

member update

WINTER 2018



SHAPING FUTURES 2018



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WELCOME

It has been a busy few months since the last Member Update in Autumn.

There have been lots of high-quality outputs from our committees, including seven submissions to government and regulators, launch of KiwiSaver research, through to confirming the last few high-profile speakers for the Shaping Futures Annual Conference this September.

The hard work of the FSC Code committees has been recognised, with the FSC Board approving the FSC Code of Conduct. This is a major milestone for the industry and for the FSC, and launch is planned for early September. You'll hear more from us on what the Code means for you, and how we will support you through implementation, over the coming weeks.

The 'Advice at the Crossroads' event last month was very well received, and we are continuing to grow and shape the regulatory agenda with our advocacy work both via submissions and at Select Committees.

The FSC sent out requests for membership fees a few weeks ago and we encourage members to finalise their payment as soon as possible.

Finally, we have lots on the agenda in the coming quarter, so thank you for the continued work and effort that each of you put into growing the FSC and amplifying the voice of the industry.



Rob Flannagan
Chairman



Richard Klipin
CEO

POLICY AND ADVOCACY

FSC Committees are involved in increasing policy and advocacy activities to support the delivery of strong and sustainable customer outcomes. All submitted papers are available on the FSC website, and we share a summary here.



Insurance Contracts Law Reform

- This is an area of work that will become significant as the Financial Sector Assessment Programme/International Monetary Fund/Royal Commission agenda influences what is likely to be a significant change to law as well as the supervisory/conduct oversight of the industry.
- The Ministry of Business, Innovation and Employment consultation is now open, the Issues Paper has 53 questions and responses are due 13 July. The FSC Regulation Committee has formed a working group and drafted the FSC submission.

Taxation – UK Retirement Savings

- The FSC Tax Advisory Group are developing an approach to this Inland Revenue consultation, which is due to be submitted on 1 August. This response follows the FSC submission to the Tax Working Group's consultation on the Future of Tax in April which focussed on retirement savings recommendations.

Code of Professional Conduct for financial advice sector

- The FSC supported the intent of the consultation in April and made eight recommendations including 'aiming for good advice' experience rather than advice outcomes and 'further consultation' on competency requirements.

Disclosure requirements in the new financial advice regime

- The FSC submitted a response in May. We agreed with the objectives and supported the principles-based approach. We offered to support the MBIE in scenario testing and to work with them for the best solution on how commissions should be calculated for consumers.

Proposed exemption to enable dual-language product disclosure statements

- The FSC submitted a response on May supporting the proposed exemption together with the requirement of certification by a qualified translator.

GST – Unit Trust Management Fees

- The FSC submitted a response to the Inland Revenue in May after a direct request for further information supporting either the 10% or exempt options. We responded with a preference for the status quo of 10%.

Including an annual declaration of compliance in regulatory returns and updating the standard regulatory returns condition

- Due to a wide range of member views, the FSC submitted a selection of views and opinions for further discussion.

POLITICAL AND REGULATOR ENGAGEMENT

Over the quarter we have represented the industry at a number of Select Committees. The FSC and its members are increasingly recognised as positive contributors, which is enabling us to shape the regulatory agenda in a number of key areas and achieving strong outcomes for the industry.

KiwiFund Bill

- Following our submission in April, Co-Chair of our Investment Committee, Ana-Marie Lockyer and Richard Klipin were invited to attend the Economic Development, Science and Innovation Committee Select Committee on the KiwiFund Bill.
- The committee were very engaged and wanted to hear industry views in more detail. The discussions were robust, and the Select Committee recognised the harm a government guaranteed scheme might bring.

Privacy Bill

- Together with Naomi Ballantyne, Co-Chair of the Regulation Committee, Haydee Stroud represented the sector at the Justice Select Committee on the Privacy Bill following our submission in May. Again, we saw excellent engagement with the politicians who sought to better understand the wide range of issues we highlighted. We were successful in the officials noting more work is needed on the definition of 'harm'.

