

AUCKLAND
11 FEBRUARY 2021

GET SHAPE

ADVICE SUMMIT 2021

LICENSING, DISCLOSURE & ADVICE MASTERCLASS



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Banicevich



David
Greenslade



Steve
Burgess



Karty
Mayne

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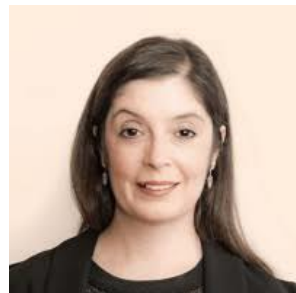
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Anthony Harper



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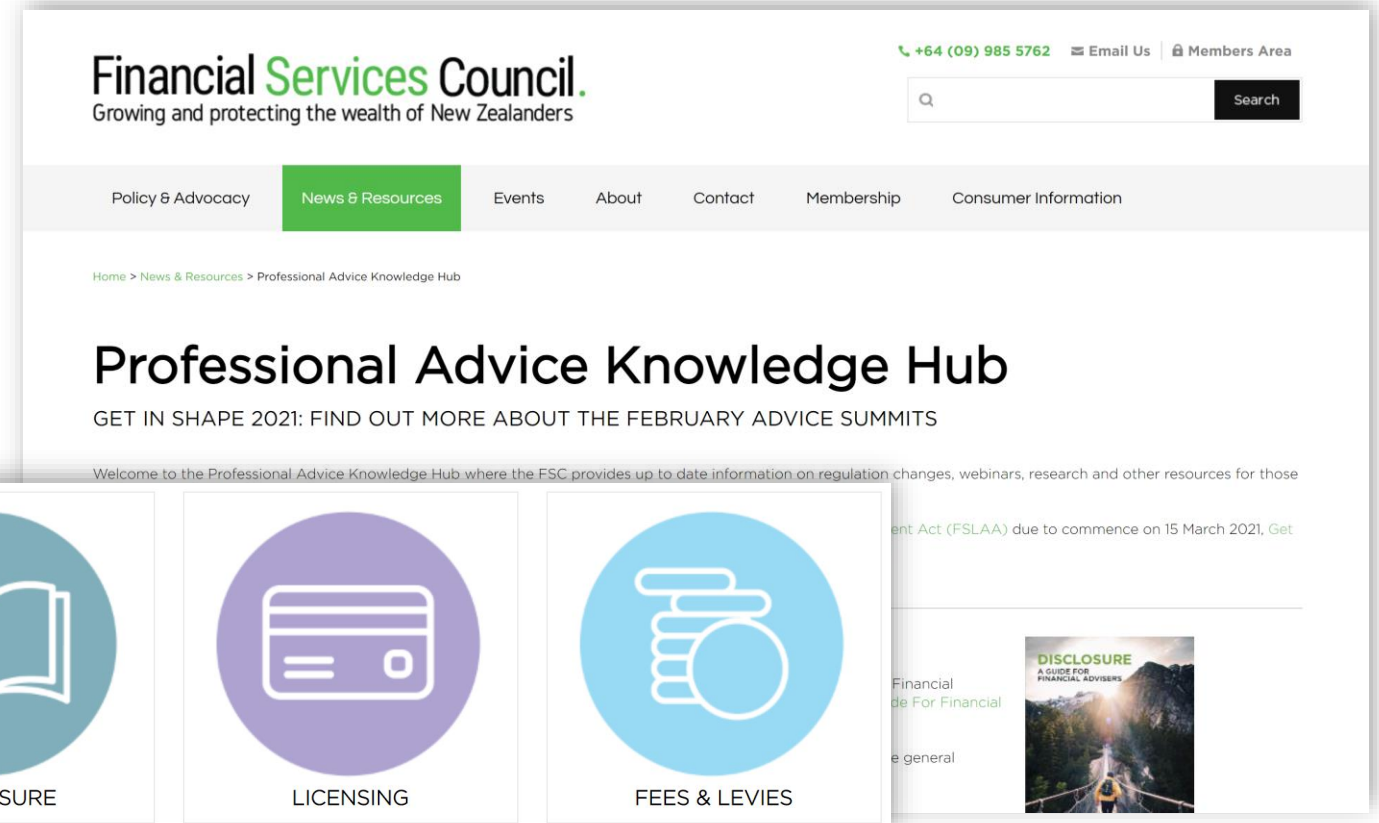


Katie Dow

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www.advice.fsc.org.nz



QUICK POLL



Who is in the room? How ready are you?

AGENDA

- Competence and CPD
- Disclosure
- Business Continuity Planning

David Greenslade, Strategi

Steve Burgess, Compliance Refinery

Karty Mayne, Rosewill Consulting

FORMAT OF EACH PART

- An introduction from our legal expert
- Overview from the facilitator
- Group exercise – ask questions of our experts at your table
- Feedback

COMPETENCE, KNOWLEDGE & SKILL

What does it mean in
the new regime?



