



Financial Services Council.

Connect



Structuring for the new regime

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You don't have as long as you think

*Although the final implementation date isn't until early 2023,
that is **not** a target date.*

*The FMA can give groups of transitional licensees
different deadlines between early 2021 and early 2023.*

Be ready by early 2021!

Agenda

1. Making a decision
2. Being engaged by another
3. Structures for licensing

1. Making a decision

*Consider the advantages and disadvantages carefully
before you make your decision.*

Your options

By “early 2021”, all financial advisers must be engaged by a financial advice provider with a transitional licence

- Be engaged by an entity with a licence
- Obtain a licence for your business
- Do not give financial advice to “retail clients”
- Exit the financial advice industry

Licensing pros and cons

Licensing advantages

- Control your own systems and processes
- Control contagion risk
- Control strategy and risk
- Enhanced ability to sell the business

Advantages of being engaged

- Limited liability
- Licensee responsible for advice obligations
- Licensee responsible for business compliance
- Licensee pays licensing costs
- Licensee keeps updated as requirements change

Licensing pros and cons

Licensing disadvantages

- Carry full liability for advice and business
- Contagion risk
- Responsible for advice obligations
- Responsible for business compliance
- Pay licensing costs
- Must keep updated as requirements

Disadvantages of being engaged

- Licensee defines systems and processes
- Affected if there is noncompliance elsewhere in the business
- Employment mobility limited to licensed businesses
- Restrictions selling your book

2. Being engaged by another

Do not assume that your financial advice provider will obtain a licence and engage you.

Ensure both parties agree

- Will this business obtain a licence?
- Do you want to be engaged by this business?
- Does this business want to engage you?
- How much will it cost you?
- Who pays FMA levy, DRS membership, PI cover?
- What systems and processes will you use?
- How will the business check that you comply?
- What will change from how you operate today?
- Will your product range be limited?

