Corporate Law
Labour and Commercial Environment Group
Ministry of Business, Innovation & Employment
PO Box 3705
Wellington
New Zealand

By email: faareview@mbie.govt.nz

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RE: Issues Paper – Review of the Financial Advisers Act 2008 and the Financial Service Providers (Dispute Resolution) Act 2008

About Co-op Money NZ

Thank you for the opportunity to comment on the review of the Financial Advisers Act 2008 and the Financial Service Providers (Dispute Resolution) Act 2008. We make this submission as Co-op Money NZ (the trading name for New Zealand Association of Credit Unions (NZACU)), the industry association for credit unions and building societies. It exists to represent, promote and support its 18 member credit unions and mutual building societies, and to provide cost effective business services.

Credit unions and mutual building societies are co-operatively owned financial service providers, providing their members with a similar range of services to a bank. Credit unions and building societies are all independently owned and operated by their members for their members, and any profits are returned to the members in a combination of ways i.e. fairer fees, interest rates and community involvement.

Co-op Money NZ's members employ over 550 staff, represent approximately 200,000 members, with more than 95 branches, assets of over $1.5 billion and collectively are the sixth largest financial transactor by volume in New Zealand. Co-op Money NZ also wholly owns Co-op Insurance NZ (the trading name for Credit Union Insurance Ltd (www.coopinsurancenz.co.nz)), a fully licensed insurance provider, under the Insurance (Prudential Supervision) Act 2010, with over 67,000 lives covered. Additionally we have the largest independently owned ATM network outside of the major banks with over 100 ATMs.

All 18 members of Co-op Money NZ are licensed Non-Bank Deposit Takers and are regulated by the Reserve Bank of New Zealand.

Co-op Money NZ is a member of global trade association WOCCU, the World Council of Credit Unions, which represents over 217 million people in 105 countries across the globe. This international network operates under the vision: "Improving people's lives through credit unions" and promotes the sustainable development of credit unions and other financial co-operatives around the world.

Co-op Money NZ is also a member of Cooperative Business New Zealand (www.nz.coop), the industry body whose mission is "bringing together the country's cooperative and mutual businesses to promote, encourage and support the co-operative and mutual business model, and act as the advocate for those engaged in co-operatives and mutuals."

Collectively the mutual banking sector, including mutual banks, building societies and credit unions, represent more than $600 million in revenue per year with a number of these organisations among Cooperative Business New Zealand's "Top 40" co-operative and mutual businesses (by revenue) and Co-op Money NZ is ranked at number 28.

The regulatory environment is becoming increasing complex for Co-op Money NZ members. The cost of compliance has increased disproportionately to our members' size and examples of increased compliance costs include; the financial adviser regime; the commercial trustee supervisory model; the recent anti-money laundering & countering financing of terrorism requirements and; the introduction of the Financial Markets Conduct Act 2013.

Submission Questions

1. Do you agree that financial adviser regulation should seek to achieve the identified goals? If not, why not?

We support the goals stated in the Issues Paper.

2. What goals do you consider should be more or less important in deciding how to regulate financial advisers?

We believe the three goals should have equal weight under the regime.

3. Does this definition adequately capture what financial advice is? If not, what changes should be considered?

Section 10 of the Act provides a very broad definition of financial advice. Co-op Money NZ believes the definition is too broad in the context of the Financial Advisers Act (FA Act) and that the current regime should be moving towards a greater range of exemptions or exclusions from this definition by focusing on Category 1 products only. The dilemma in practice for advisers/businesses is the onerous process of categorising and recording advice versus non-advice given to customers - and the time required to sample, test and verify it across a business. Couple this with multiple product categories and adviser types and it becomes easier and cheaper for businesses to avoid giving advice at all – even though customers want and need it!

For example, our Member credit union and building societies have reported that some of their members prefer to obtain advice from budgeting agencies as they are excluded from the FA Act regime. Effectively, the current adviser regime's complexity (and its penalties), means many providers of financial products and services have become overly cautious and limit themselves to providing product information. Consequently the public find it harder to get the advice they want on simple products.