DAVID GREENSLADE,
STRATEGI GROUP

AGENDA

- Recap: The basics
- Two year transitional period
- Closing the gaps- old vs new qualifications
- Pathways for those who do not hold the level 5 qualification
- Building the equivalent of level 5
- CPD requirements and what is expected



Recap: The basic requirements

- The law: FMCA 2013:
 - Duty to meet standards of competence, knowledge, and skill (s431I)
 - Duty to exercise care, diligence, and skill (s431L)
 - Duty to comply with code of conduct (s431M)
- Code of Professional Conduct for Financial Advice Services:
 - Standards 6-9



Recap: The Code

PART 1: ETHICAL BEHAVIOUR, CONDUCT, AND CLIENT CARE

1. Treat clients fairly
2. Act with integrity
3. Give financial advice that is suitable
4. Ensure that the client understands the financial advice
5. Protect client information

PART 2: COMPETENCE, KNOWLEDGE, AND SKILL

6. Have general competence, knowledge, and skill
7. Have particular competence, knowledge, and skill for designing an investment plan
8. Have particular competence, knowledge, and skill for product advice
9. Keep competence, knowledge, and skill up-to-date

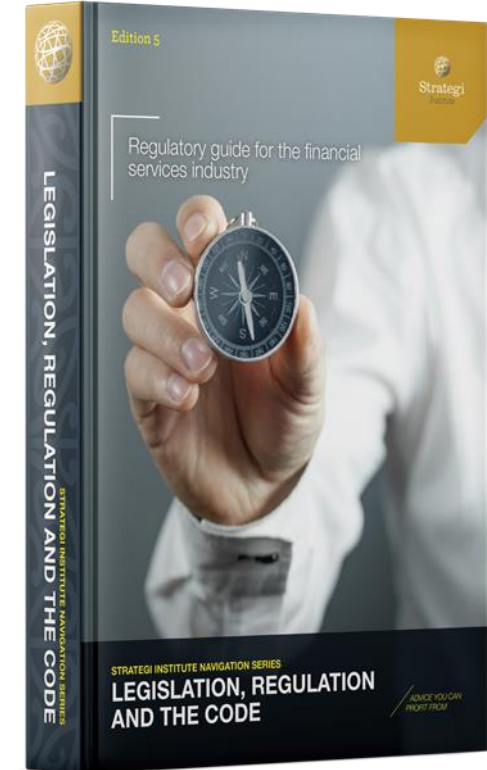
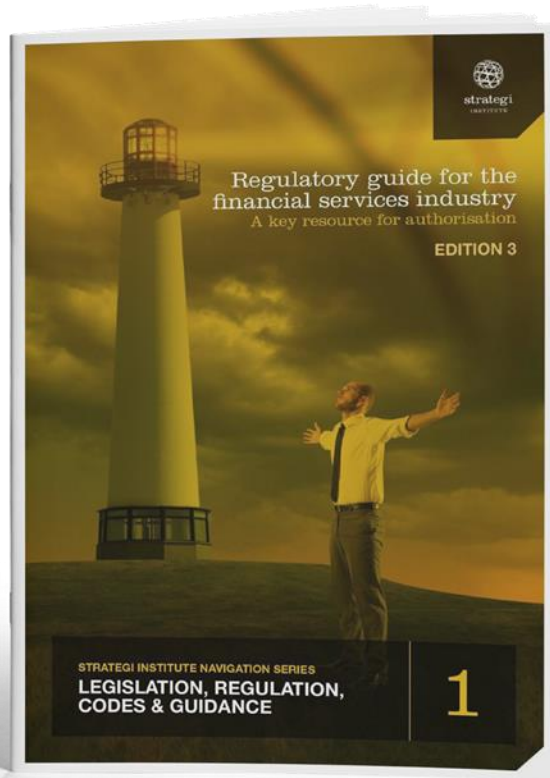
TWO YEAR TRANSITIONAL PERIOD

