

Submission template

Treatment of intermediaries under the new regime for the conduct of financial institutions

Your name and organisation

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Email	office@delray.co.nz
Organisation/Iwi	Delray Group

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[Insert text]

Option 1: Amend definition of intermediary to focus on sales and distribution

1 Do you have any comments on Option 1: 'Amend definition of intermediary to focus on sales and distribution'?

[Insert response here]

2 Do you think the scope of the proposed definition of an intermediary is comprehensive enough to capture the variety of sales and distribution methods and to avoid gaps and risks of arbitrage?

[Insert response here]

Option 2: Refine scope of who is covered as an agent

3 Do you have any comments on Option 2?

[Insert response here]

4 Do you think Option 2 would adequately exclude advisory services (e.g. lawyers, accountants) and other service providers to the financial institution who are not involved, directly or indirectly, in providing any part of the financial institution's relevant service or associated products to consumers?

[Insert response here]

5 Do you think any explicit exclusions are needed for particular occupations or activities? If so, which ones, and why?

[Insert response here]

Objectives

6 Do you have any comments on the objectives regarding the treatment of intermediaries?

[Insert response here]

Option 3: Minimal changes to intermediaries obligations (remove 446M(1)(b) only)

7 Do you have any comments on Option 3: 'Minimal changes to intermediaries obligations'?

[Insert response here]

8 If Option 3 were pursued, do you think any other obligations in section 446M(1)(bb), (bc), (bd) or (bf) would need clarifying or amending? Why/why not?

[Insert response here]

Option 4: More significant changes to intermediaries obligations

9 Do you have any comments on Option 4: 'More significant changes to intermediaries obligations'?

[Insert response here]

10 What do you think the level of responsibility should be for financial institutions' oversight of intermediaries? For example, "*managing or supervising* the intermediary to ensure they support the financial institutions compliance with the fair conduct principle", or "*monitoring* whether the intermediary is supporting the financial institution's compliance with the fair conduct principle", or something else?

[Insert response here]

11 What standard do you think financial institutions should have to oversee their intermediaries to?

[Insert response here]

Option 5: Distinguish between FSLAA and non-FSLAA intermediaries

12 Do you have any comments on Option 5: 'Distinguish between FSLAA and non-FSLAA intermediaries'?

13 How far do you think financial institutions' oversight of FSLAA intermediaries under Option 5 should extend? For example, should it cover the general conduct of the intermediaries, or more narrowly on product performance and related consumer outcomes (or something else)?

FI oversight of intermediaries who are doing the wrong thing needs to be taken seriously when brought to their attention and this needs to be done in a joint manner. Eg F1 car manufactures will keep intellectual property on how to make a vehicle go faster but when it comes to safety improvements these are shared industry wide with all competitors. This concept when it comes to advisers doing the wrong thing should be shared FI to FI so that the industry can protect it's self against misconduct such as churn.

Obligations in relation to employees and agents

14 Do you have any comments on the proposals regarding obligations in relation to employees and agents?

This could be detrimental to the adviser in a PI claim. Another thing to consider is the FI getting involved directly with the client may not necessarily have the clients interest at heart as far as some clients have multiple policies with different FI's..

15

Do you think there should be a distinction drawn between employees and agents? Why/why not?

[Insert response here]

16

Do you think any amendments should be made to the obligations in section 446M(1) that would apply to employees and agents?

[Insert response here]

17

Do you have any other comments or viable proposals?

[Insert response here]

Other comments

We would reject options 1 – 4 as they are simply duplications of existing legislation.

FI should not be able to contact my clients without our consent as this form of marketing is not tailored advice. With past experience, this type of conduct can be misleading to the public and often does not enhance the relationship with the adviser. Eg one FI at one stage offered 20% increase of Life cover with no underwriting. Sounds fantastic until you read the fine print where you would be underwritten at the point of claim and if your health had changed, they would change the terms or not pay. Another FI offered Cancer Cover to clients taking no consideration to people that already had cancer and were on claim. The same company also marketed to people who could not take up the offer as they never had it in the first place.

FI do need to communicate better on things such as what the consumer is entitled to based on the products they have purchased. Eg buyback options, special event increases and exclusions that could be reviewed.

Modify appropriately to defend my clients, my business and my future. FI's are there to pay claims as that is what my clients have invested into. The relationship is with us and that is what my business is based on.