

NAVIGATING REGULATION

2019



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 **FMA**
FINANCIAL MARKETS AUTHORITY
TE MANA TATAI HOKOHOKO - NEW ZEALAND

 **MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

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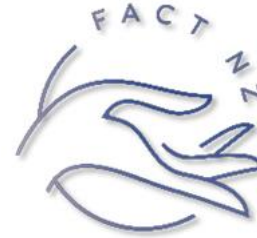
WELCOME TO NAVIGATING REGULATION

RICHARD KLIPIN
CEO, FINANCIAL SERVICES COUNCIL

MARKETPLACE STALLHOLDERS

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FidelityLife



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Open Polytechnic
KURATINI TUWHERA

JUNO
WE SIMPLIFY INVESTING



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A VIEW FROM GOVERNMENT

MINISTER KRIS FAAFOI



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A BRIEF HISTORY OF (REGULATORY) TIME

RICHARD KLIPIN

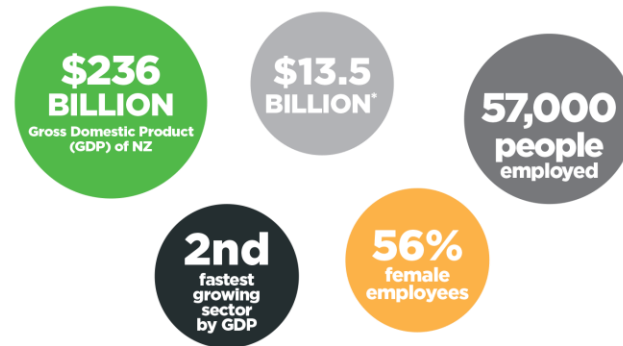
THE FINANCIAL SERVICES INDUSTRY IN NZ

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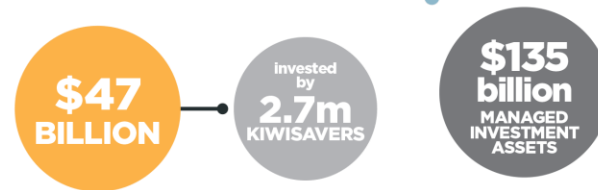
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FINANCIAL SERVICES INDUSTRY CONTRIBUTION TO NEW ZEALAND

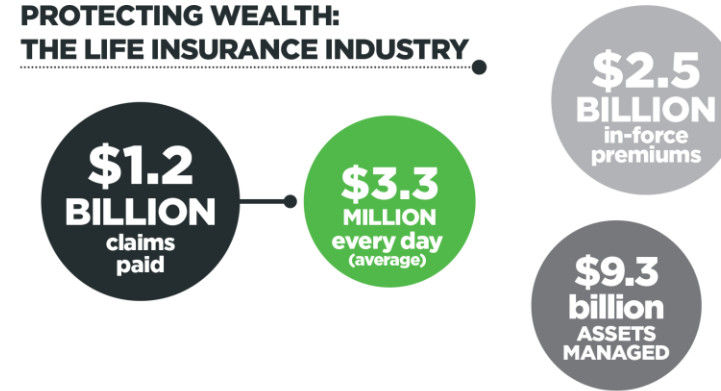


GROWING WEALTH: THE INVESTMENT INDUSTRY



* Financial and insurance services GDP.

PROTECTING WEALTH: THE LIFE INSURANCE INDUSTRY



DISTRIBUTION AND ADVICE



THE FINANCIAL SERVICES COUNCIL



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

THE GLOBAL FINANCIAL CRISIS



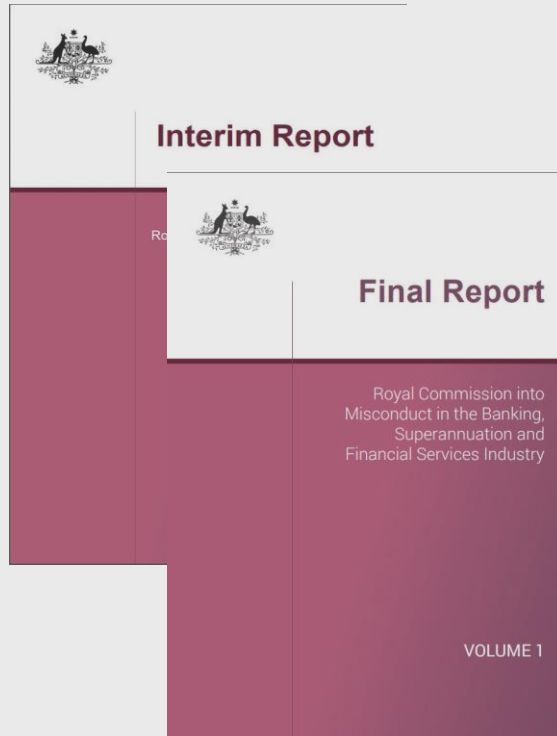
- In 2008, the world experienced the largest economic shock it had seen in decades.
- As Governments bailed-out financial institutions across the globe, focus turned to prudential regulation and conduct and culture risk.
- This work has continued over the past decade to drive down risk and better outcomes for consumers.