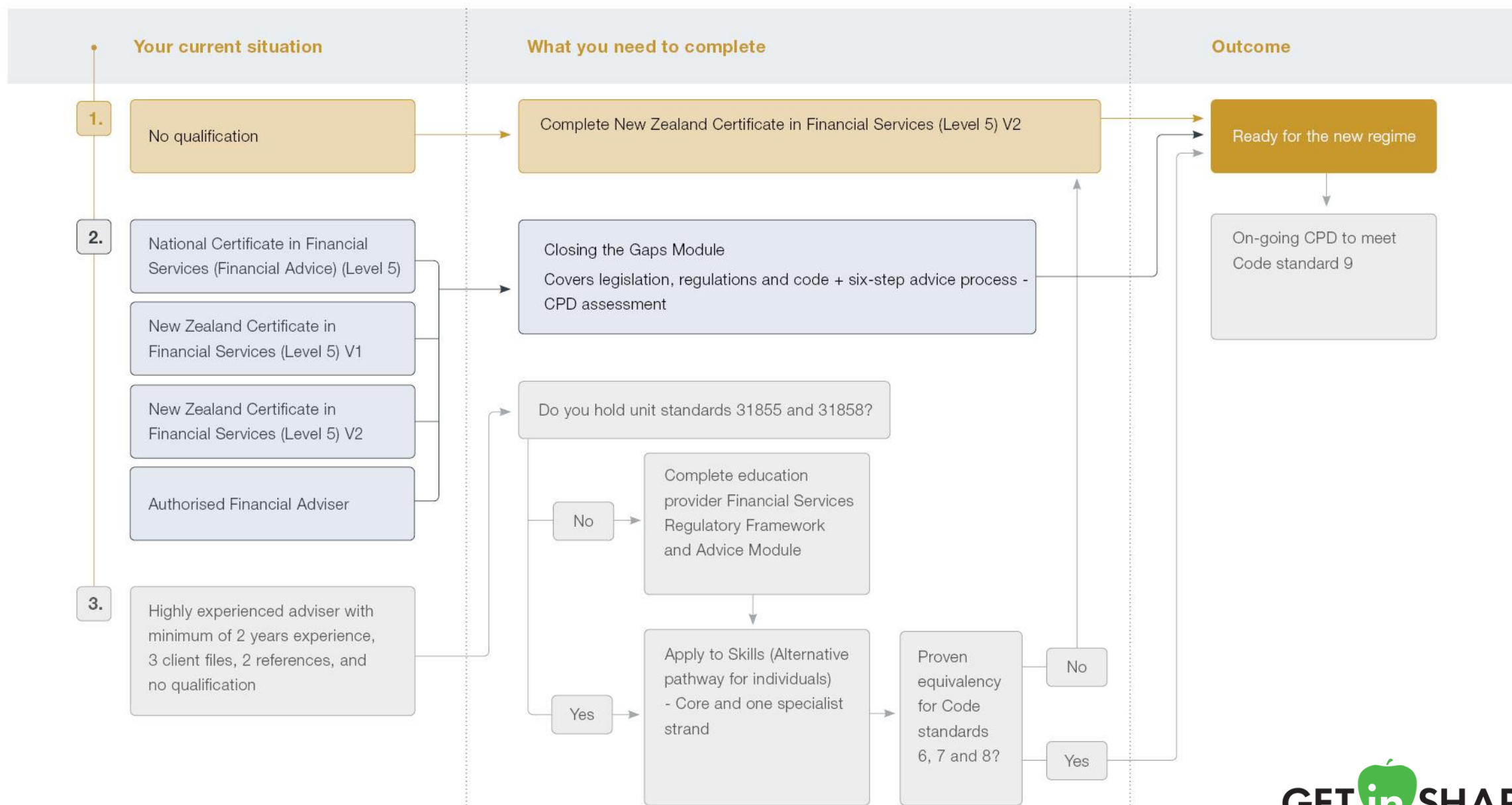
Applies to:

- Only getting full FAP licence and level 5 qualification
- Those on FSPR before 15 March
- Advice being provided BEFORE 15 March

Must be compliant with legs, regs, code from 15 March 2021

CLOSING THE GAPS AND QUALIFICATION PATHWAYS





BUILDING THE EQUIVALENT TO NZCFS5(V2)

Process

- Undertake gap analysis and mapping to see what is needed
- Build content, policies, processes and controls
- Get signoff
- Regularly benchmark

Tips

- More applicable to large companies
- Simple advice process
- Can be expensive
- Staff don't have the qualification- only competency for that particular role in that company

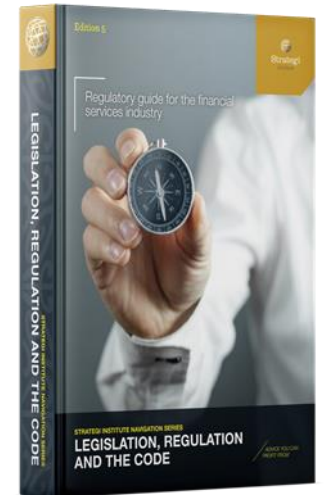
CPD REQUIREMENTS

- Code standard 9
- Applies to the FAP, FAs & NRs
- Annual Professional Development Plan & CPD log
- Should be holistic
- Forward looking
- Closing the Gaps is a logical course right now



SUMMARY

- For most people, NCF5(V2) is the cheapest and easiest way to go
- Transition period does not apply to compliance with legs, regs, and code
- Transition period only applies to advice you were delivering before 15 March
- Need to close gap between old and new level 5
- Building the equivalent to NZCFS5(V2) is only applicable for some
- Closing the gaps course is a logical first step for many
- See the Strategi booth for more details



DISCLOSURE



STEVE BURGESS,
COMPLIANCE REFINERY

WHAT WE WILL TALK ABOUT

- A brief overview of the expected changes you will have to consider when updating Disclosure
- How you can use the FSC Disclosure Guide – Disclosure – A guide for Financial Advisers
- 2 practical workshops for you get started
 1. Create your “Publicly Available Information” Nature and Scope
 2. How to address Conflicts of Interest and Incentives when the scope has been set.