4. Is the distinction in the Financial Advisers Act (FA Act) between wholesale and retail clients appropriate and effective? If not, what changes should be considered?

Yes, we think it is appropriate and effective.

5. Is the distinction in the Act between a personalised financial service and a class service appropriate and effective? If not, what changes should be considered?

The difference between class and personalised advice is reasonably clear on paper. However, in practice, it is not easy to limit a conversation between a financial adviser and a member of the public to ensure one type of advice or another is strictly adhered to. We believe many providers of financial services and products have lost confidence in the conversations they once had with customers and have moved away from providing advice at all to ensure they are not inadvertently breaching the regime.

6. Is it appropriate to have different requirements on advisers depending on the risk and complexity of the products they advise upon?

There are certainly differing risks and complexities between different financial products, however, the current regime's two tiered product category arrangement, along with three different types of advisers who can provide six different levels of advice between them, is too complex. It is challenging for financial advisers to understand and unintelligible to the general public. Effectively, the general public have little idea how the adviser regime works and little inclination to read the "fine print" and understand the plethora of defined terms.

Overall, we believe it is appropriate to make a distinction between high risk and low risk financial products but question whether low risk products need to be covered by the regime at all. A positive step to simplify the regime would be to remove category 2 products from it altogether - thus eliminating the need for registered financial adviser (RFA) and registered financial adviser entities - see the table from the Issues Paper below which illustrates our recommended change.

Who can provide different types of financial advice?

	Authorised Financial Advisers (AFA) Individuals who are registered and authorised by the FMA	**Qualifying Financial Entity (QFE) advisers** Representatives of entities approved by the FMA as Qualifying Financial Entities	**Registered Financial Advisers (RFA)** Individuals registered to provide financial advice	**Registered financial adviser entities** Entities registered to provide financial advice	
Wholesale adviser services					Excluded
Class advice					
Personalised advice on category 2 products					
Personalised advice on category 1 products	✓	✓ in respect of category 1 products issued by the QFE	×	×	Regulated
Investment planning services	✓	×	×	×	
Personalised Discretionary Investment Management Services	✓	×	×	×	

Our Members are credit union and building societies in New Zealand and are member-owned organisations themselves. They are values-based organisations based around a "people helping people" service and banking philosophy. Many of our Members believe that the financial adviser regime has detrimentally impacted their ability to provide any level of financial advice. The cost and complexity of the regime are the key reasons for this and some have essentially moved away from their core business due to uncertainty in the interpretation of the Act.

7. Does the current categorisation system accurately reflect the level of complexity and risk associated with financial products? If not, how could it be improved?

Co-op Money NZ spent considerable time and effort over a number of years to get our Member credit unions and building society products correctly categorised as category 2 products. Despite this effort there are still categorisation problems in the current system. Co-op Money NZ believes the current system inhibits product development due to uncertainties around product classification. Please also refer to our response in question 3 and 6 above.

8. Do you think that the term Registered Financial Adviser (RFA) gives consumers an accurate understanding of what these advisers are permitted to provide advice on and the requirements that apply to them? If not, should an alternative term be considered?

Most consumers have no understanding of the difference between a Qualifying Financial Entity (QFE), a RFA, or an Authorised Financial Adviser (AFA). Many of our Members have commented on their own members not understanding the terms QFE or RFA, even when they have been provided with the appropriate disclosure. The current regime is not functional for the average consumer.

We suggest having one only type of financial adviser, an 'AFA' - for category 1 products, and all other advisers categorised as 'product informers' for **non-category 1** products given the low risk they present. We believe the regime needs to be less restrictive, costly and prescriptive for advice/information given on simple, everyday products (such as those in category 2). There is a need for broad and quick access to advice and information on everyday financial products at the grass-roots level that the present, overly-complex regime stifles.