HOW NEW ZEALAND REACTED



- The 2008 crisis prompted Amendments to the Prudential Regulations.
- The 2008 Financial Advice Act (FAA) was introduced to promote the sound and efficient delivery of financial adviser and broking services.
- In 2013 the Financial Markets Conduct Act (FMCA) was introduced to promote confidence in the New Zealand's financial markets.

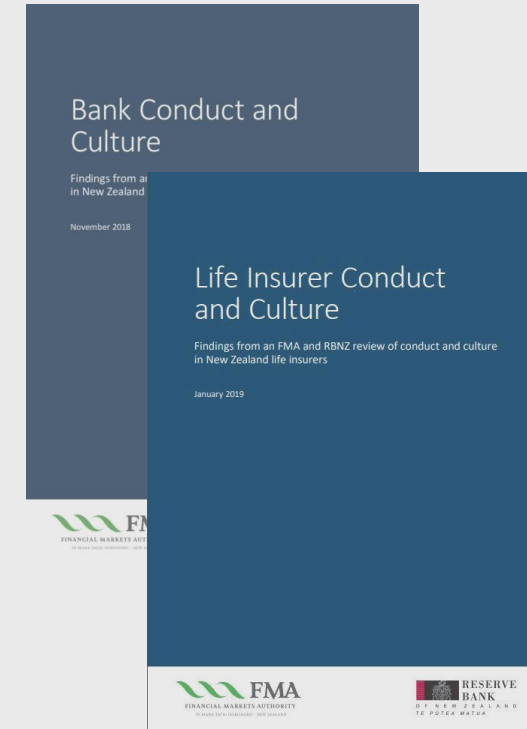
CONDUCT AND CULTURE 2016 -2019



AUSTRALIAN ROYAL
COMMISSION

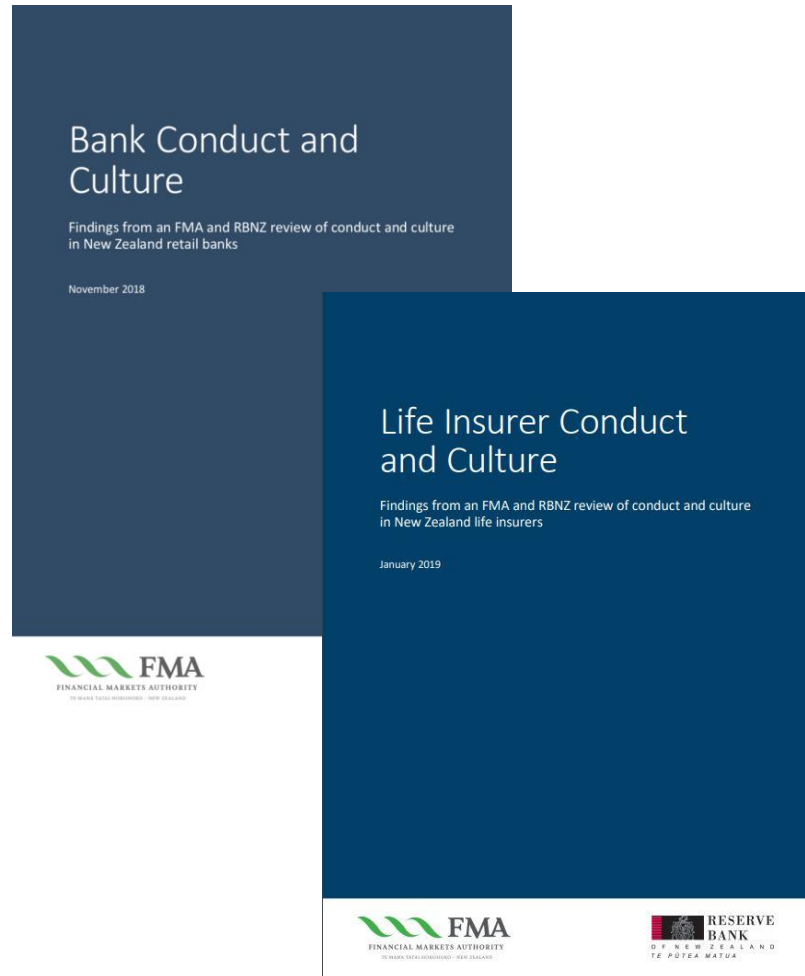


THEMATIC REPORTS



CONDUCT AND
CULTURE

FMA AND RBNZ REPORTS



The Financial Markets Authority and Reserve Bank of New Zealand have completed their [joint review into the conduct and culture of 11 New Zealand banks](#). The review is the first of its kind in New Zealand.

The Financial Markets Authority and Reserve Bank of New Zealand have completed their [joint review into the conduct and culture of 16 New Zealand Life Insurers in January](#). The review followed on from the Bank Conduct and Culture report in 2018.

DRIVING EVEN BETTER CONSUMER OUTCOMES



Legislative and Regulatory Change

- FSLAB
- Insurance Contract Review
- Australian Royal Commission

FMA/RBNZ Thematic reviews and reports

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Adjust
Business
Models

Deliver
the best
consumer
outcomes



VALUE OF FINANCIAL ADVICE

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- Investing well