HOW IS DISCLOSURE CHANGING?

- New requirements will come into effect on 15 March, 2021.
- No more primary, secondary or RFA Disclosure
- We move to:
 1. Publicly Available Information
 2. When the nature and scope of advice is known (can be included in the Scope of Service)
 3. When advice is given (can be incorporated into the SoA)
 4. When a Complaint is received

NEW FLEXIBLE APPROACH TO DISCLOSING INFORMATION

- Disclosure can be verbal and/or in writing.
- Disclosure can be made in different formats at each stage.
- Disclosure can be provided at the appropriate part of the advice process (within limits), so allowing disclosure to be made when clients are best placed to engage with and understand the information disclosed.

WHAT COMMISSIONS & INCENTIVES SHOULD BE DISCLOSED?

The actual commission, benefit or other incentive (whether monetary or non-monetary, direct or indirect) must be disclosed (including the actual value of monetary payments) to the client if all of the following criteria are met:

- The commission or incentive is provided to a FAP, adviser or a connected person.
- The commission or incentive is provided as a result of the adviser giving the advice or the client acting on the advice e.g. acquiring a financial product.
- A reasonable client would expect the commission or incentive to (or to be likely to) materially influence the advice given.

“Incentive” is a broad term, for example it is likely to include “soft commissions” such as trips available for meeting targets.

It is always better to over disclose than under disclose.

1: PUBLICLY AVAILABLE INFORMATION

This would usually be on the website or by request, it will include:

- The FAP, Authorised Body licensing information
- Nature and scope of the advice
- Fees or expenses
- Conflicts of interest and incentives
- Complaints handling and disputes resolution
- The types of products and advice provided (including product providers or limited advice)
- Duties of information
- Contact details: The Name and Address of the FAP

2: WHEN THE NATURE AND SCOPE OF ADVICE IS KNOWN

- Nature and Scope of the advice
- Reliability history
- Identifying information
- Fees or expenses
- Conflicts of interest and incentives
- Availability of information

3: WHEN GIVING ADVICE

1. Fees or expenses
2. Conflicts of interest and incentives
3. Complaints handling and dispute resolution
4. Duties Information
5. Identifying information
6. Availability of information

4: WHEN A COMPLAINT IS RECEIVED

1. Noting complaints handling and dispute resolution.

WORKSHOP #1 – CREATE YOUR PUBLICLY AVAILABLE

You can reference the guide on: [Financial Services Council - Disclosure Guide 2021.pdf \(fsc.org.nz\)](https://www.fsc.org.nz/2021.pdf). Pages 7

On the pad on your table write down the Disclosure for :
“Publicly Available Information”

Considerations: Consider this from a FAP Perspective.

Requirements Nature and Scope of the advice :

- Information relating to the types of advice that the financial advice provider gives, the financial advice products that can be advised on (specifically or by adequate description), and whether there are any material limitations (including to the product providers whose products can be advised on).

WORKSHOP #2 – HOW TO ADDRESS CONFLICTS OF INTEREST AND INCENTIVES WHEN THE SCOPE HAS BEEN SET

You can reference the guide on: [Financial Services Council - Disclosure Guide 2021.pdf \(fsc.org.nz\)](https://fsc.org.nz). Page 17

On the pad on your table write down how you would approach disclosing COI and Incentives for your typical advice scenario at the Scope of Service stage.

A description of any material conflicts of interests and any material commissions or other incentives that will or may be received, including the amount or value of these, who is involved, and a brief explanation of how any conflicts will be managed.

Commission may be disclosed as either dollars or as a percentage.

Consider:

