

11 June 2019

Financial Markets Policy
Building, Resources and Markets
Ministry of Business, Innovation and Employment
PO Box 1473
Wellington 6140

By email: financialconduct@mbie.govt.nz

Dear Sir / Madam

Conduct of Financial Institutions Review – Options Paper

We refer to the Review of Financial Institutions Conduct, which includes intermediaries of Financial Institutions.

Willis New Zealand Limited (**Willis**) is part of the Willis Towers Watson group, a leading global advisory, insurance broking and solutions business that helps clients around the world. Willis has been operating as an insurance broking business in New Zealand for over 50 years.

Willis supports the Government's objective of developing a consistent conduct and culture regime throughout the financial services sector.

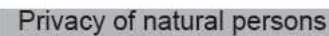
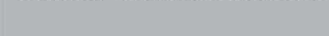

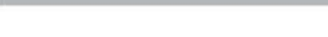
Willis endorses the submission by Insurance Brokers Association of New Zealand Inc (IBANZ). In particular, Willis notes:

Q1 Overarching Duties

As stated by IBANZ the issue is providing the same level of financial services retail client protection to those outside the current scope of conduct regulation, namely providers of financial products and other non-advice sellers of financial products i.e. Banks, Insurers, Credit Providers, etc.

The principle-based set of duties in the revised FMC Act (post FSLAA 2019) & the standards in the 'Code of Professional Conduct for Financial Advice Services' have been through rigorous public and financial service provider consultation and already provide the framework the advice part of Financial Institutions are required to satisfy.

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We strongly recommend that wherever possible the same duties and wording apply throughout Financial Services. This benefits the retail client, avoids uncertainty, unnecessary duplication and potential arbitrage that work against the intent of regulation.

Options 1, 2, 3, 5, 6 these issues have been addressed in the Code of Professional Conduct for Financial Advice Services which was developed after significant consultation. In particular:

- Standard 1: Treat Clients Fairly
- Standard 2: Act with Integrity
- Standard 3: Suitable for the Client
- Standard 4: Client Understands

Q2 Managing Conflicts Of Interest

These issues have addressed in the Code of Professional Conduct for Financial Advice Services – Standard 2 ‘Act with Integrity’. Applying this standard is more effective than a attempting a prescriptive approach.

Q3 Code of Practice:

Yes, a principles-based code is essential

Q4&Q5 Improving Product Design particular to Audience/Client

All regulated Financial Advice Providers under the FSLAA legislation and Code are under an obligation to ensure ‘suitable’ products meet the needs of a client.

Option 3 Intended audience – ensures no necessity to prescriptively ban products. Its focus needs to be on how suitability is determined where no advice is given.

Q6 Improve product distribution

We agree with the comment in Option 5 that this only concerns non-advised sales through those intermediaries not regulated under FSLAA. As noted in Q1, the ‘Code of Professional Conduct for Financial Advice Services’ already addresses the issues of conduct and suitability of recommended products covered within Options 1 to 4.

Q7 Remuneration and Commission structures

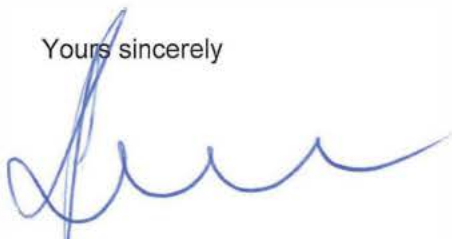
Extending the duties and standards applied to advisers onto the non-advice sectors mitigates the perceived risks.

Q8&Q9 New Claims Handling Duty

As noted in Q1, the principle-based set of duties in the revised FMC Act (post FSLAA 2019) & the standards in the ‘Code of Professional Conduct for Financial Advice Services’ cover this area sufficiently. This approach is essential given the wide range of insurance covers and the variety of circumstances for individual claims.

- Q10 Settlement of Claims within a Set Time**
It is not possible to set specific limits to satisfy all circumstances. There is a large range of policy types and significant differences in scenarios under which claims occur. Extending the duties and standards applied to advisers onto the non-advice sectors mitigates the perceived risks.
- Q11 FMA as Conduct Regulator:**
Yes, for consistency FMA should regulate all Financial Service conduct.
- Q12 Conduct Licence:**
Yes, maintains consistency throughout Financial Services
- Q13 Regulatory Tools:**
Option 3 to maintain consistency for correcting and guiding inappropriate behaviour
- Q14 Conduct Breach Penalties:**
Existing FMC Act penalties for financial services misconduct should apply
- Q15 Executive Accountability:**
Should be consistent across all aspects of the FMC Act regime
- Q16 Whistleblowing Procedures:**
Low usage indicates this is not an effective method of ensuring conduct compliance
- Q17 Regular Industry Reporting:**
Additional cost for little benefit to consumers
- Q18 Role Of Industry Bodies:**
Informally raise members standards about the legal minimum framework of the financial service duties and professional code of conduct
- Q19 Who should be in the Conduct Regime?**
Retail Client regulation needs to be consistent throughout financial services, it should not be limited to Financial Market participants & Financial Advice Providers. This benefits the general public, avoids uncertainty, unnecessary duplication and ensures the same standards of behaviour.

Yours sincerely



Peter Lowe
Chief Executive Officer