- Trust
- Cashflow
- Save \$\$
- Protecting Assets
- Manage Budget
- Buy a House
- Advice
- Peace of Mind
- Plan for Retirement
- Confidence in future
- Manage Debt

- 19,000 consumers surveyed
- Worldwide research
- Key Findings
 - 22% of people are achieving their financial goals
 - 17% feel confident in their knowhow
 - 19% feel they can go the distance - focus & discipline
 - 68% said trust worthiness was the most important aspect
 - Huge gaps in literacy, confidence & knowhow



FINANCIAL PLANNING STANDARDS BOARD

MAJOR THEMES

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Political Agenda
Cyber Culture Technology
Regulation Replacement business
Trust Distribution Great Consumer Outcomes
Advice Conduct
Social Responsibility

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THE NEW REGIME

MBIE

WHAT IS THE NEW REGIME?



Financial advice provider

Licensed by the FMA

Gives advice itself or engages individuals to give advice



Financial adviser

Must be registered on
FSR



Nominated representative

Tightly controlled by the firm

New duties including:

- prioritise client interests
- comply with code of conduct
- disclose certain information
- ensure client understands nature and scope of advice

WHAT ARE OUR ROLES IN THE NEW REGIME?

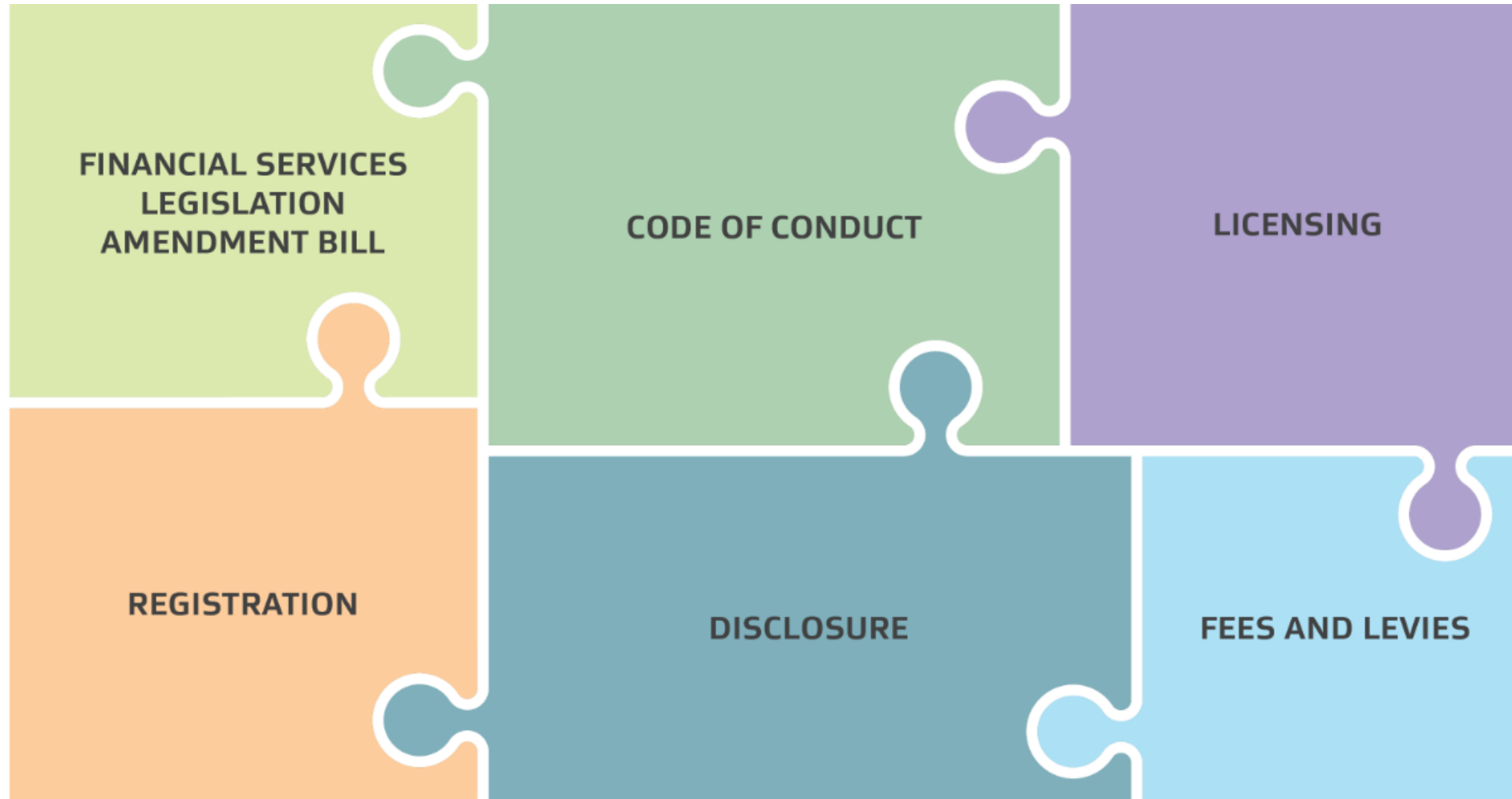
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WHERE ARE WE AT?