- Dealer Groups
- Fees
- Soft dollar arrangements

BUSINESS CONTINUITY PLANNING

Financial Services Council.
Growing and protecting the wealth of New Zealanders



KARTY MAYNE
ROSEWILL CONSULTING

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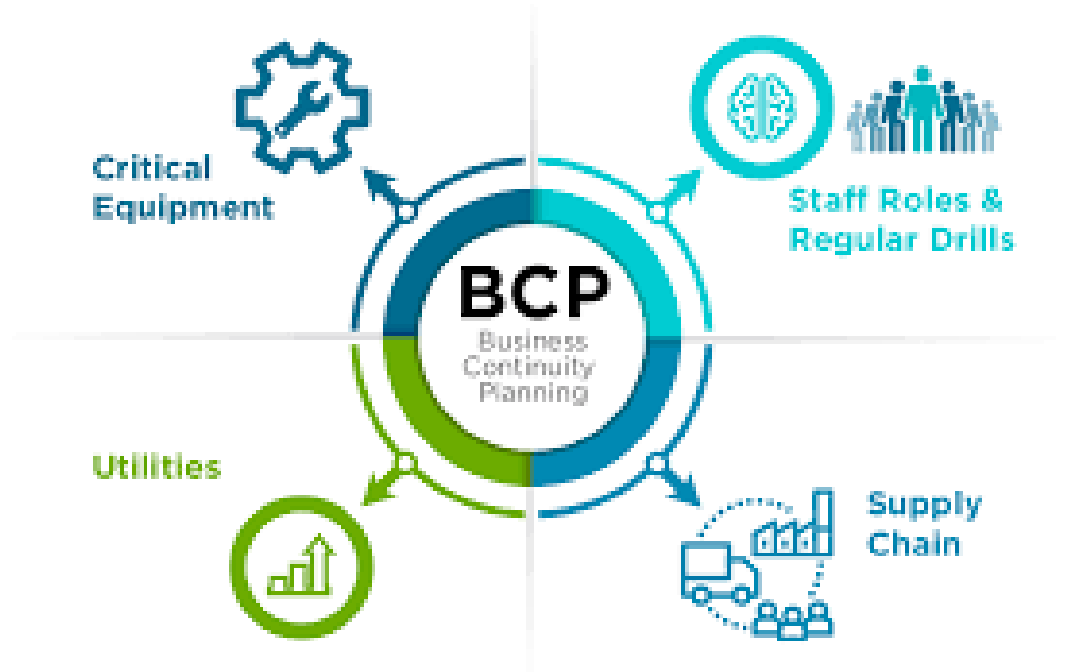
AGENDA

Part 1 – A little bit of the Theory

- What is a BCP?
- What are the risks the a BCP helps miti
- What should your BCP contain?

Part 2 – Getting practical

- Writing a BCP
- Testing your BCP
- Keeping your BCP up to date



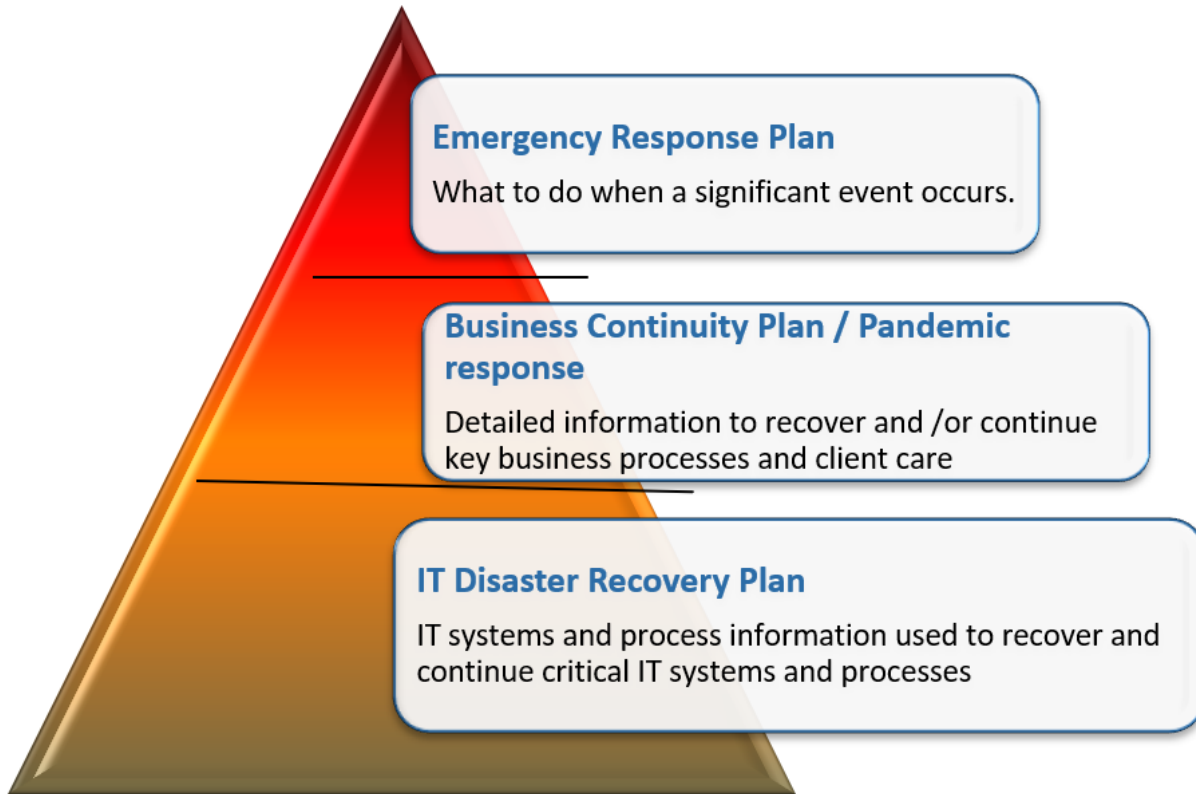
INTRODUCTION



- Moments after the 22 February 2011 Christchurch earthquake, the 5 storey 1960s PGC building in Cambridge Tce suffered a catastrophic collapse.
- Eighteen people who worked for four of the tenants (Perpetual Group, Marac Finance, Leech and Partners and Marsh Ltd) died.

