



This is the fifteenth message from the Financial Services Council about future changes coming to financial advice regulation. The FSC's goal is to highlight key things you need to know about the Financial Services Legislation Amendment Act (FSLAA), its regulations and the Code of Conduct for Financial Advice. For more information, visit [navigatingregulation.co.nz](http://navigatingregulation.co.nz)

Draft disclosure regulations Exposure Draft and discussion paper are out – have your say!

The Ministry of Business, Innovation and Employment released [draft disclosure regulations](#) on 10 October. You have until 8 November to submit opinions and corrections. **We encourage you to have your say.**

<b>Purpose of consultation</b>	<ul style="list-style-type: none"> <li>• Are the proposed regulations workable in practice?</li> <li>• Do the regulations effectively implement Cabinet’s decisions?</li> <li>• Are there gaps, errors, or anything unclear?</li> </ul>
<b>About the Exposure Draft</b>	<ul style="list-style-type: none"> <li>• 19 pages</li> <li>• Easy to read</li> <li>• Clear subheadings to navigate content</li> </ul>
<b>Key changes to be aware of</b>	<p>Proposed amendments to the Financial Markets Conduct Regulations 2014 include:</p> <ol style="list-style-type: none"> <li>1. a new clause 192A requiring financial advice providers to keep records;</li> <li>2. new clauses 229A to 229H describing the disclosure requirements broadly; and</li> <li>3. a new schedule 21A describing the detail of what must be disclosed at each specified event.</li> </ol>
<b>Key elements of the draft disclosure regulations</b>	<p>Proposed amendments to the Financial Markets Conduct Regulations 2014 would mean four stages of disclosure would apply to anyone giving financial advice:</p> <ol style="list-style-type: none"> <li>1. publicly, such as on your website;</li> <li>2. when you know the nature and scope of advice, such as in your scope of engagement document;</li> <li>3. when you give financial advice, such as in your statement of advice document; and</li> <li>4. when (if) you receive a complaint.</li> </ol> <p>Other general requirements would apply, too (e.g. keeping records of disclosures given and ensuring disclosures are clear and concise).</p>
<b>Commencement</b>	<p>The new financial advice regime commences in June 2020. This consultation asks providers to consider the requirements and whether they think transitional provisions may be required (refer paragraph 23 of the discussion paper).</p>

A summary of the changes

To read a summary of our latest knowledge about the regime, refer to the [Financial Services Council Advice Hub](#) or read the [draft disclosure regulations on the MBIE website](#).

Frequently asked questions

*Will I have to disclose commission in dollars or as a percentage?*

You will have to disclose the amount or value (or how it would be determined). You will need to disclose the commission that is paid to you-as the financial adviser, the FAP or another person connected with the giving of the advice if it is likely to influence the advice given by the adviser. Refer to Schedule 21A clause 2(3).

*Will there be a prescribed summary disclosure document?*

No, there is no specified format for disclosure, except that it must be available to customers in writing, and it must be clear, concise and effective. See regulation 229G in the [draft regulations](#).

*Will it be possible to disclose verbally? Will there be additional requirements if disclosure is verbal or online?*

Yes, it is possible to disclose verbally. The financial advice provider must provide a hard copy or electronic copy if the client requests one.

*Will there be additional disclosure requirements for replacement business, e.g. the risks of replacement?*

The draft regulations do not specify additional disclosure requirements for replacement business (but these may be necessary to meet the requirements of the Code of Conduct).

*Will there be reduced requirements when disclosing to existing clients?*

Yes. If the client received the relevant information within the last 12 months, it does not need to be provided again unless the client requests it (regulations 229D(7) and 229E(5) in the [draft regulations](#)). However, the client must be informed of any material changes.

*Should wholesale clients be informed of their ability to opt-out, and be treated as retail clients?*

The [draft regulations](#) apply to financial advice given to retail clients. They do not include financial advice given to wholesale clients.

### Further details

For more information see the disclosure regulations on the [MBIE website](#). Please feel free to email any questions about the Code, FSLAA or this message to [fsc@fsc.org.nz](mailto:fsc@fsc.org.nz).

The FSC Navigating Regulation Hub is [available here](#) where you can find up to date information about FSLAA, including video from the Navigating Regulation Advice Summits held in February 2019.