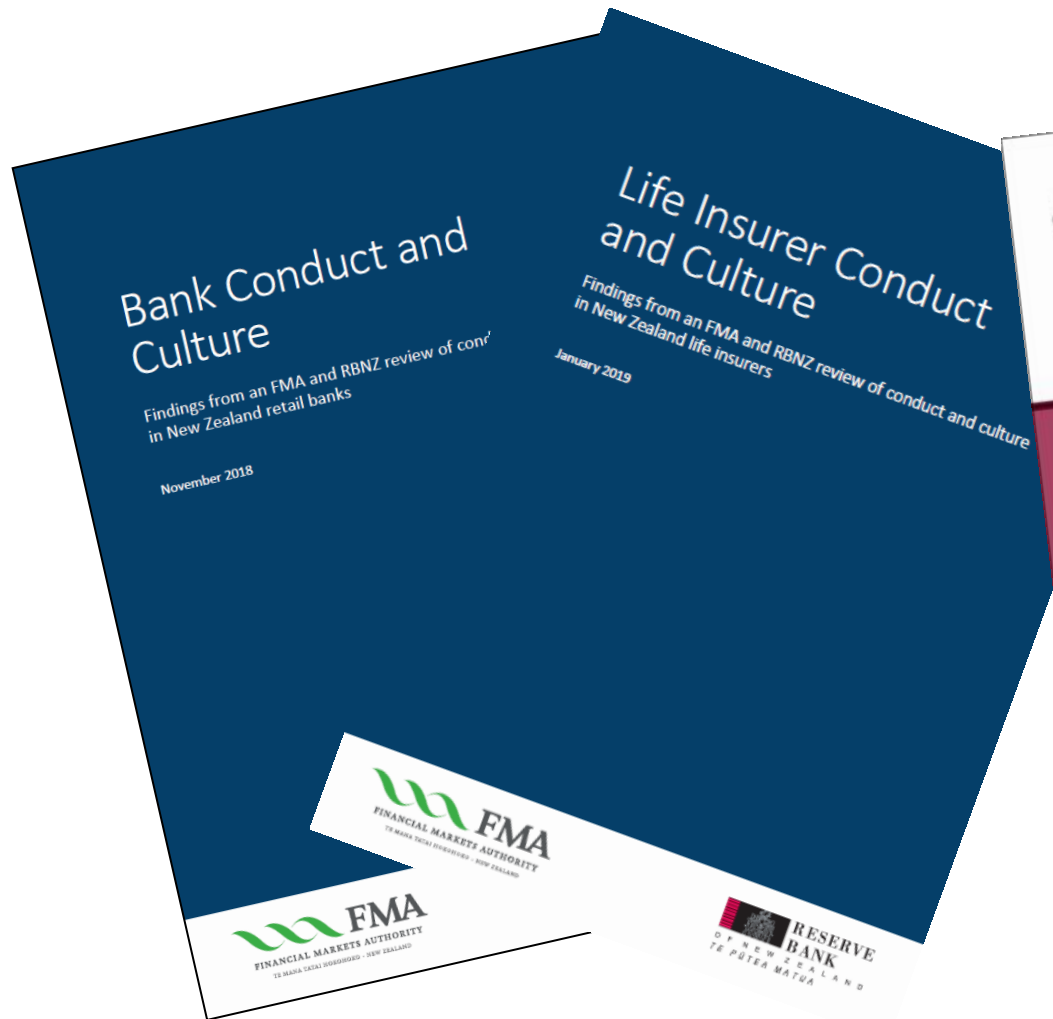
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WHAT ABOUT EVERYTHING ELSE GOING ON?