Business continuity planning saves lives!

WHAT IS A BCP?

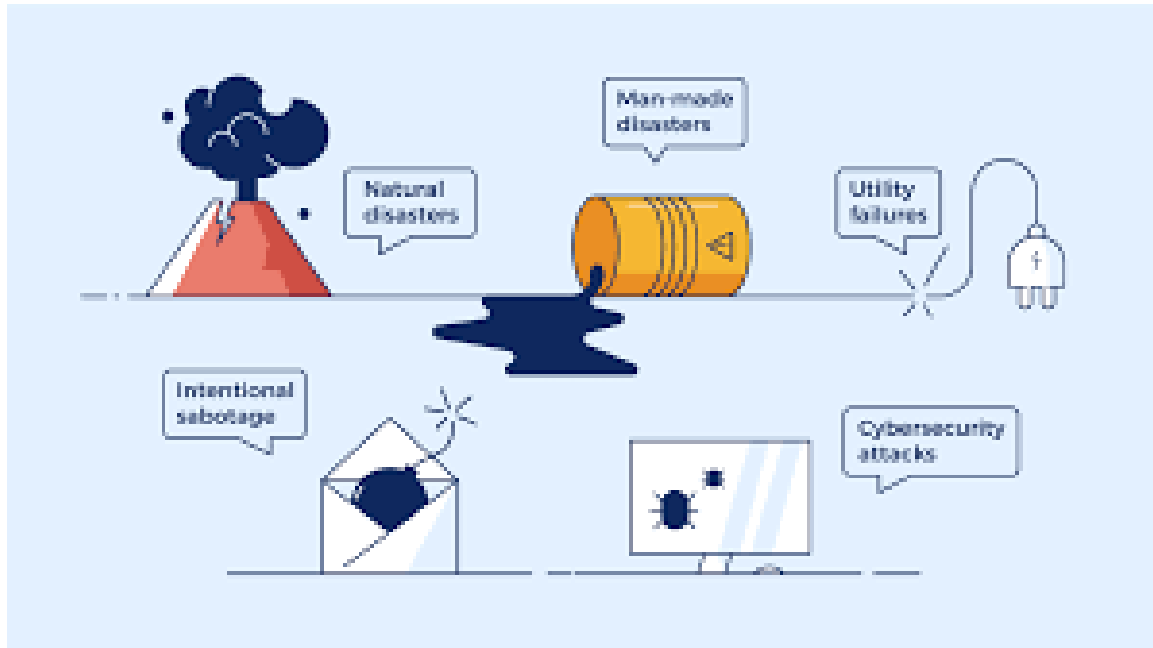


Business continuity starts with keeping people safe.

There are three key elements to business continuity planning:

1. Emergency response
2. Business continuity
3. Disaster recovery

WHAT ARE THE RISKS THE A BCP HELPS MITIGATE?



There are numerous scenarios that may disrupt your business.

Common scenarios include:

- a. loss of key staff (temporary or permanent staff);
- b. loss of building;
- c. denial of access to building for a limited time;
- d. loss of IT (data);
- e. loss of IT (voice);
- f. loss of vital (non-electronic) records; and
- g. loss of key dependencies.

The impact may be minor, severe or critical, depending on the incident.

WHAT SHOULD YOUR BCP CONTAIN?

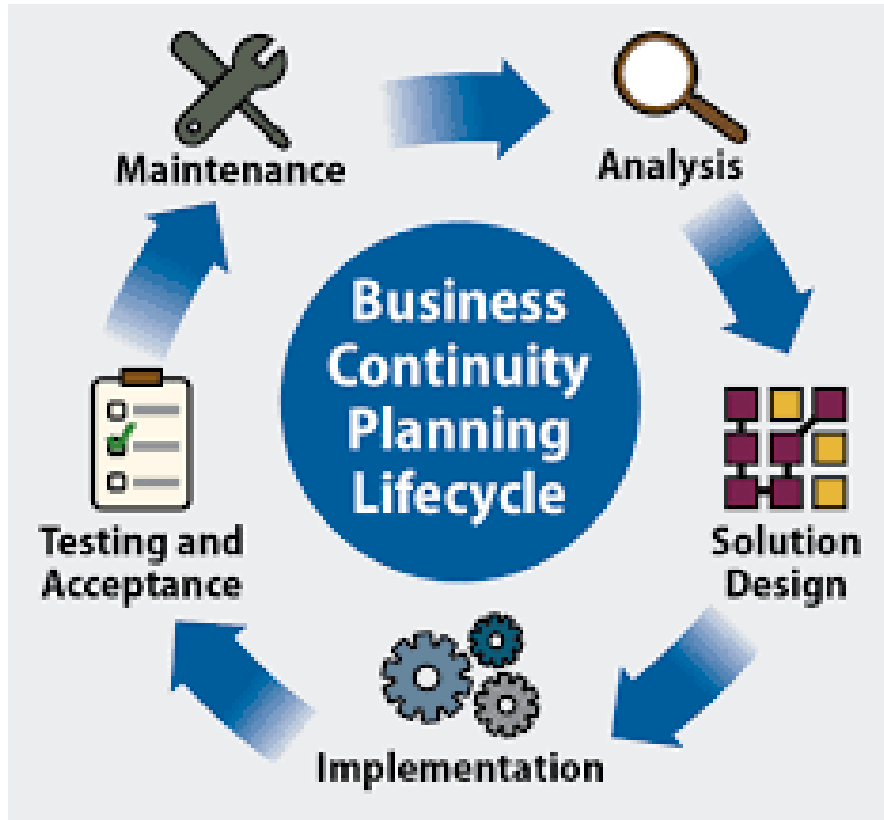
A BCP is a detailed plan outlining the actions to take in the event of a disruption to the FAP's business, to ensure it can continue to operate.