We note that currently the cost to comply with the Financial Adviser (FA) regime strongly influences whether our Members register as a QFE, RFA, or choose not to register at all and provide class advice only. This is detrimental to the customer centric goals identified in the Issues Paper.

9. Are the general conduct requirements applying to all financial advisers, including RFAs, appropriate and adequate? If not, what changes should be considered?

The general conduct requirements are appropriate. However, the current regime's two tiered product category arrangement, along with three different types of advisers who can provide six different levels of advice between them, is too complex. This in turn means some advisers are being overly conservative to avoid any perception of misconduct.

10. Do you think that disclosing this information is adequate for consumers? Should RFAs be required to disclose any additional information?

Co-op Money NZ's preference is to remove RFAs from the adviser regime altogether by removing category 2 products (refer to question 6).

However, the statement "I am a registered, but not authorised, financial adviser" in the current RFA disclosure is negative and confusing for the public who do not understand the distinction between a registered adviser and an authorised adviser.

We suggest this statement be changed to read,

"I can provide personalised advice on the following products only.....If you would like personalised advice on other products you may need to speak to an Authorised Financial Adviser"

11. Are there any particular issues with the regulation of RFA entities that we should consider?
With respect to our own Member credit unions and building societies, the choice to be a QFE, registered entity, or register individual RFAs has come down to cost. The consumer is unnecessarily disadvantaged and our Member's own business suffers, by restricting the level of advice that prior to the introduction of the FA Act, would have been offered freely to their members.

It is not clear what the cost of registering an individual RFA justifies asides from the entity having to meet conduct obligations - which they have to do anyway in order to provide class advice.

12. Are the costs of maintaining an adviser business statement justified by its benefits? If not, what changes should be considered?
Our Member credit unions and building societies are not AFAs therefore we have no comment to make.

13. Is the distinction between an investments planning service and financial advice well understood by advisers and their clients? Are any changes needed to the way that an investment planning service is regulated?
Our Member credit unions and building societies are not AFAs therefore we have no comment to make.

14. To what extent do advisers need to exercise some degree of discretion in relation to their clients' investments as part of their normal role?
Our Member credit unions and building societies are not AFAs therefore we have no comment to make.

15. Should any changes be considered to reduce the costs on advisers who exercise some discretion, but are not offering a funds management type service?
Our Member credit unions and building societies are not AFAs therefore we have no comment to make.

16. Are the current disclosure requirements for Authorised Financial Advisers (AFAs) adequate and useful for consumers?
Our Member credit unions and building societies are not AFAs therefore we have no comment to make.

17. Should any changes be considered to improve the relevance of these documents to consumers and to reduce the costs of producing them?
Our Member credit unions and building societies are not AFAs therefore we have no comment to make.

18. Do you think that the process for the development and approval of the Code of Professional Conduct works well?
Our Member credit unions and building societies are not AFAs therefore we have no comment to make.

19. Should any changes to the role or composition of the Code Committee be considered?
Our Member credit unions and building societies are not AFAs therefore we have no comment to make.

20. Is the Financial Advisers Disciplinary Committee an effective mechanism to discipline misconduct against AFAs?
Our Member credit unions and building societies are not AFAs therefore we have no comment to make.

21. Should the jurisdiction of this Committee be expanded?
Our Member credit unions and building societies are not AFAs therefore we have no comment to make.

22. Does the limited public transparency around the obligations of Qualifying Financial Entities (QFEs) undermine public confidence and understanding of this part of the regulatory regime?
Limited public transparency certainly undermines public confidence and understanding of the regulatory regime.

As mentioned in paragraph 39 of the Issues Paper, the majority of QFEs are banks, Non-Bank Deposit Takers, insurers and other lenders. We believe that many of their customers do not have any understanding as to what a QFE is and what the difference is between a QFE, AFA and a RFA. Becoming a QFE is an economic decision for the financial entity but a consumer would not know that cost is a major factor determining whether an entity decides to become a QFE or not. For example, consumers could mistakenly perceive that a QFE has "better" or more qualified advisers than an RFA as they have no understanding of the full financial adviser regime.