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29 JANUARY 2019

Govt to act to protect bank, insurance consumers



HON GRANT ROBERTSON



HON KRIS FAAFOI

Commerce and Consumer Affairs Finance

The Government agreed at Cabinet today to fast-track customer protection measures in the financial sector. A report released today by the FMA and RBNZ highlighted major issues in the insurance sector impacting on consumers. This follows a report on banking conduct and culture released in December. The problems highlighted in both reports are similar, Commerce and Consumer Affairs Minister Kris Faafoi says, though more extensive in life insurance.

"There are gaps in the regulation of the sector that are exposing consumers and we are going to address them. We need a regime where banks and insurers are focused on good outcomes for the consumer and are not conflicted by sales rewards.

"The report has found New Zealand life insurance industry has a culture that prioritises sales over customer interests and customers deserve better. Cabinet today agreed we are going to get rid of sales incentives in the insurance industry that are driving behaviour that is not in the best interest of consumers.

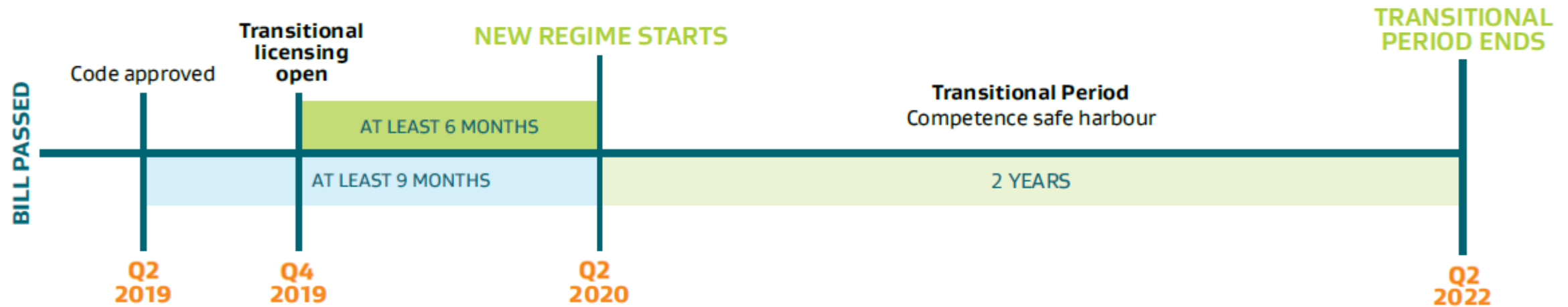
"Incentives such as overseas trips and loaded upfront commissions can cause a conflict for the salesperson. We have also heard about insurance policies being sold to people who are ineligible for cover, premiums continuing to be charged for a policy that's no longer in effect, and policyholders not being effectively notified of increases in premiums.

"This, with the findings from the earlier report on banking conduct and culture, mean that we have to take action. We plan to release a consultation paper on the changes by May and introduce legislation later this

WHEN DOES IT ALL HAPPEN?