Financial Services Legislation

- Nadine Tereora, Co-Chair of the Regulation Committee and Richard Klipin attended the Economic Development, Science and Innovation Committee Select Committee on Financial Services Legislation, who again took on board our detailed comments on their proposals, following our submission in April.

Taxation (neutralising base erosion and profit sharing) Bill

- Matthew Hanley, co-chair of the Tax Advisory Group presented at the Tax Select Committee in March. The committee asked questions and we were successful in getting a one-year delay in the proposed rules applying to existing life reinsurance contracts.

Remember the FSC Regulatory Outlook, which provides a view of past, current and future consultations, is available to members on request.



FSC IN THE NEWS

We continue to attract media requests and attention on our key topics and have issued a number of press releases this quarter. Recently we have commented on KiwiSaver, regulation, transparency and disclosure. All press releases are available on the FSC website.

KIWISAVER



'Force us to save more, Kiwi millennials tell Government' NZ Herald – 01/07/2018

It's clear that millennials are going to be generation KiwiSaver. Owning a house and relying on New Zealand Superannuation are options younger New Zealanders simply aren't counting on," said the FSC.

https://www.nzherald.co.nz/personal-finance/news/article.cfm?c_id=12&objectid=12079473



'Outliving income damaging Kiwis'

New Zealand Herald – 29/06/2018

Not so, says Hawkesby, quoting New Zealand Financial Services Council (FSC), research of over 2200 people from late last year...

https://www.nzherald.co.nz/harbour-asset-management/news/article.cfm?c_id=1504525&objectid=12078119



'Generation KiwiSaver: Retirement reimagined'

Radio New Zealand – 30/06/2018

FSC chief executive Richard Klipin said young people also believed they would need more money during retirement than current...

<https://www.radionz.co.nz/news/national/360812/generation-kiwisaver-retirement-reimagined>



'Financial Services Council: KiwiSaver changes welcomed'

Voxy – 02/07/2018

The Government is to be commended for progressing them and although there is more work to do, they are a great start' said the FSC.

<http://www.voxy.co.nz/politics/5/315128>



'Home ownership out of sight: Young Kiwis' Otago Daily Times – 29/06/2018

Nearly half of young Kiwis believe they won't own a home by the time they retire, and most want the Government to force them to save more during their working life, research shows.

<https://www.odt.co.nz/business/property/home-ownership-out-sight-young-kiwis>

'Research delivers a wake-up call for Generation KiwiSaver'

Voxy – 29/06/2018

<http://www.voxy.co.nz/national/5/314898>

FSC IN THE NEWS

KIWISAVER



'When I'm 64: Making your investments last'

Noted (satire) – 25/06/2018

Research from the Financial Services Council (FSC) suggests that nearly all older New Zealanders have only NZ Super to live on by 10 years...

<https://www.noted.co.nz/money/investment/when-i-m-64-making-your-investments-last/>



'Millennials plan to rely on KiwiSaver, not home ownership or super in...'

TVNZ – 30/06/2018

The Financial Services Council asked more than 2000 people between the ages of 18 and 35 about how they would fund their retirement, what...

<https://www.tvnz.co.nz/one-news/new-zealand/millennials-plan-rely-kiwisaver-not-home-owner-ship-super-in-retirement-survey>



'Home ownership out of sight, say nearly half of young Kiwis'

Newstalk ZB – 29/06/2018

A survey of 18- to 34-year-olds has revealed that just 54 per cent expect to own their own home by retirement, while only 30 per cent believe they will still get the Government pension - New Zealand Superannuation.

<http://www.newstalkzb.co.nz/news/business/home-ownership-out-of-sight-say-nearly-half-of-young-kiwis/>

INSURANCE



'Insurance brokers to lose employee incentives'

Newstalk ZB – 29/06/2018

Richard Klipin, chief executive of the Financial Services Council, talked with Larry Williams about how this move will...

