

The changing face of financial advice

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Four faces...of advisers



Anxious

Change – change is scary

Licensing / compliance costs

Future

Regulator



Uncertain

Competency requirements

Lack of control

Not been heard



Frustrated

Vertically integrated
businesses

Nominated representatives

Commissions

Burden of regulation



Happy

Transitional licensing will be straight-forward

FMA will engage to minimise burden where we can

Safe harbour for competency

Changes may be the pathway to success



Who's who in the regulatory pen

Roles in developing the new regime

Ministry of Business, Innovation & Employment

- Responsible for the review of the Financial Advisers Act and the Financial Service Providers Act
- Recommended changes to government

Government

- Agreed to make changes recommended by MBIE
- Introduced the Financial Services Legislation Amendment Bill to Parliament

Parliament

- Parliament will consider the Bill and will decide whether it should become law.

Code Working Group/Code Committee

- Appointed by the Minister of Commerce and Consumer Affairs
- Drafts the Code of Conduct which sets minimum standards:
 - Of competence, knowledge, and skills
 - Of ethical behaviour
 - Of conduct and client-care
- Becomes the Code Committee once the Bill becomes law

Ministry of Business, Innovation & Employment

- Recommends Regulations which will set more technical or detailed rules/ obligations/ matters than in the primary legislation, for example:
 - What information must be disclosed by financial advisers to clients
 - Licensing fees

Financial Markets Authority

- Develops the process for licensing
- Provides guidance

Ongoing roles

Dispute Resolution Schemes

- Approved by the Minister of Commerce and Consumer Affairs to resolve disputes and award compensation.

Financial Markets Authority

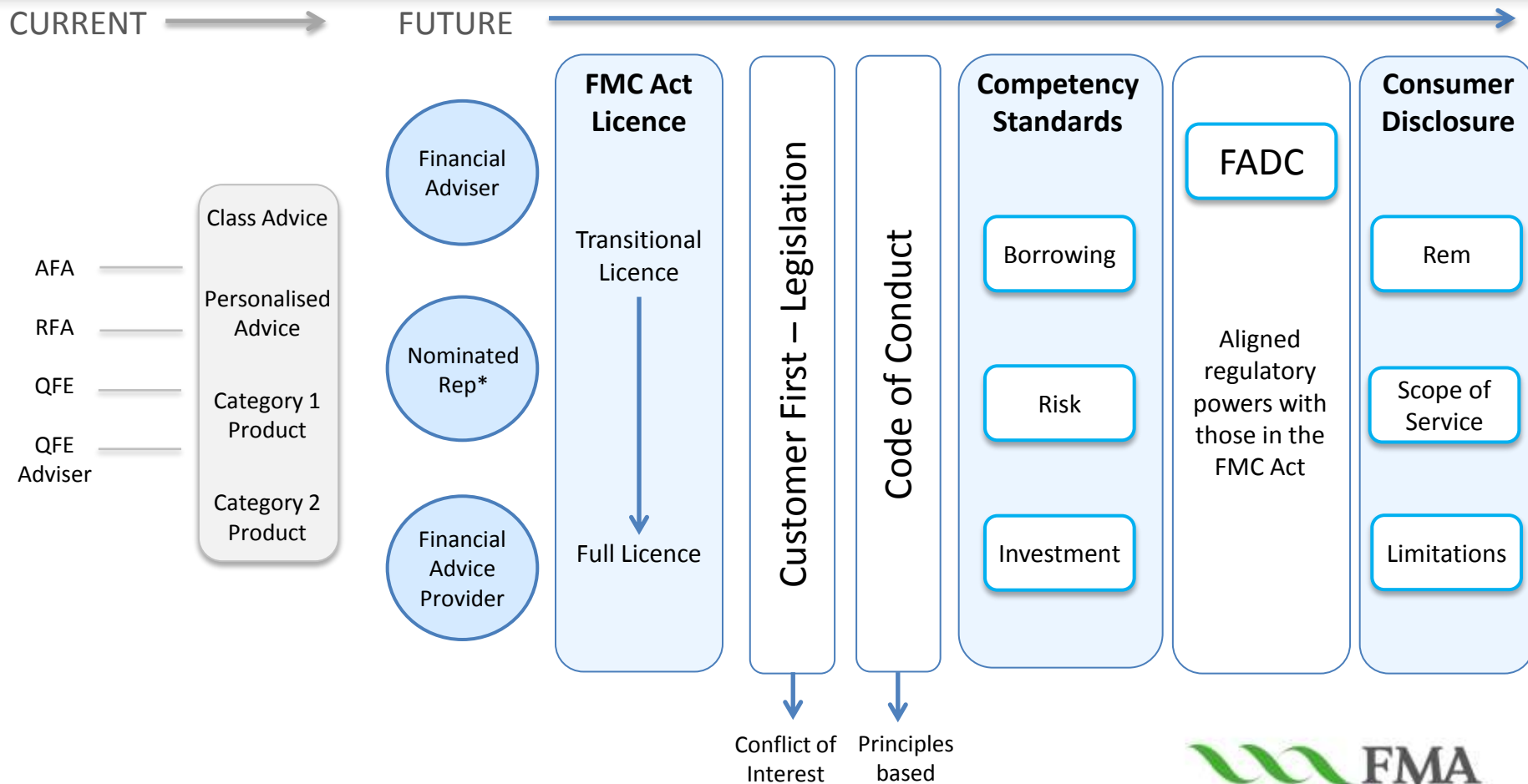
- Licenses financial advice providers.
- Monitors licensed financial advice providers.
- May grant exemptions from the regime, or designate activities as regulated financial advice.