There should be greater public transparency on the full financial adviser regime, not only around QFEs.

23. Should any changes be considered to promote transparency of QFE obligations?
When the FA Act was initially released 5 years ago we were concerned that there was no public notification of what was changing in the financial industry and how this would impact the public. The public need to understand the reasoning behind product classification and different adviser types so they can make informed choices. However, as already mentioned in this submission, the current regime is very difficult to explain. Those who work within the financial services industry find this regime challenging enough to explain to their own staff let alone a member of the public. We believe the regime should be promoted to the public but not until changes are made to simplify it as per our recommendation in question 6.

24. Are the current disclosure requirements for QFE advisers adequate and useful for consumers?
The feedback from our Members who are QFEs is that most members do not wish to read the disclosure statement and if they do, they do not really understand the distinction between a QFE and any other form of registration under the Act. Co-op Money NZ's view is that even when a customer is informed about what a QFE is and what advice they can provide there is little comprehension of what this really means to them when they are not aware that there are other types of advisers, different levels of advice and different categories of products.

Again, we believe the regime needs to be fully understood by the public but the current regime is too complex.

25. Should any changes be considered to improve the relevance of these documents to consumers or to reduce the costs of producing them?
We have no issues with the existing disclosure requirements.

26. How well understood are the broker requirements in the FA Act? How could understanding be improved?

Our Member credit unions and building societies are not involved in providing broker or custodial services therefore we have no comment to make.

27. Are these requirements necessary and/or adequate to protect client assets? If not, why not?
Our Member credit unions and building societies are not involved in providing broker or custodial services therefore we have no comment to make.

28. Should consideration be given to introducing disclosure requirements for brokers? If so, what would need to be disclosed and why?
Our Member credit unions and building societies are not involved in providing broker or custodial services therefore we have no comment to make.

29. What would be the costs and benefits of applying the broker requirements in the FA Act to insurance intermediaries?
Our Member credit unions and building societies are not involved in providing broker or custodial services therefore we have no comment to make.

30. Are the requirements on custodians effective in reducing the risk of client losses due to misappropriation or mismanagement?
Our Member credit unions and building societies are not involved in providing broker or custodial services therefore we have no comment to make.

31. Should any changes to these requirements be considered?
Our Member credit unions and building societies are not involved in providing broker or custodial services therefore we have no comment to make.

32. Is the scope of the FA Act exemptions appropriate? What changes should be considered and why?
We believe it is anomalous to exempt lawyers and accountants from the regime, but not exempt financial service providers such as credit unions and building societies who provide simple products and services including basic budgeting advice often directed towards low income earning New Zealanders.

33. Does the FA Act provide the Financial Markets Authority (FMA) with appropriate enforcement powers? If not, what changes should be considered?
We believe the FA Act does provide the FMA with appropriate enforcement powers.

34. How accessible and useful is the guidance issued by the FMA? Are there any improvements you would like to see?
The guidance released thus far by the FMA is useful and accessible.

35. What changes should be considered to make the current regulatory regime simpler and easier for consumers to understand? For example, removing or clarifying the distinction between AFAs and RFAs.
To reiterate Co-op Money NZ's view (see question 3 and 6) a positive step to simplify the regime would be to remove category 2 products from it altogether. The current regime means it is easier and cheaper to train staff to not give advice. If the regime were less complex financial advisers would have greater confidence in providing advice which in turn will be much simpler for consumers to understand and access.

36. To what extent do consumers understand that some financial advisers' primary roles may be selling financial products, rather than solely acting as an unbiased adviser to their clients?
We believe most consumers understand the distinction between sales and advice.

37. Should there be a clearer distinction between sales, information provision, and advice? How should such a distinction be drawn? What should or should not be included in the definition of financial advice?