<http://www.newstalkzb.co.nz/on-air/larry-williams-drive/audio/richard-klipin-insurance-brokers-to-lose-employee-incentives/>

TAX



'Tax Working Group warned off lowering company tax'

Stuff.co.nz – 02/07/2018

Age Concern, Consumer NZ, the Financial Services Council and the Taxpayers' Union lobby group argued for the change in their 'Fair Tax for...

<https://www.stuff.co.nz/business/industries/105185282/tax-working-group-warned-off-lowering-company-tax>

INDUSTRY BEST PRACTICE

We have secured the who's who of political and industry presenters, speakers and specialists for this year's two-day national conference.

Kicking off day one, New Zealand's Minister for Finance, the Hon Grant Roberson, is taking to the main platform followed by Rob Everett, CEO of the Financial Markets Authority (FMA). We are also hosting an exclusive lunchtime roundtable with FMA senior leaders John Botica, the Director of Market Engagement and Liam Mason, the Director of Regulation, discussing regulatory change in New Zealand.

Day two starts with the views of Amy Adams, the Spokesperson for Finance from the National Party, on New Zealand's place in the world. We are also welcoming Adrian Orr, Governor of the Reserve Bank of New Zealand.

As we get closer to the conference, early bird discounts finished at the end of June and the registrations are looking very healthy in comparison to last year.



The Conference Committee launched the FSC 2018 award nominations in June. The awards will be presented at the 007-themed Gala Dinner on 6 September, which will be attended by our special guest, the Hon Kris Faafoi, Minister of Commerce and Consumer Affairs.

The award categories are:

Rising Star Award



Innovation Award



Shaping the Future Award



Diversity Award



The FSC/WSNZ conference is fast becoming the national conference in the sector, showcasing our work, members and the industry by creating stimulating and lively debate.

NOMINATE SOMEONE TODAY...

Find out more, register, and nominate a colleague for an award at;

www.shapingfutures.co.nz

SHARING INSIGHT AND KNOWLEDGE

One of the roles of the FSC is to share insight and industry knowledge. Richard Klipin often supports members and the industry by giving presentations to support this activity and engage with the wider financial services community. Presentations this period included:

COMMISSION FOR FINANCIAL CAPABILITY (CFFC) SUMMIT

This two day event hosted by the CFFC was well received with a full house. Building financial literacy was, and is, the key focus. The KiwiSaver 2.0 panel discussion was a good look at the key issues facing the KiwiSaver system and the best ways to improve it.

The Government has recently made announcements to improve the system which is excellent news.

SOVEREIGN ADVISER SUMMIT AND ANZ ADVISER CONFERENCE

These are key events for our members and with all the regulatory change in the market the FSC is sharing our work, agenda and responses across the market place. The key issue for all of us is that as we move through so much change that we continue to inform, educate and engage across the whole market place.

These events are important opportunities to share the work of the FSC but also to get feedback from across the market place.



COMMUNITY OF PROFESSIONALS



The work of the FSC Committees continues to grow, and with 16 committees and working groups meeting regularly, our advocacy activities are becoming more and more influential.

Across the FSC committees, we have:

- Delivered seven separate submissions over the quarter, on topics ranging from the Future of Tax to Disclosure
- Met with the Financial Markets Authority (FMA) on the FSC Code of Conduct (FSC Code Steering Committee). The FMA were very complimentary of the work achieved
- Developed our approach to enhancing the statistics we gather which will enable us to show how the industry is contributing to New Zealand society (Life Insurance and Distribution Committee)

INSIGHT AND NETWORKING EVENT

FSC and Workplace Savings NZ Committee members enjoyed the chance to share insights, learnings and celebrate the outcomes of their hard work at the event on 30 May 2018.

Big thanks to our speakers for sharing their learnings and thoughts with the audience – Mark Banicevich, Sharon Mackay, Kristy Redfern, Peter Kenny and Laura Abba.

The event showed the diversity and desire to make a difference of FSC committee members. Remember to get in touch with us if you want to join any FSC committees.