Disciplinary Committee

- Appointed by the Minister of Commerce and Consumer Affairs to hear conduct proceedings referred by FMA against financial advisers.

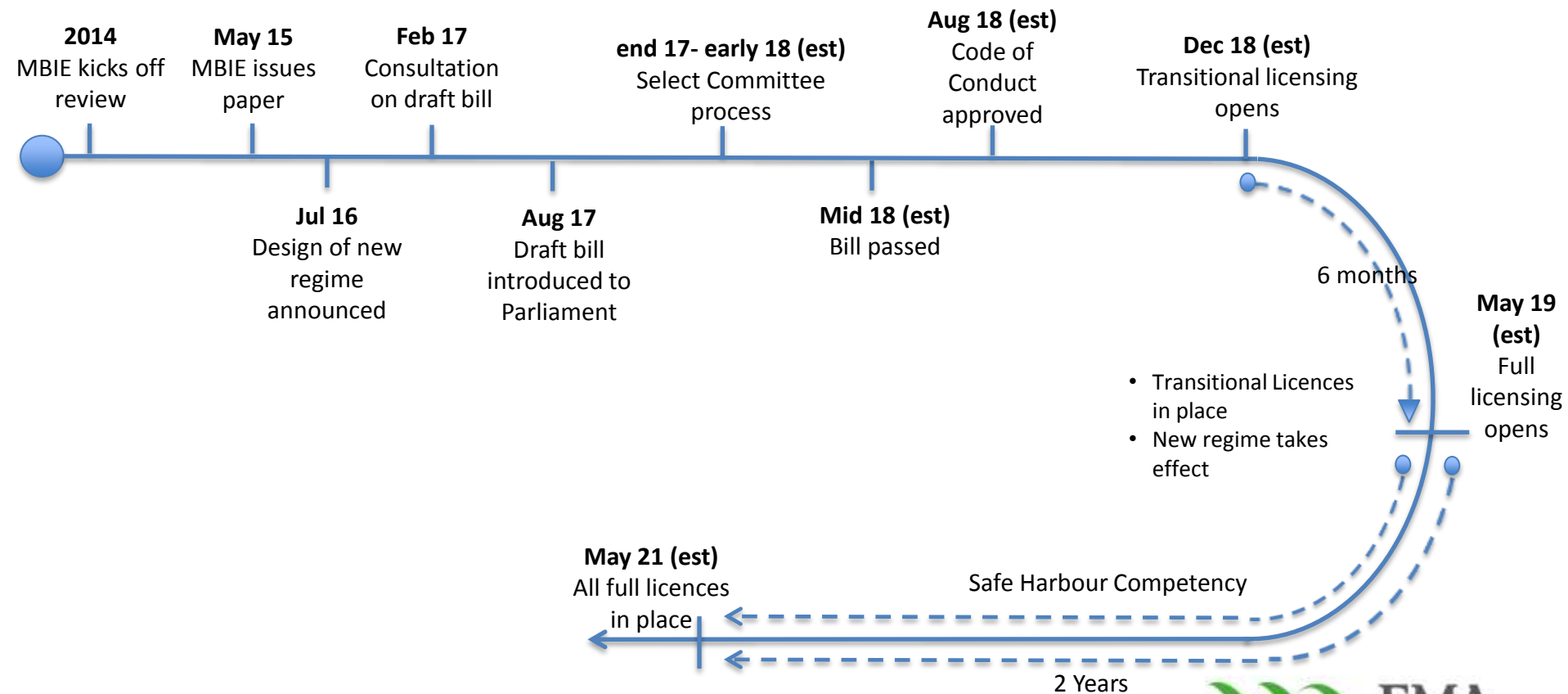
Code Working Group /Code Committee, MBIE and the FMA have roles in monitoring the effects of the legislation, regulations and Code

