



This is the eleventh 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 Bill (FSLAB), its regulations and the Code of Conduct for Financial Advice. For more information, visit navigatingregulation.co.nz

Financial Services Legislation Amendment Act 2019



On 4 April 2019, the Financial Services Legislation Amendment Bill (FSLAB) passed through Parliament and gained Royal Assent on 8 April 2019, turning the Bill into an Act (FSLAA).

We don't yet know exact dates for transitional and full licensing. These will be set by the FMA and Order in Council within the coming months, after the Code of Conduct has been approved.

A few changes

At the Committee of the Whole House stage in Parliament, there were a few changes made by Supplementary Order Paper. Most were technical tweaks to improve the clarity of the drafting. There were a few more substantive changes, which are described below.

1. Changes regarding financial advisers being engaged by multiple financial advice providers:

The FMA (or MBIE through regulations) can impose licence conditions to restrict financial advice providers from engaging a financial adviser who is engaged by another financial advice provider.

Financial Advisers that work for more than one financial advice business may be affected, depending upon how the FMA/MBIE use this power.

We understand that the main concern is consumer confusion – if the consumer may be confused about which financial advice provider is giving advice, or to whom to complain, then this restriction may be applied.

If providers are considering engaging individual advisers who will also be engaged by other financial advice provider(s), they should consider how such arrangements impact their duties, their disclosure obligations, professional indemnity insurance cover, and consumers' ability to seek redress if something goes wrong.

2. **Clarifying that the financial advice duties apply when giving advice to “clients”:**

This clarifies that the duties do not apply where advice is given internally within a business in the course of and for the purpose that business. For example, the duties do not apply where a research analyst working for a financial advice provider writes a report for the provider containing recommendations relating to financial products.

3. **Change where a financial adviser may be deregistered from the FSPR if not engaged for at least 3 months:**

The Supplementary Order Paper makes a change to the Act so that a financial adviser may be deregistered from the Financial Service Providers Register if the adviser is not engaged by a provider for a continuous period of at least 3 months (or longer if regulations specify a different period). This change makes clear that a financial adviser would not be deregistered if they were between jobs for a period of less than 3 months.

Update: MBIE’s summary of disclosure requirements

At the same time, MBIE released a [summary of the Government’s decisions on the new disclosure requirements](#). The paper confirms that the method suggested in last year’s consultation paper will proceed. Once the regulations have been drafted, MBIE will release an exposure draft for consultation in the coming months.

Further details, including other changes

MBIE produced a summary of the changes, which is available [on their website](#): the [Supplementary Order Paper](#), the [Cabinet Paper](#), a [Summary of the Disclosure Requirements](#) and the [Regulatory Impact Summary](#).

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