The Australian and United States international comparisons referred in Box 1, page 33, of the Issues paper sets the threshold for financial advice higher than the current New Zealand regime. We believe the threshold should be set higher in New Zealand as per our comments in question 6 recommending category 2 products be removed from the regime. This would go a long way to making a clearer distinction between sales information provision and advice.

38. Do you think that current AFA disclosure requirements are effective in overcoming problems associated with commissions and other conflicts of interest?

Our Member credit unions and building societies are not AFAs therefore we have no comment to make.

39. How do you think that AFA information disclosure requirements could be improved to better assist consumer decision making?

Our Member credit unions and building societies are not AFAs therefore we have no comment to make.

40. Do you support commission and conflict of interest disclosure requirements being applied to all financial advisers? If so, what requirements are appropriate for different adviser types?

Co-op Money NZ believes all financial advisers should disclose commission and conflict of interest regardless of their status under the FA Act.

41. Do you think that commissions should be restricted or banned in relation to financial advice, and if so, in what way? What would be the costs and benefits of such an approach?

Co-op Money NZ does not believe commission should be restricted or banned in relation to financial advice. We believe the main focus should be to ensure that front line staff, whether they are financial advisers or not, are having quality conversations with people to ensure products are right sized for the customers' needs.

42. Has the right balance been struck between ensuring advisers meet minimum quality standards and ensuring there is competition from a wide range of providers (and potential providers)?

No, we don't believe the right balance has been struck. Our own Members have reported the barriers identified in paragraph 151 of the Issues Paper limiting financial advice provided to the public. The two primary reasons cited by Members are the compliance costs and difficulty understanding the regulatory requirements. Many have found it cheaper and easier to not provide any advice, which has been detrimental to their members and their own business's reputation.

43. What changes could be made to increase the levels of competition between advisers?

The Issues Paper acknowledges the current regime has resulted in a shortage in supply of financial advisers. We believe Co-op Money NZ's recommended changes (in question 6) would assist in increasing the supply and access to general financial advice.

44. Do you think that the Code of Professional Conduct for AFAs strikes the right balance between requiring them to understand their clients and ensuring that consumers can get advice on discrete issues?

Our Member credit unions and building societies are not AFAs therefore we have no comment to make.

45. To what extent do you think that the categorisation of types of advice and advisers is distorting the types of advice and information that is provided?

From our Member experiences, the categorisation of types of advice and advisers has resulted in consumers getting less access to sensible financial advice on everyday simple financial products (namely category 2 products). Credit unions and building society members have traditionally relied upon our Members for support, guidance and advice on simple financial products. But the financial adviser regime has forced some of our Member credit unions and building societies to remove this highly valued service as they cannot justify the cost of compliance and there is a genuine fear of being inadvertently non-compliant.

Consequently the public find it harder to get the advice they want on simple products.

46. Are there specific compliance requirements from the FA Act regulation that have affected the cost and availability of independent financial advice?

Co-op Money NZ believe there are two key compliance requirements that have affected the cost and availability of independent financial advice:

1. The requirements regarding the two tiered product category arrangement, along with three different types of advisers who can provide six different levels of advice between them, is too complex and not easily understood by financial advisers and consumers.
2. The cost of providing the most basic financial advice on simple, everyday financial products is not justified.

Consumers needing advice are not always able to access financial advice where they would expect to get it.

47. How can regulatory requirements be made less onerous without reducing the quality and availability of financial advice?

As explained already in previous questions, we believe the removal of category 2 products from the regime will make the regime less onerous and will also ensure quality advice is still provided for low risk, every day, financial products.

48. What impact has the Anti-Money Laundering and Countering Finance of Terrorism Act had on compliance costs for advisers? How could these costs be minimised?

The cost of complying with the AML/CFT Act has been significant for our Members. The investment in technologies and human resources to meet the requirements are extensive. Although we support the objectives of the AML/CFT regime, we are concerned with compliance costs in general as these are disproportionately higher for smaller institutions such as our Member credit unions and building societies.

