

26 July 2019

Financial Markets Authority
PO Box 1179
Wellington 6140

By email: consultation@fma.govt.nz

Feedback: Proposed standard conditions for financial advice provider transitional licences

This submission is from the Financial Services Council of New Zealand Incorporated (**FSC**).

The FSC is a non-profit member organisation and the voice of the financial services sector in New Zealand. Our 44 members comprise 95% of the life insurance market in New Zealand, and manage funds of more than \$47.5bn. Members include the major insurers in life, disability and income insurance, fund managers, KiwiSaver, professional services and technology providers to the financial services sector.

Our submission has been developed through consultation with FSC members, and represents the views of our members and our industry. We acknowledge the time and input of our members in contributing to this submission.

The FSC's guiding vision is to be the voice of New Zealand's financial services industry and we strongly support initiatives that are designed to deliver:

- strong and sustainable consumer outcomes
- sustainability of the financial services sector
- increasing professionalism and trust of the industry.

I can be contacted on 021 0233 5414 or richard.klipin@fsc.org.nz to discuss any element of our submission.

Yours sincerely

Richard Klipin
Chief Executive Officer

Feedback: Proposed standard conditions for financial advice provider transitional licences

Please submit this feedback form electronically in both PDF and MS Word formats via email to consultation@fma.govt.nz with 'Feedback: Proposed standard conditions for financial advice provider transitional licences' in the subject line. Thank you. **Submissions close at 5pm on Friday, 26 July 2019.**

Date: 26 July 2019

Number of pages: 4

Name of submitter: Richard Klipin

Company or entity: Financial Services Council

Organisation type: Industry association

Contact name (if different):

Contact email and phone: (09) 985 5762

Question number	Comment	Recommendation
<p><i>You don't need to quote from the consultation document if you use page numbers. You may insert additional lines or pages - please label each additional page with your name & organisation.</i></p>		
<p>Record keeping condition</p>		
<p>1. Do you agree or disagree with the proposed standard condition? Please provide your reasons.</p>	<p><i>Our members support the general intention of this proposed standard condition for FAP transitional licences.</i></p> <p><i>However, by referring to "written" records, it is not technologically neutral. Consequently, it does not allow for a full range of functionally equivalent record-keeping forms.</i></p> <p><i>This is particularly pertinent for situations where the advice interaction lasts only a few minutes. In such situations the availability of advice is often dependent on technology to minimise process costs for customers.</i></p> <p><i>It is also relevant for more generic advice situations, including where customers are not required and do not</i></p>	<p><i>(a) The proposed standard condition on record keeping should permit the record to be kept in any form, not necessarily only in written form. For example, the recording of a phone call should be sufficient. Requiring the call to be transcribed or file notes made for every call is not practical, and is costly and unnecessary if the actual recording is available. There are other examples, particularly with increasing uses of technology, such as counter staff using voice memos or customers (named or unnamed) using online tools and calculators that give advice.</i></p> <p><i>(b) The example on page 8 envisages a copy being kept of any disclosure statements provided to the client. It should also be made clear that reliance may be placed generically on a centralised master record of disclosures or settings for calculators/online tools used for particular date ranges.</i></p>

Question number	Comment	Recommendation
	<i>wish to input their names and contact information.</i>	
2. What written records do you currently keep for your financial advice business?	<i>No comment</i>	
3. Would the proposed standard condition create any additional compliance costs for your business? If so, please detail those costs.	<i>No comment</i>	
4. Would the proposed standard condition have any other adverse impact on your business? If so, please describe what this would be.	<i>No comment</i>	
5. Does this proposed standard condition create a barrier to enter the market? If so, please explain why this is the case.	<i>No comment</i>	
6. Do you have any other comments on the proposed condition or how it is drafted?		<p><i>The condition requires the records to be provided on request. We suggest “request” be followed by “when lawfully required”.</i></p> <p><i>We recommend that the condition clarifies when the 7 year retention period begins (eg for customers with long-running relationships, is it 7 years from the end of the relationship?)</i></p>

Question number	Comment	Recommendation
Internal complaints process condition		
<p>7. Do you agree or disagree with the proposed standard condition? Please provide your reasons.</p>	<p><i>Our members support the general intention of this proposed standard condition for FAP transitional licences.</i></p> <p><i>However, the part of the condition requiring retail clients to be given information about the process and how it works is a disclosure requirement.</i></p>	<p><i>The disclosure aspect of the proposed standard condition on complaints should be dealt with under the disclosure regulations, not as a licence condition. The disclosure regulations can then deal with matters like when and how frequently the information would need to be provided.</i></p>
<p>8. Do you currently have an internal complaints process for your financial advice business?</p>	<p><i>N/A</i></p>	
<p>9. Would the proposed standard condition create any additional compliance costs for your business? If so, please detail those costs.</p>	<p><i>No comment</i></p>	
<p>10. Would the proposed standard condition have any other adverse impact on your business? If so, please describe what this would be.</p>	<p><i>No comment</i></p>	
<p>11. Does this proposed standard condition create a barrier to enter the market? If so, please explain why this is the case.</p>	<p><i>No comment</i></p>	

Question number	Comment	Recommendation
12. Do you have any other comments on the proposed condition or how it is drafted?		<p><i>We recommend clarification that “acknowledgement” can occur in various ways (verbal/writing/social media) and that if resolved at first point of contact it is deemed to be acknowledged.</i></p> <p><i>We recommend that the definition of complaint in the condition’s explanatory note make reference to NZ/AUS Standard 10002 on Handling Internal Complaints.</i></p>
<p>Feedback summary – if you wish to highlight anything in particular.</p> <p><i>No comment</i></p>		