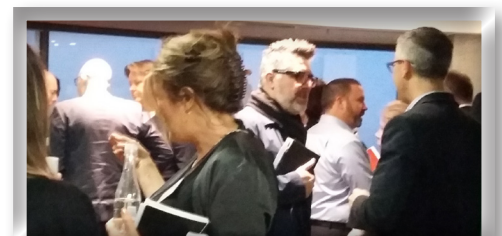
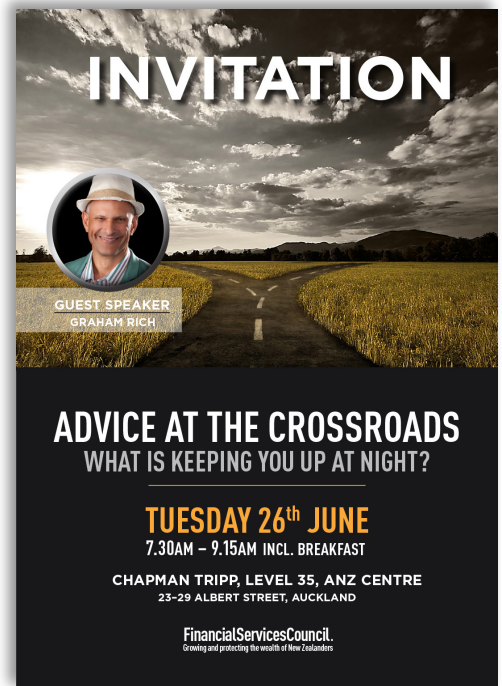
INDUSTRY LEADERSHIP AND INSIGHTS

ADVICE AT THE CROSSROADS BREAKFAST

With over 90 attendees, the 'Advice at the Crossroads' breakfast event on 26 June, developed by the Distribution Committee, provided excellent debate both with the panel and those attending. Led by guest speaker Graham Rich, the programme explored global trends in advice, service and consumers and look at what this means in New Zealand.

Along with Graham, we would like to thank panellists Katrina Shanks (Financial Advice New Zealand), Russell Hutchinson (Chatswood Consulting) and Rebecca Sellers (Melior Law) for driving such an excellent debate in the session.

During the event, Graham said "...we really should be getting more groups like this together regularly to create debate on these and other issues affecting the sector...", something that the FSC is keen to develop in the future, so let us know if there are any topics or areas you would like us to include at future events.



INDUSTRY LEADERSHIP AND INSIGHTS



GENERATION KIWISAVER RESEARCH



The third instalment of 'Generation KiwiSaver' was released in June. The research, led by the Strategic Research Committee and conducted on behalf of the FSC by Horizon Research, focused on New Zealanders aged 18- 34 and their attitudes towards retirement planning. It examined what they expected in their retirement, how this would be funded, and their confidence towards future planning.

This is the final piece of research in the series, complementing the first and the second, 'Growing the KiwiSaver Pie' and 'Great Expectations – Retirement Realities for Older New Zealanders'. The research is available on the FSC website.

Here are some of the comments to come out of the paper:

"So much uncertainty because the future is so far off and I don't even know what sort of job I'll have, if I actually get one and am able to pay off student loans quick enough to start saving in time." (Female, 18-24 years, Auckland)



"I'm 33 now; I expect by the time I can get the super it will be 70+. That's the age I'm working on." (Male, 25-34 years, Wellington City)

"To be honest it isn't something I have thought a hell of a lot about. All I know is that I'm 21 and in two and a half years my KiwiSaver account has \$10,000 which I think is decent and then if I add to that any investments I have made I think I should be alright by the time I retire but to be completely honest I actually have no idea." (Female, 18-24 years, Auckland)



INDUSTRY LEADERSHIP AND INSIGHTS



CYBER FRAUD

The results of the Cyber and Fraud Committee's research into understanding the challenges faced by FSC members are in.

Around 90% of respondents felt they had access to expertise to help manage cyber and fraud risks, although two thirds felt they also needed baseline guidance and information. The majority said that they had the right procedures in place to identify, escalate and report breaches.

Over 75% responded their business was mature when considering/managing cyber risks, with access to insight from a global perspective, whereas the remainder only felt their business was mature in the domestic environment.