49. What impact do you expect that KiwiSaver decumulation will have on the market for financial advice in New Zealand? Are any specific changes to regulation needed to specifically promote the availability of KiwiSaver advice?

We believe there will be a greater need for financial advice as KiwiSaver funds accumulate and ultimately become available to the public.

50. What impact do you expect that the introduction of the Financial Markets Conduct Act (FMC Act) will have on the market for financial advice in New Zealand? Should any changes to the regulation of advice be considered in response to these changes?

We agree that the current financial adviser regime could limit access to advice on new investment products as outlined in paragraph 169 of the Issues Paper.

51. Do you think that international financial advice is likely to increase? Is the FA Act set up appropriately to facilitate and regulate this?

Our Members are credit unions and building societies whose membership is made up of individuals from New Zealand therefore they will not be providing international financial advice. However their members will be exposed to financial advice from overseas advisors. It is unclear to us how that overseas sourced advice will be controlled under the FA Act.

52. How beneficial are the current arrangements for trans-Tasman mutual recognition of qualifications? Should further arrangements be considered?
In general we support greater harmonisation with Australia.

53. In what ways do you expect new technologies will change the market for financial advice?
There is no doubt that there will be increased demand by younger generations to access financial advice via current or new technologies. We are unsure how this will be catered for in the current regulatory regime as we believe the existing framework of the regime is far too complex and cluttered. Moreover we are concerned that the regulatory response for new technology is likely to add to the existing clutter and complexity.

54. How can government keep pace with technological developments to ensure that quality standards for advice are maintained, without inhibiting innovation?
We believe the existing framework of the regime is far too complex and cluttered. The regime can be simplified by a more balanced distinction between general financial advice related to product information compared to investment advice for more complex products and services.

55. Are the minimum ethical standards for AFAs appropriate and have they succeeded in fostering the ethical behaviour of AFAs?
Our Member credit unions and building societies are not AFAs therefore we have no comment to make.

56. Should the same or similar ethical standards apply to all types of financial advisers?
Yes. Most financial advisers who are not AFAs already conduct themselves in an ethical manner. However, we agree that similar standards should apply to all.

57. What is an appropriate minimum qualification level for AFAs?
We believe the exiting qualification level is appropriate.

58. Do you think that RFAs (for example insurance or mortgage brokers) should be required to meet a minimum qualification relevant to the area of advice they specialise in? If so, what would be an appropriate minimum qualification?
No. RFAs are made up of individuals advising on a wide variety of simple products. The reason the products they can advise on are category 2 is that they are considered low risk and simple to understand. A requirement for RFAs to be qualified to provide advice on these would be detrimental to the financial services industry. The current regime has already pushed many advisers out and now there is limited access to financial advice for New Zealanders – we do not want to see this deteriorate further.

59. How much consideration should be given to aligning adviser qualifications with those applying in other countries, particularly Australia?
In general we support greater harmonisation with Australia.

60. How effective have professional bodies been at fostering professionalism among advisers?
In general we believe the professional bodies as identified in the Issues Paper do well at fostering professionalism amongst advisers.

61. Do you think that professional bodies should play a formal role in the regulation of financial advisers and if so, how?
No, given the current complexity of the regime we do not believe the introduction of a formal role for professional bodies is appropriate.

62. Should any changes be considered to the relative obligations of individual advisers and the businesses they represent? If so, what changes should be considered?
We believe the balance between entity obligations and individual obligations is broadly appropriate.

63. Is the QFE system achieving its goals in terms of consumer protection and reducing compliance costs for large entities? If not, what changes should be considered?
A QFE is the best economic option for larger financial service providers. But there is a significant compliance burden for QF's. The maintenance of the ABS and required monitoring, supervision, reporting, and record keeping requires a lot of resource, time and effort.