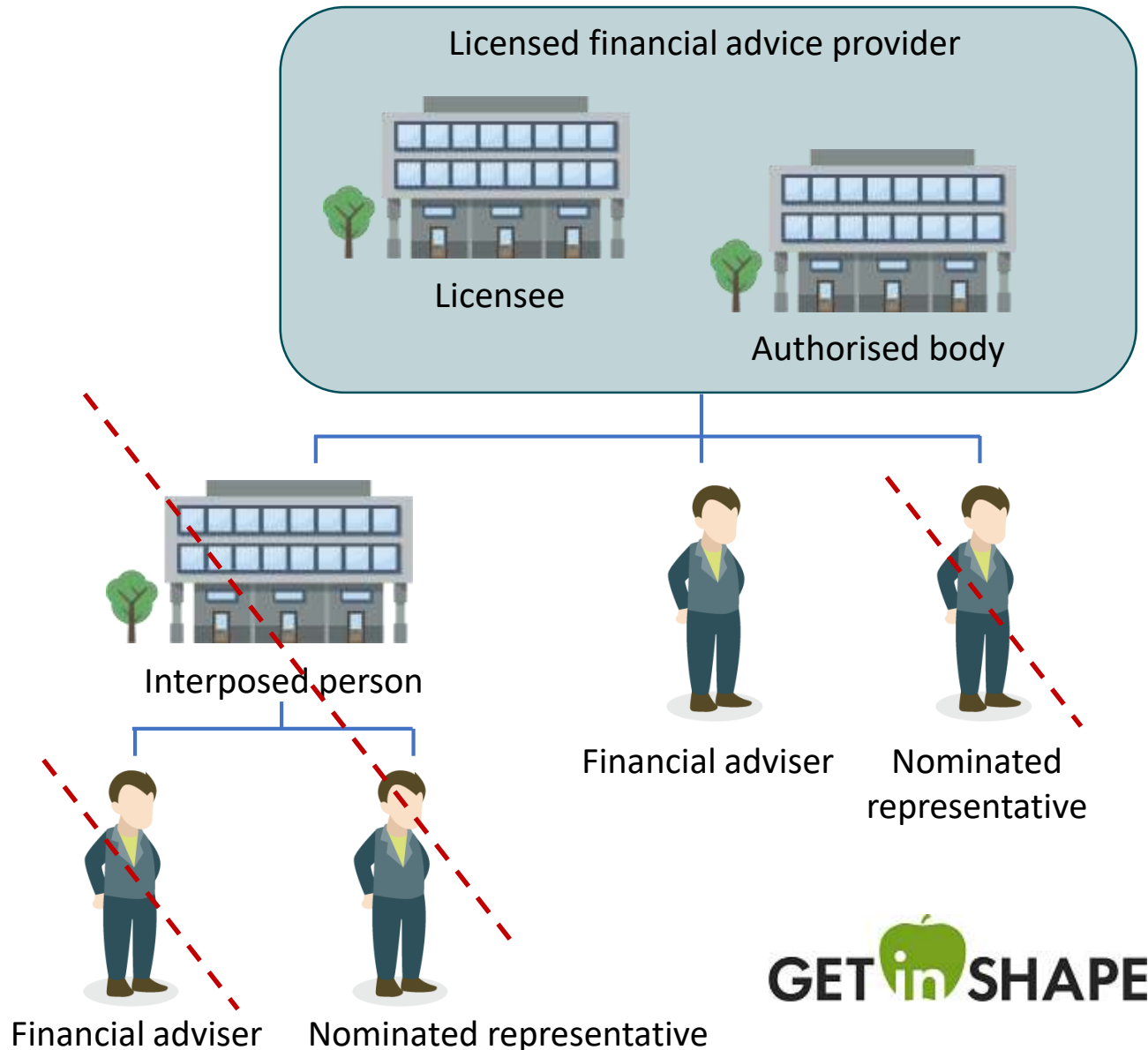
3. Structures for licensing

*The simplest structure for your business is likely to be the best.
Do not structure your business to avoid your obligations!*

What is the legal structure?

The legal construct

- Financial advice provider
- Licensee
- (Authorised bodies)
- Financial advisers
- ~~Interposed persons~~
- ~~Nominated representatives~~
- FSP numbers



What is the business structure?

Sole trader

- One adviser
- No company
- One FSP number
- Important disadvantages



Financial adviser

What is the business structure?