This plan may include the following:

- ✓ The steps to restore operations – who does what, where to relocate to and how.
- ✓ Identification of critical systems.
- ✓ List of vendors that should be notified of the disruption.
- ✓ Copies of licenses and contracts held with third parties detailing maintenance and support.
- ✓ The process to contact and advise clients of any loss of service.
- ✓ The process for providing an alternative service to clients during any downtime. This may include provision of a 'locum' to act on the FAP's behalf by arrangement.

WHAT SHOULD YOUR BCP CONTAIN?



- Your BCP should be appropriate to the size and complexity of your business.
- It should be regularly tested.
- It must include procedures for responding to, and recovering from, events that impact on cybersecurity and continuity.
- It should also address remediation of any impacts to your clients.

EMERGENCY RESPONSE



ARE YOU PREPARED?

As Kiwis, we know that natural disasters can strike at any time. We need to be ready for anything - whether it's an earthquake, fire or an accident - and the first step to being prepared is a good emergency response plan.

<https://www.sitesafe.org.nz/guides--resources/practical-safety-advice/emergency-response-planning/>

BUSINESS CONTINUITY



1. Identify possible events (natural disaster, cyber security breach, viral outbreak, power loss etc)
2. Assess critical business functions.
3. Identify back up strategies and alternative locations, functions and people.
4. Document possible responses and options.
5. Create quick reference contact lists, checklists and reference notes.

DISASTER RECOVERY



1. Key focus is on recovery of your IT and business systems.
2. Need to recover and protect client information.
3. Set recovery time objectives.