64. Do you agree that the Register should seek to achieve the identified goals? If not, why not?
Yes, we agree with the identified goals.

65. What goals do you consider should be more or less important in reviewing the operation of the Register?
We believe all the goals should have equal weight.

66. Do you agree that the dispute resolution regime should seek to achieve the identified goals? If not, why not?
Yes, we agree with the identified goals.

67. What goals do you consider should be more or less important in reviewing the dispute resolution regime?
We believe all the goals should have equal weight.

68. Does the FMA need any other tools to encourage compliance with financial service provider (FSP) registration? If so, what tools would be appropriate?
We believe the existing options are sufficient.

69. What changes, if any, to the minimum registration requirements should be considered?
We have no changes to suggest.

70. Does the requirement to belong to a dispute resolution scheme apply to the right types of financial service providers?
Yes, we believe they do apply to the right types of advisers.

71. Is the current framework for the approval of dispute resolution schemes appropriate? What changes, if any, should be considered?
We have no changes to suggest.

72. Is the current framework for monitoring dispute resolution schemes adequate? What changes, if any, should be considered?
Yes, we believe this is the case.

73. Is the existence of multiple schemes and the incentive to retain and attract members sufficient to ensure that the schemes remain efficient and membership fees are controlled?
Yes, we believe this is the case.

74. Should the $200,000 jurisdictional limit on the size of claims that dispute resolution schemes can hear be raised in respect of other types of financial services, and if so, what would be an appropriate limit?
We do not believe the limit should be raised or extended.

75. Should additional requirements to ensure that financial service providers are able to pay compensation to consumers be considered in New Zealand?
We do not believe regulators should be prescriptive in determining the level of risk mitigation implemented by a financial service provider.

76. What features or information would make the Register more useful for consumers?
We suggest including pop-up definitions or explanations on the financial services that are offered to better inform the consumer. For example, if the entity is a licenced Non-Bank Deposit Taker this will mean they are supervised by the Reserve Bank and that they meet minimum regulatory requirements related to risk management, governance, capital and so forth.

77. Would it be appropriate for the Register to include information on a financial adviser's qualifications or their disciplinary record?
Initially this seems like a good idea but there would need to be much more thought put into this as there are many potential issues that could arise. For example, how long should a disciplinary record be kept on the register? Should all minor or major disciplinary matters be required to make public? How will the public know if an adviser has gone above and beyond in terms of qualifications and which qualifications are minimum requirements? This is a good time to begin to think about this potential addition to the register but much more consultation will be required to ensure information is relevant, not unnecessarily discriminatory for the adviser, and is understood by a consumer.

78. Do you consider misuse of the Register by offshore financial service providers is a significant risk to New Zealand's reputation as a well regulated jurisdiction and/or to New Zealand businesses?
Yes, we do consider this a significant risk. Licensed New Zealand financial entities are highly regulated and a considerable amount of investment from Government and the financial institutions has been consumed to achieve this. The reputational risk is significant and should be protected from those who are not legitimate. The Register does need to be tightened up to eliminate its misuse. We support the powers of the FMA to direct the Registrar to decline a registration or deregister a financial service provider.

79. Are there any changes to the scope of the registration requirements or the powers of regulators that should be considered in response to this issue?
We have no further comments.

80. What are the effects of (positive and negative) competition between dispute resolution schemes on effective dispute resolution?
We are not aware of the effects of competition between the four existing dispute resolution schemes on effective dispute resolution.

81. Are there ways to mitigate the issues identified without losing the benefits of a multiple scheme structure?
We have no further comments.

82. Are the current regulatory settings adequate in raising awareness of available dispute resolution options? How could awareness be improved?
We believe the current regulatory settings are adequate in raising awareness of available dispute resolution schemes.

Conclusion
Thank you for the opportunity to provide a submission on this consultation. If you have any questions regarding our comments please feel free to contact me on 18(d)

Yours sincerely,

David Smart
Chief Financial Officer

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