Sole adviser business

- One adviser
- One company
- Two FSP numbers



Company

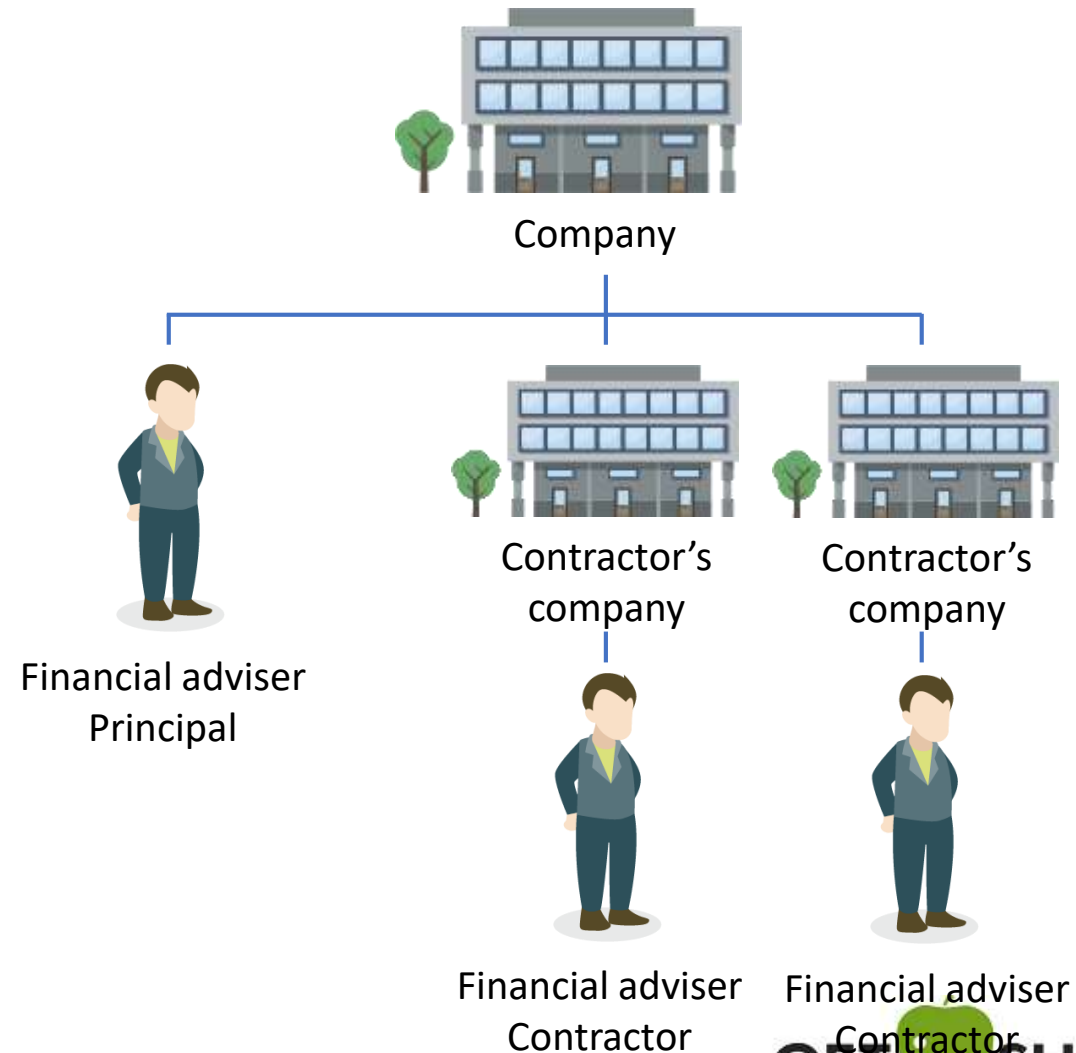


Financial adviser

What is the business structure?

Multi-adviser business

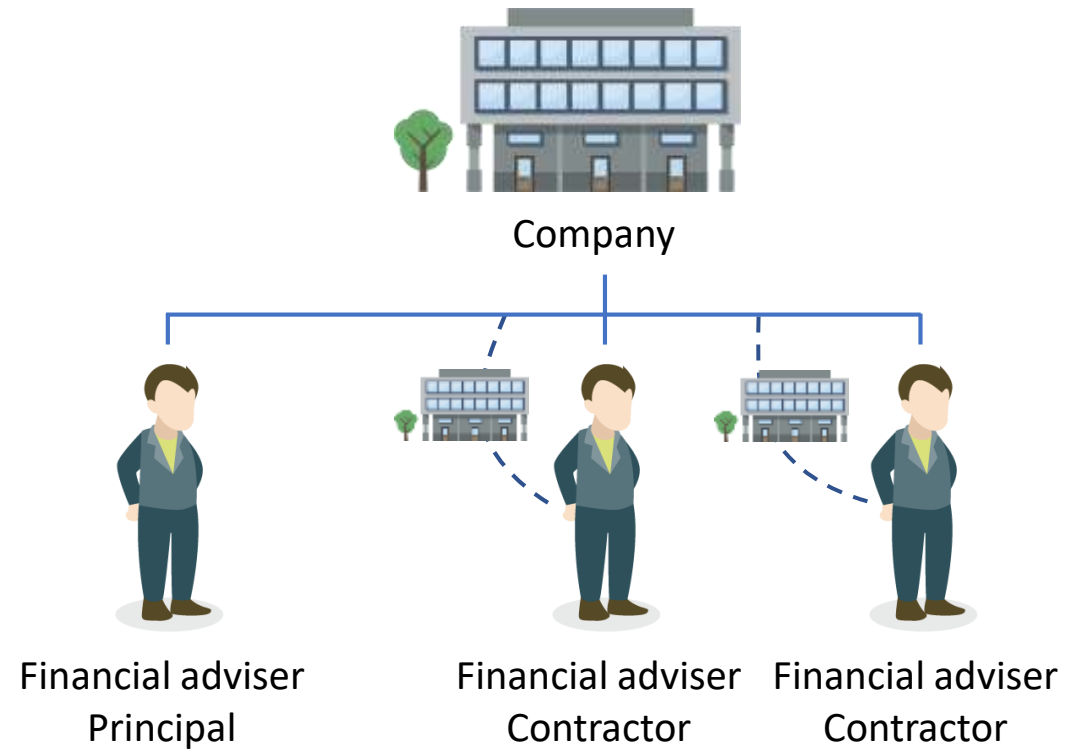
- One (or more) principals
- A core company
- Other advisers can be employees or contractors
- Contractors may have their own companies



What is the business structure?

Multi-adviser business

- Three-way contracts
- One FSP number for the company
- One FSP number per adviser



Summary

1. Consider your options before making a decision
2. Don't assume an entity will engage you – ask and discuss
3. Keep your structure for licensing simple