Ecosystem of Advice

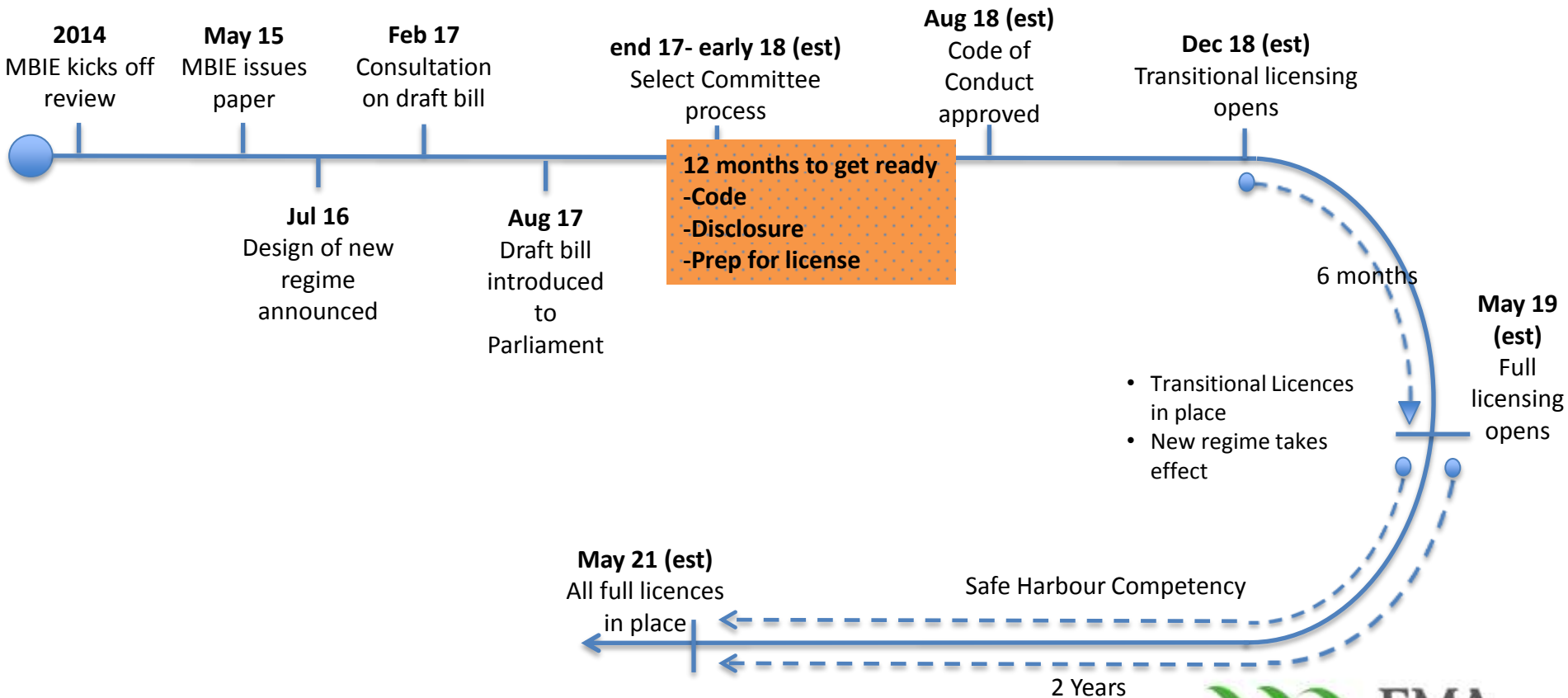


* Only an existing QFE can engage Nominated Representatives through transition

Legislative timelines



Legislative timelines



Getting ready - licensing

Today



AFA's 1,800
RFA's 6,700
QFE Advisers
20,000+



QFE's 57



Future – Transitional licence numbers

A. Financial Advisers



Sole Traders
Small Firms

?000's

B. Financial Advisers
Some Nominated Representatives



Corporate Firms
may allow individual adviser
branding
Smaller no. of NR's
e.g. Aggregators, dealer groups

?00's

C. Nominated Representatives
Some Financial Advisers



Institutions
Branded Advice
Predominantly NR's
e.g. Banks, product providers
(current QFE's)

?0's



?000's

Adviser Competency Framework



What's important to you?



Sole trader

ST



Small firms

SF



Corporate

C



Institution

I

Questions

Advice Discretion

Wide Limited

Scope of Service

Tailored Predefined

Competency & Training

Outsource Insource

Compliance Monitoring

Outsource Insource

Ongoing Cost

Self Shared

Level of Change

Low High

Managing Conflicts of Interest

Self-managed Managed for you

Remuneration

Commission-based Fee for service

Reputational Damage

Self Corporate

ST	SF	C	I
ST	SF	C	I
ST	SF	C	I
ST	SF	C	I
ST	SF	C	I
ST	SF	C	I
ST	SF	C	I
ST	SF	C	I
ST	SF	C	I

What are the key questions you need answered to move forward?

FMA – workshops / events

Indicative:

Feb - March 2018 How to get a transitional licence – workshop

April - June 2018 Consulting on criteria for a full licence

Nov 18 - early 2019 Applying for a transitional licence

April - June 2019 How to get a full licence – workshop