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John Botica and Derek Grantham

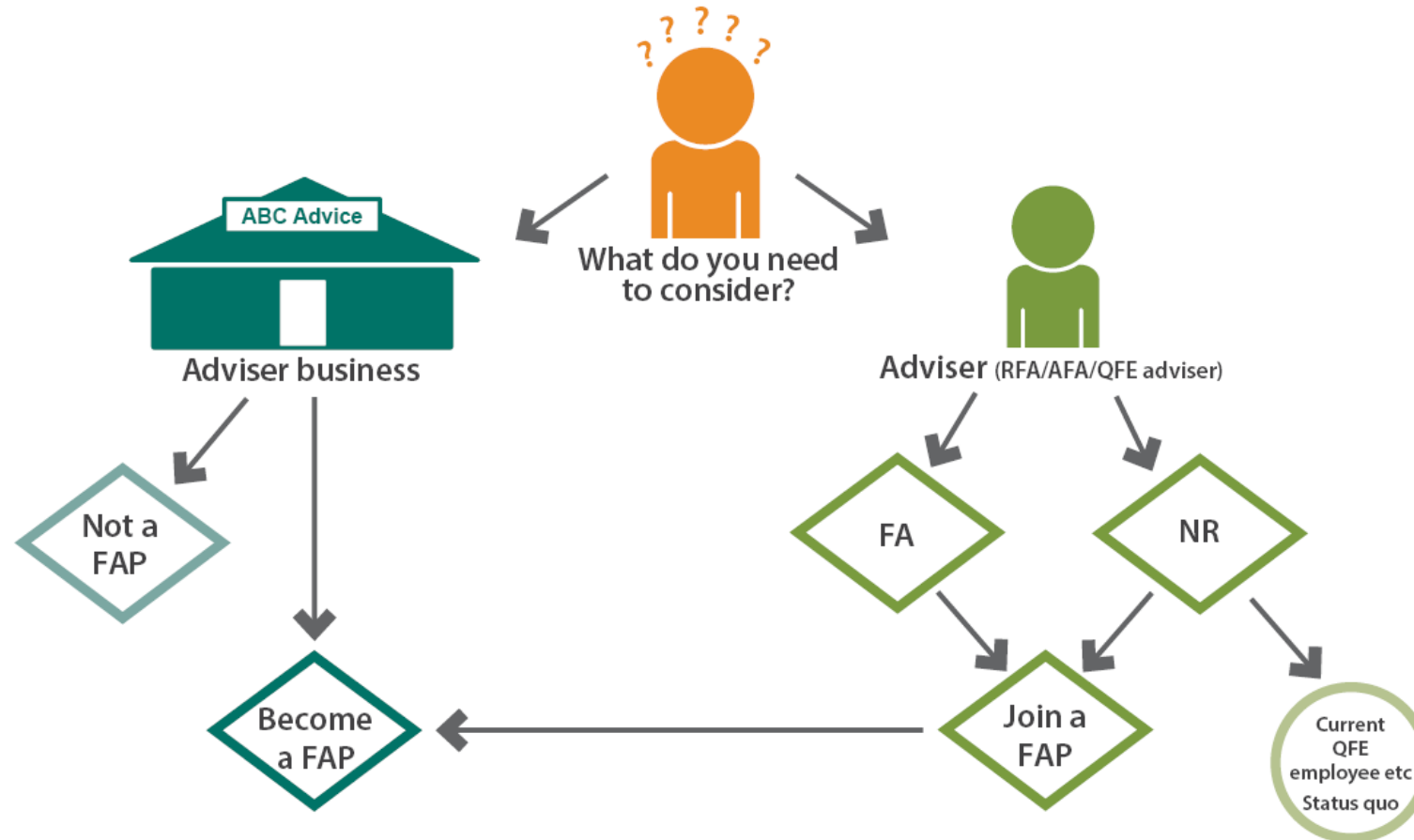


What decisions
do individuals
need to make?

PATHWAYS TO FINANCIAL ADVICE FOR RETAIL CLIENTS

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WHO WILL NEED A LICENCE TO PROVIDE FINANCIAL ADVICE

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What decisions
do adviser businesses
need to make?

