

GET SHAPE

This is the twentieth 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 as well as other financial services legislation. For more information, visit navigatingregulation.co.nz

Have your say: proposed standard licence conditions for financial advice provider full licences

The Financial Markets Authority released a consultation paper on the proposed standard conditions for financial advice provider full licences and classes of financial advice service on 17 June. **We encourage you to have your say.** You have **until 7 August** to submit your feedback.

Classes of financial advice provider licence

The FMA propose three classes of financial advice provider licence:

- Class A, a financial advice provider with one financial adviser (who is also a director if it is a company), which may also provide advice directly to clients;
- Class B, a financial advice provider with more than one financial adviser;
- Class C, a financial advice provider that also engages nominated representatives.

The proposed licence classes are incremental, so a Class B licence includes everything permitted in a Class A licence, and a Class C licence includes everything permitted in Class A and B licences. However as proposed, if a business changes beyond its current licence class, it would have to apply for a new licence of the appropriate class. This suggests that the requirements would be different (probably more onerous) as the licence class increases.

The FMA seeks feedback about whether and why you agree with these licence classes, and whether they create a barrier to enter the market.

Licence standard conditions

The FMA proposes eight standard conditions, which are summarised briefly in this table:

<i>Condition</i>	<i>Brief description (explained further in the consultation paper)</i>
1. Record keeping	Same condition as for transitional licences.
2. Internal complaints process	Same condition as for transitional licences.
3. Regulatory returns	To enable the FMA to obtain updated information from financial advice providers from time to time (e.g. annually, as AFAs do presently).
4. Outsourcing	To ensure that financial advice providers monitor and regularly review their outsource providers and associated arrangements.
5. Professional indemnity insurance	To ensure that retail clients can be compensated for financial loss as a result of a breach of a professional duty by a financial advice provider and those they engage.
6. Business continuity and technology systems	To ensure that financial advice providers have suitable arrangements in place to ensure that they are able to manage disruptions to their business.
7. Ongoing eligibility	To ensure that all financial advice providers continue to meet the eligibility and other requirements of the

	Financial Markets Conduct Act, particularly sections 396 and 400.
8. Notification of material changes	The financial advice provider must notify the FMA when it makes material changes the nature of its financial advice service, or to the manner in which regulated financial advice is provided to retail clients.

The FMA seeks feedback about each proposed standard condition including whether you agree with it, what compliance costs and other adverse impacts it would add to your business, and whether the proposed condition creates a barrier to enter the financial advice industry.

Remember to attend the Get in Shape webinar series

To help you prepare your business for the new regime, the FSC is running a series of fortnightly webinars on Friday morning where our experts focus on an element of your preparation.

Register for the next webinar Get In Shape webinar- [Preparing contracts with authorised bodies, advisers, contractors and other staff or suppliers](#) on Friday 26 June @10am

These seminars are limited to 500 attendees and are available on a first registered, first served basis. Recordings are available after each seminar on the [Financial Services Council YouTube Channel](#).

Further details

For information about transitional licensing, refer to (1) the [FSPR website](#), and then (2) the [FMA website](#).

The FSC Navigating Regulation Hub is [available here](#) where you can find up-to-date information about FSLAA, the Code, disclosure, licensing, and fees and levies. You can email questions about the content or this message to fsc@fsc.org.nz.

Fortnightly Get In Shape Advice webinars are designed to help financial advisers prepare for the new regime. Get details at getinshape.nz.