions are acceptable but should be fully disclosed upfront.

Suggestions for possible restrictions on commissions included a limit on the value or percentage of commission paid or on the length of time advisers receive commissions from annual premiums. Some respondents suggested commission rates be targeted to the income received or capital earned while another suggestion was that commission should only be applicable on particular investment or product types.

Q11. Do you think the Financial Service Providers Register is useful?



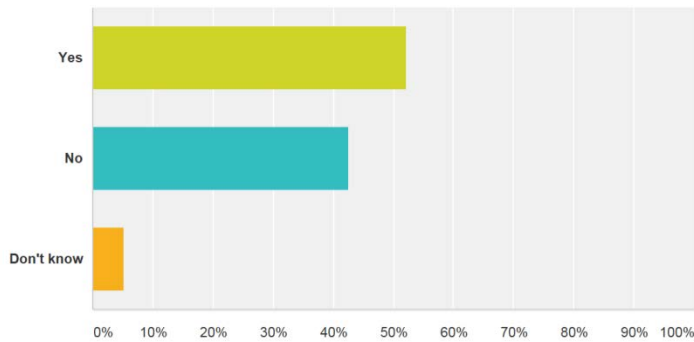
Views on the usefulness of the Financial Service Providers Register were mixed. 32% think it is useful or very useful while 38% think it is somewhat or not useful.

Q12. Do you have any suggestions on how the Financial Service Providers Register could be improved?

A number of respondents do not think the Register is useful in its current form. The most common suggestions for improving the Register itself were clear descriptions as to what each provider does, and the products and services they offer advice on. Suggestions for more detailed information included: employer details, qualifications, how advisers are paid, regions they work in, years of experience (local and overseas), and putting people who are struck off or under investigation in a separate section so these can still be seen (along with information regarding known scams, unscrupulous traders and unregistered or illegitimate trading activities).

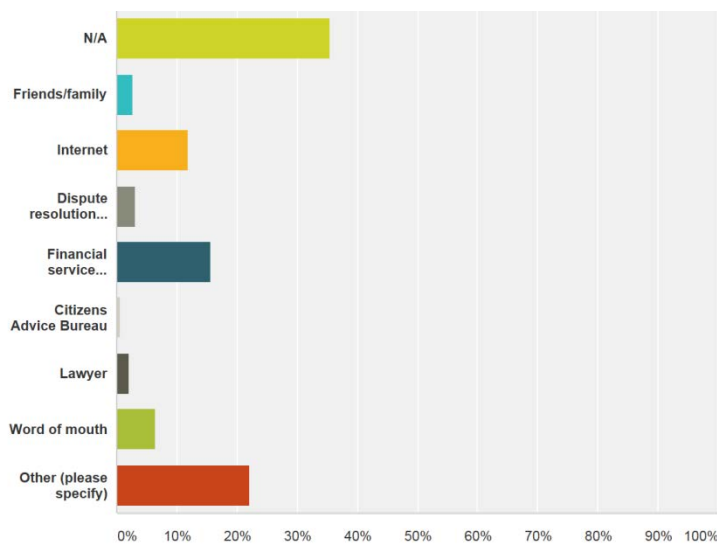
Other suggestions for improving the Register included having strong common standards for registration and greater enforcement for non-compliance to uphold the integrity and reliability of the Register, making it searchable, comparable and interactive, and publicising it more widely if it's seen as a consumer tool.

Q13. Are you aware of the dispute resolution schemes?



51% of respondents are aware of dispute resolution schemes while 42% are not.

Q14. If so, how did you hear about them?

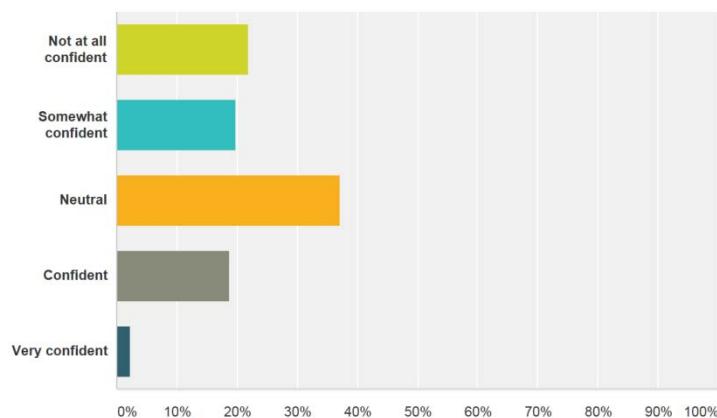


For people who are aware of dispute resolution schemes the most common places to have heard about them are:

- from their Financial Service Provider (FSP) or disclosure statement,
- through the internet or other media, and
- by word of mouth or from friends or family.

Many of those who said 'other' cited working in the financial services industry as how they had heard.

Q15. Does the availability of dispute resolution schemes make you more confident in participating in financial markets?



41% of respondents said the availability of dispute resolution schemes make them at least somewhat more confident in participating in financial markets.

Q16. How could the dispute resolution regime be improved?

While more than half of those surveyed skipped this question, the two main areas where respondents suggested that dispute resolution could be improved were in the speed and fairness of decisions. A number of respondents said there needs to be more publicity around dispute resolution schemes and financial service providers should be required to more openly discuss them, rather than simply disclose them.

Some respondents commented that the schemes are there for a worst case scenario and there needs to be greater attempts to avoid disputes in the first instance. Some suggested that the schemes need to have greater powers while others suggested they need to be truly independent and there should one, potentially Government-run scheme.