LET'S GET PRACTICAL

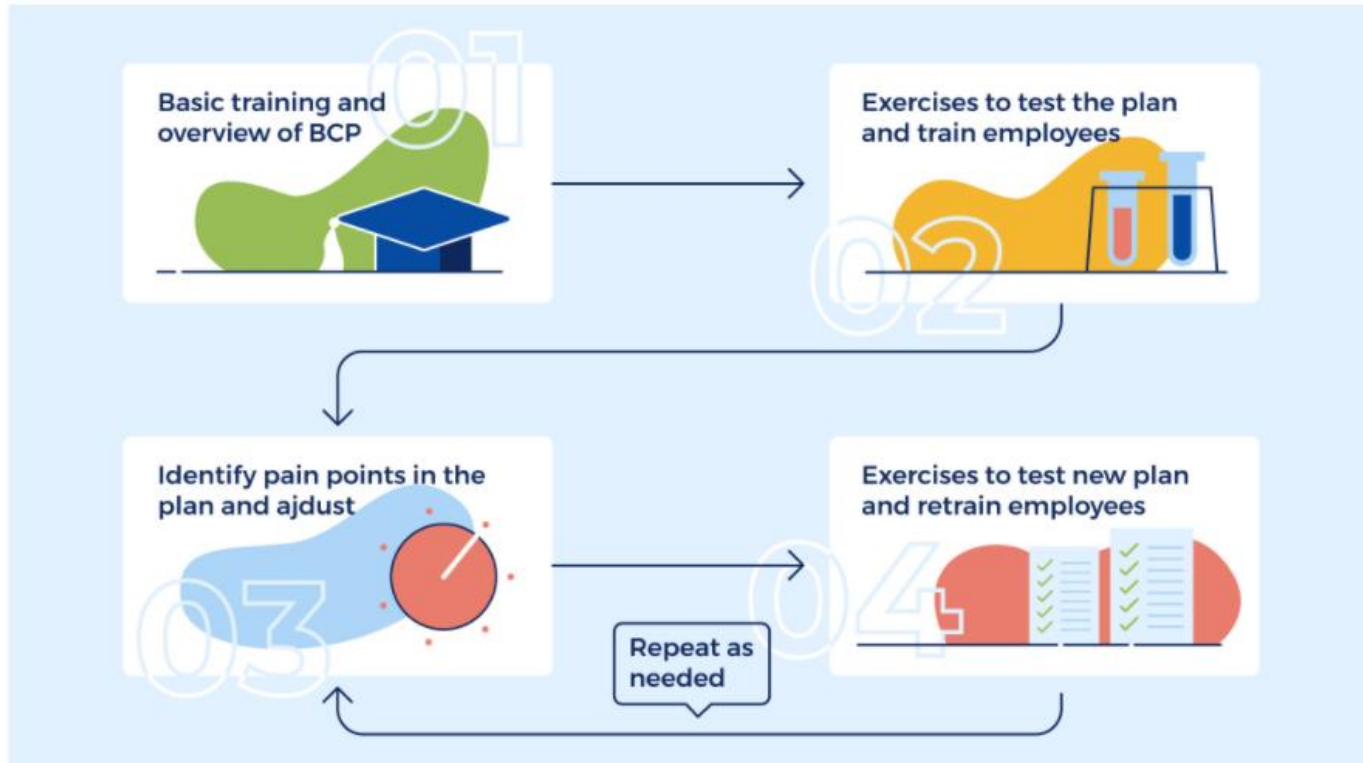


WRITING YOUR BCP – 3 EASY STEPS



1. Start with a good template.
2. Get everyone in your business involved in risk assessment and planning.
3. Assign a BCP owner to keep it up to date.

TESTING YOUR BCP



1. Will it work when you need it?
2. Staff training
3. Simple BCP exercises to make sure everyone understands their role
4. Stage a mock emergency to evaluate areas for improvement.
5. Update the plan.

Hint: real events can count as a BCP test.

KEEPING YOUR BCP CURRENT



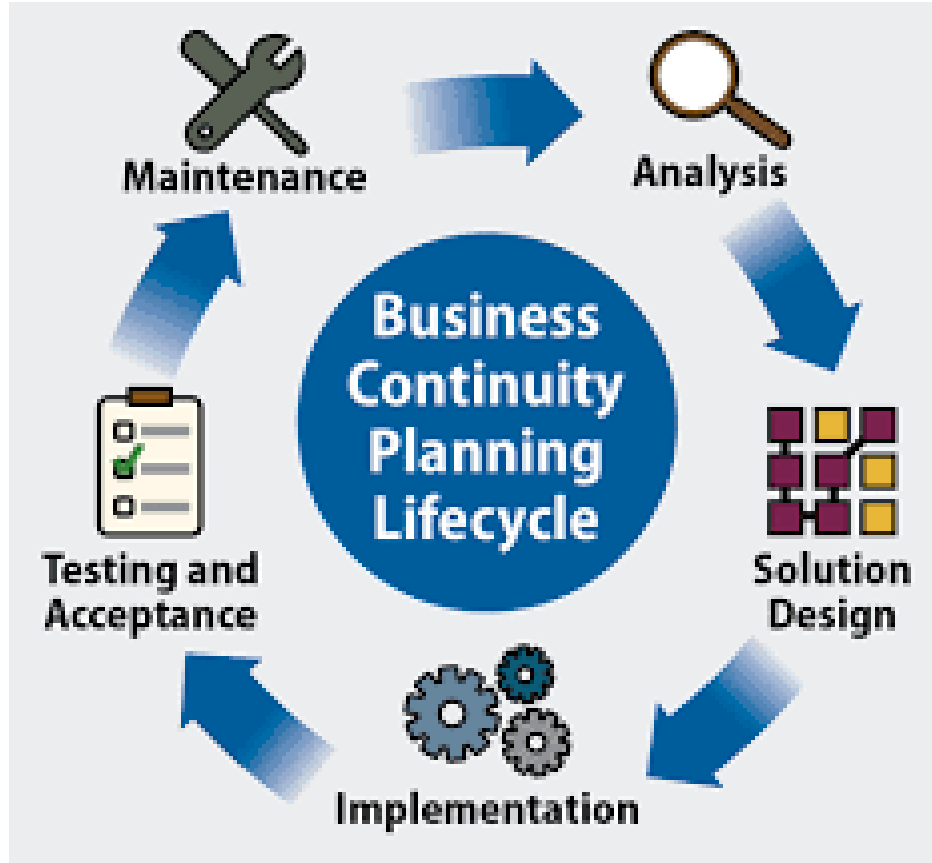
Internal or External reviews

Businesses should conduct a review of the plan annually.

Updates are required due to:

- Threats to the environment
- Exercises that indicate the need for change
- Changes to company structure or personnel
- Geographic distribution of employees

SUMMARY



1. Your BCP needs a continuous life cycle
2. Schedule time for ongoing training
3. Use mock scenarios to iron out the kinks
4. Very important to keep your BCP up to date.

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