WHO WILL NEED A LICENCE TO PROVIDE FINANCIAL ADVICE

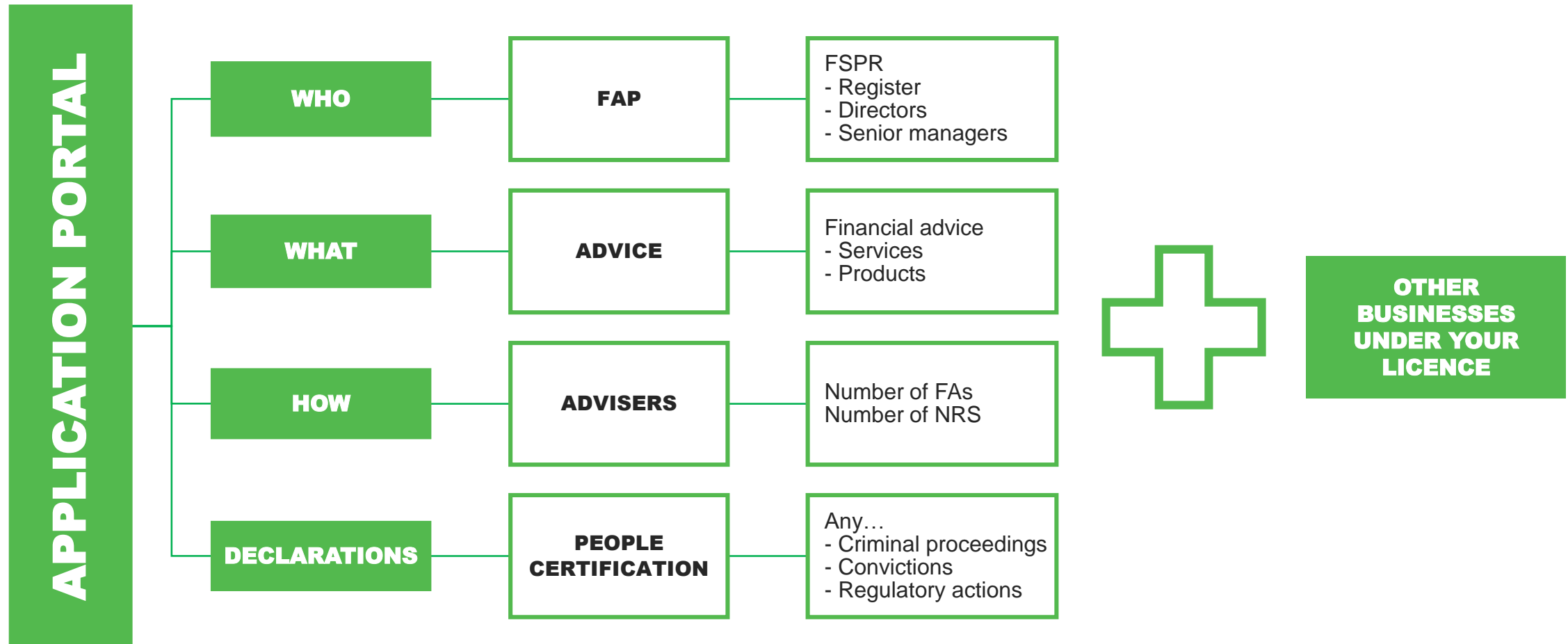


What will your obligations be
if you give financial advice to
clients
or engage others to give that
advice?

TRANSITIONAL LICENSING

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WHAT THE LICENSING PROCESS WILL BE LIKE



We have
been asked about the
full licensing process

WHAT THE LICENSING PROCESS WILL BE LIKE



We have
also been asked about our
approach to enforcement



Now is the time to consider your choices

Transitional licensing is designed to be straight forward

There is flexibility along the way

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CODE OF PROFESSIONAL
CONDUCT FOR FINANCIAL
ADVICE SERVICES
CODE WORKING GROUP
ANGUS DALE-JONES

PART OF WIDER REGULATORY REGIME



If it's regulated financial advice to retail clients, then code standards apply:

- ethical behaviour, conduct, and client care
- competence, knowledge, and skill (including CPD)

How the code fits with the legislation, regulations, and licensing

PRINCIPLES-BASED APPROACH



- flexible application to wide range of situations
- agnostic to business model (or who gives advice – FAP, FA, NR etc)

SIGNPOSTING WHAT GOOD CONDUCT LOOKS LIKE



- Doing the right thing for your **client**
- Setting the standard, but not a process rule-book
- Commentary to help compliance
- For competence, adding clear ways to demonstrate the standard

SUPPORTING PURPOSES OF ACT



- confident and informed participation of businesses, investors, and consumers in the financial markets
- avoiding unnecessary compliance costs
- ensuring the availability and quality of financial advice

THANK YOU FOR YOUR EXTENSIVE INPUT TO OUR CONSULTATION



- Wide stakeholder engagement, including with regulator and consumer survey
- Round 1 – Oct/Nov 2017 focus groups to test high-level concepts
- Round 2 – Mar/Apr 2018 discussions and roadshow on consultation paper
- Round 3 – Oct/Nov 2018 consultation on draft Code, including webcast (115 submissions)

NEXT STEPS



- Minister's review
- Publication of submissions
- Publication of code, impact analysis, summary of submissions
- Future maintenance of code
- Next steps for advice businesses

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CHANGE. WHAT'S UNDER THE SPOTLIGHT?

