

Getting ready for the new world

Regulatory update

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Some things don't change

As a mortgage adviser today you can continue to provide advice about borrowing in the future

And things don't change in certain fundamental ways. You will continue to...

- ...help New Zealanders with one of the largest financial decisions they face – i.e. taking on a mortgage
- ...look after clients and their goals
- ...disclose important information to consumers
- ...act with care, diligence, and skill

New advice based world

1

Adviser business

- Value of advice
- A living strategy
- Driving innovation

2

Regulatory framework

- Scope of services
- Compliance
- Licence
- Disclosure & client engagement

3

Code of Conduct

- Continued education & up-skilling
- Competency standards
- Best interest test
- Conduct

Adviser business



- Refresh the value proposition of advice
- Customers accessing different levels of services that suit their respective needs
- Increased transparency – control over outcomes
- Digital tools and services
- Commodity services versus bespoke services
- Ensure you have an efficient business



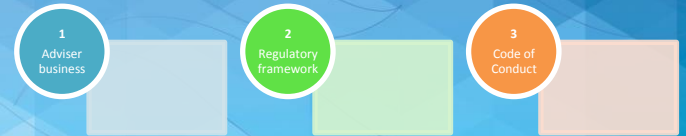
Regulatory framework



- Design your scope of service to meet your client’s needs
- Ensure your business model is “fit for purpose” in a new regulatory environment
- Become “licence ready” by fine tuning your business – remember good conduct is good business
- Improve client awareness through better disclosure

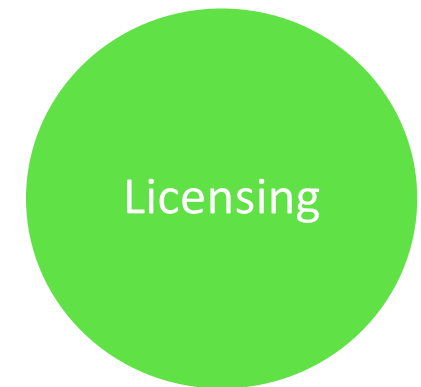


Regulatory framework - licensing

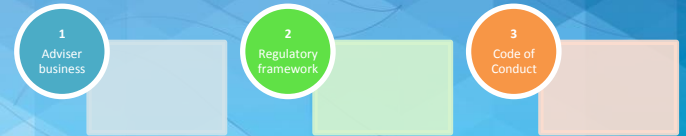


Operate under a licence other than your own

- Do your own due diligence – ensure that model is right for you
- Consider whether any support services on offer help you to be more productive and efficient
- Ensure you are comfortable with the licensee's values and culture

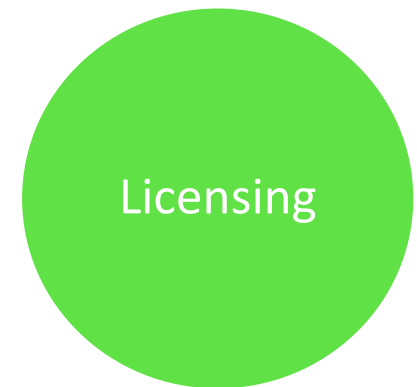


Regulatory framework - licensing

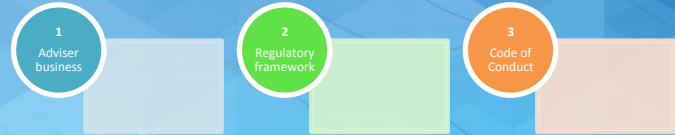


Operate under your own licence

- Also a great option – if its right for you and your business
- Ensure your own business practices are compliant and well documented
- Consider whether the likely benefits will outweigh the likely costs?
- Single adviser practice or with others – think about the pros and cons?



New code of conduct



Code of professional conduct

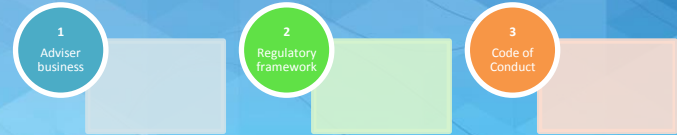
...rather than setting the conduct for a subset of the financial advice industry, the new code will provide standards for the entire industry in respect of retail services... (Terms of Reference).

Thinking about Code Standards for AFAs today:

1. Are clients able to make good decisions about whether or not to use your services?
2. How well are you managing any conflicts of interest?
1. How well are you effectively communicating all interests that might influence the services you provide to the client?

New code
of conduct

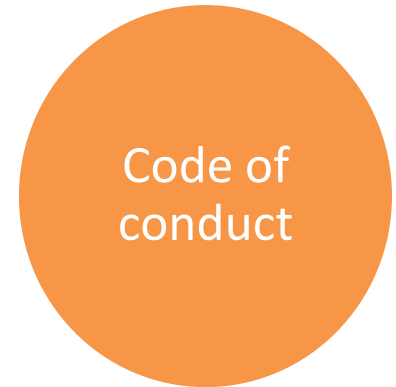
FMA view of conduct



Good conduct - skills and experience to competently provide an appropriate service or product, and meet professional standards of care

A focus on customers = Good customer outcomes

Consistently good outcomes = Being disciplined about meeting compliance obligations



Conduct thinking blocks

Capability

Skills & experience to competently provide a suitable service or product, and can meet professional standards of care

Conflict

Customer interests are served, as well as your business interests, and any arrangements with related parties are transparent

Culture

Acting in the customer's interest, treating them honestly and fairly, and fulfilling your duties and obligations

Control

Checks and balances in place to support good conduct and to identify and address poor conduct, including complaints and disputes resolution

Communication

Listen to what customers want, and the customer can easily understand your services

3 questions

- (1) How do you **help** less sophisticated clients identify their needs?
- (2) Are arrangements with related parties **transparent**?
- (3) Is the quality **consistent** across all your communication channels – website, advertisement, statements and brochures?

5 things you can do now

1

- Find out more about the key elements of the new regime and the indicative timelines for key milestones

2

- Think about what these changes may mean for your business and clients, i.e. opportunities and challenges etc

3

- In light of the above, consider your medium - long term business plan (strategy), e.g. succession planning

4

- Identify and engage the best resources to help you with your decision making, e.g. adviser associations, product providers etc

5

- Stay tuned to any regulatory developments, as well as staying connected to the Code Working Group and MBIE as they consult with the market