Protection of systems and data were the key areas of threat seen by the sector, along with phishing attacks. The need for increasing awareness, training, lessons learnt and knowledge sharing were all highlighted as the key areas the FSC committee should focus on.

The feedback will be used to develop the work of the committee over the coming year, and the committee members would like to thank everyone that responded.

DEVELOPING THE FSC



TEAM UPDATE

We have been going through the process of recruiting two new FSC team members this quarter. The Communication and Marketing Manager role is designed to develop and build on our communications and marketing activities. The successful candidate will work closely with members to develop a programme that will enhance our activities and amplify our voice within the sector, regulators and consumers.

The Executive Assistant role is designed to support our members and the FSC team with a variety of activities, being responsible for meeting logistics, governance support, and office administration.

Look out for an announcement to welcome the new team members in your inbox soon!

NEW MEMBERS

We are very pleased to have welcomed two new members this quarter – BNP Paribas and Momentum Life.

Head of BNP Paribas Securities Services New Zealand, Doug Cameron, said 'we are delighted to join the FSC. We see it making a difference to the industry and we feel that now is the right time to be part of the conversation.'

Chief Actuary of Momentum Life, Chris Marston-Fergusson, said 'joining the FSC shows that we are committed to making a difference in the New Zealand industry. We look forward to working with other FSC members during a time of continuing industry change.'

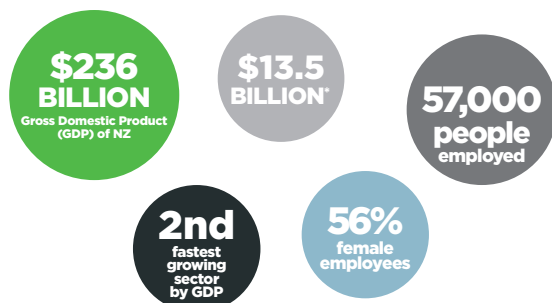


BNP PARIBAS
SECURITIES SERVICES

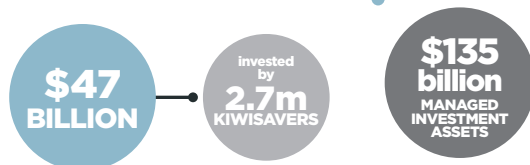
Momentum
Life®

KEY FACTS

FINANCIAL SERVICES INDUSTRY CONTRIBUTION TO NEW ZEALAND



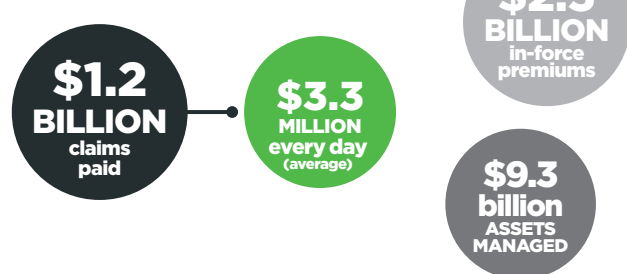
GROWING WEALTH: THE INVESTMENT INDUSTRY



* Financial and insurance services GDP.

Sources: Stats NZ, LEED, FSC Statistics, RBNZ, Morningstar, FMA.

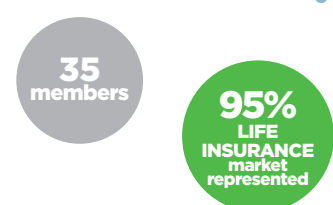
PROTECTING WEALTH: THE LIFE INSURANCE INDUSTRY



DISTRIBUTION AND ADVICE



THE FINANCIAL SERVICES COUNCIL



Thanks for reading the winter newsletter. We're always interested in your feedback. Please contact us on **09 985 5762** or fsc@fsc.org.nz with your thoughts and opinions.

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www.fsc.org.nz

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Financial Services Council of New Zealand Level 33, 23-29 Albert Street, Auckland, 1010
(09) 985 5762 • fsc@fsc.org.nz • www.fsc.org.nz

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