Katrina Shanks



WHAT WE ARE ALL STRIVING FOR

- BUILDING PUBLIC CONFIDENCE
- GROWING A THRIVING ADVICE SECTOR

RESPONDING TO CHANGE & CONSUMER EXPECTATIONS



- NEW ZEALAND LEGISLATION AND REGULATION
- NEWS FROM ACROSS THE TASMAN

TWO LEVELS OF RESPONSE



- THE PROFESSIONAL ADVISER
- COLLECTIVE RESPONSE



REGULATION DOES NOT CHANGE YOUR
BUSINESS:
IT PROVIDES A FRAMEWORK FOR YOUR
BUSINESS TO OPERATE WITHIN.

THE FINANCIAL ADVISER

THE PROFILE FOR TODAY AND TOMORROW



- Clients come first
- Excellence in advice
- Outstanding service
- Adapt to change - environment, technology, and regulation
- Obtain Professional Development and Qualifications
- Transparent. Relevant. Modern.

INDIVIDUAL PROFESSIONAL ADVISER

THINGS TO BE THINKING ABOUT



- Who am I? What advice do I want to provide? How do I want to provide it?
- How do I want clients and potential clients to view my advice business? What do I have to change to achieve this?
- How am I going to operate my business model? What do I have to change to be compliant, effective and efficient?

INDIVIDUAL PROFESSIONAL ADVISER

WHAT WILL CHANGE LOOK LIKE FOR AN ADVISER?



- The need to be compliant to a Code of Conduct
- The need to operate within a Financial Advice Provider
- To have Duties under the legislation
- The need to disclose in a prescribed way (details to come)
- A change in remuneration models (new policy work being developed).

WHAT WE CAN ACHIEVE COLLECTIVELY

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- **Advocacy.** A strong united voice, influencing decision and policy makers
- **Promotion.** The value of financial advice/ awareness of quality financial advisers
- **Standards.** Excellence in advice; evidence high Standards; Professional Development

ADVOCACY

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Life Insurer Conduct and Culture

Findings from an FMA and RBNZ review of conduct and culture in New Zealand life insurers

January 2019



Final Report

Royal Commission into
Misconduct in the Banking,
Superannuation and
Financial Services Industry

VOLUME 1



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HOW DO WE BUILD PUBLIC CONFIDENCE AND TRUST?



- Being Professionals
- Focus on putting the client first
- Promoting the value of financial advice
- Qualifications, standards and professional development

*“Sometimes life is going to hit
you in the head with a brick.
Don’t lose faith.”* Steve Jobs

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THE FUTURE OF ADVICE

PANEL DISCUSSION AND Q&A

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NAVIGATING REGULATION INTRODUCING THE FSC NEW ADVICE HUB

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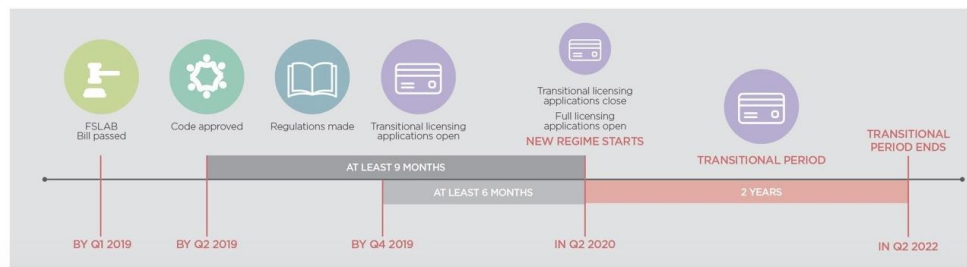
THE FINANCIAL SERVICES LEGISLATION AMENDMENT BILL

The Financial Services Legislation Amendment Bill (FSLAB) is major legislation change that will affect anyone that gives financial advice in New Zealand. There are four key elements to the FSLAB changes being introduced by the New Zealand Government: [Code of Conduct](#), [Disclosure](#), [Licensing](#) and [Fees & Levies](#). The changes are designed to improve financial advice for consumers across New Zealand.

These resources have been designed to keep Financial Advisers up-to-date on the legislation and provide support to prepare for the changes ahead, and will be updated regularly. Sign-up below to receive updates to your inbox or follow us on [twitter](#).

More information can be found on the Financial Markets Authority (FMA) and the Ministry of Business, Innovation and Employment (MBIE) websites.

TIMELINE AND SUMMARY OF THE BILL



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THANK YOU MARKETPLACE STALLHOLDERS



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