



AIA New Zealand

Sovereign House, 74 Taharoto
Road, Takapuna, 0622
Private Bag 300981, Albany,
Auckland 0752
T: +64 9 488 8800
F: +64 9 488 8810
aia.co.nz

21 February 2019

Ministry of Business, Innovation & Employment
PO Box 1473
Wellington 6140
New Zealand

By email: faareview@mbie.govt.nz

Submission on discussion paper – Financial advice provider licensing fees and changes to the FMA levy

1 Introduction

About AIA and Sovereign

- 1.1 AIA New Zealand is a member of the AIA Group. Established in New Zealand in 1981. It is ultimately owned by AIA Group Limited, which is listed on the Hong Kong Stock Exchange.
- 1.2 On 2 July 2018, AIA International Limited completed its acquisition of Sovereign, including Sovereign Assurance Company Limited. Sovereign is New Zealand's largest life insurer and has been in business in New Zealand for over 25 years.
- 1.3 AIA New Zealand and Sovereign (together "AIA Sovereign") are currently operating as two separate legal entities with a combined Executive Team and CEO. Both offer a range of risk management products that focus on the needs of customers including life and related insurance as well as health insurance.

About this submission

- 1.4 This submission focuses on issues of key importance to AIA Sovereign. As such, AIA Sovereign has not commented on every aspect of the Discussion Paper - Financial advice provider licensing fees and changes to the FMA levy ("Discussion Paper").

Public release

- 1.5 AIA Sovereign is comfortable with this submission being made available to the public.

2 Submission

Overall comments

- 2.1 AIA Sovereign generally support the proposals set out in the Discussion Paper but notes that there are still some areas of uncertainty, which we have commented on in our submission.



Specific comments

- 2.2 Our specific comments in relation to the questions raised in the Discussion Paper are set out in the attached Schedule.

3 Conclusion

- 3.1 Thank you for the opportunity to provide this submission. AIA Sovereign looks forward to continuing to participate in the discussions regarding the new financial advice regime.
- 3.2 I would be pleased to answer any questions that you may have in relation to our submission. I can be contacted on [REDACTED] or at [REDACTED].

Yours faithfully

AIA New Zealand and Sovereign

Kristy Redfern

General Counsel

AIA New Zealand and Sovereign

M: [REDACTED]

E: [REDACTED]



Schedule 1 Submissions

The below table contains AIA Sovereign's submissions in relation to selected questions from the Discussion Paper.

FMA licensing fees	
1	<p><i>Do you agree with the identified objectives for fee setting? Are there other objective which should be considered?</i></p> <p>AIA Sovereign broadly supports the objectives, detailed in paragraph 11 of the Discussion Paper, but notes that some of the proposals set out in the Discussion Paper may cut across the objective of limiting uncertainty as set out in sub-paragraph c.</p> <p>In particular, the transitional licence fee and full licence fee proposals include a \$155 per hour extra charge with no fee limit specified and limited guidance regarding the situations in which an extra charge would apply.</p>
2	<p><i>Do you have any comments on our proposed transitional licensing fees as set out in the discussion document?</i></p> <p>AIA Sovereign notes that an application to vary licence conditions may incur an extra charge of \$155 for every hour or, part-hour pro rata, of work carried out.</p> <p>AIA Sovereign requests clarification from MBIE/FMA as to the scenarios in respect of which MBIE/FMA would expect an extra charge to apply.</p> <p>In addition, AIA Sovereign suggests that there should be a requirement on the FMA to inform applicants in relation to additional costs for variation applications as part of the transitional licence fee arrangements, as there is in relation to full licence applications.</p>
3	<p><i>Do you have any comments on our assessment of the proposed full licensing fees as set out in the discussion document?</i></p> <p>AIA Sovereign notes:</p> <ul style="list-style-type: none">• MBIE has commented that the hourly rate specified in the table on page 11 allows the FMA to recover additional costs incurred in considering complex applications but there is no guidance provided as to what MBIE/FMA considers to be a complex application.• Additional costs will only be charged after FMA has informed the applicant. Our expectation is that FMA would inform an applicant before incurring additional costs as opposed to after additional costs have been incurred. In our opinion, the proposed requirement is ambiguous.• There is no cap proposed for additional costs incurred in relation to full licence applications, as there is in relation to the proposed FMA levy.• There does not appear to be a process for applicants to challenge additional costs assessments or a requirement for applicants to consent to the FMA incurring additional costs.• The FMA is yet to set renewal terms or expiry dates for financial advice provider licences and so it is not clear what costs will be involved on a recurring basis. We expect that there will be a further opportunity to consult once this is known as this may have a bearing on total costs.



AIA Sovereign requests clarification in relation to:

- What MBIE/FMA considers is a complex application.
- The point at which FMA would be required to inform applicants regarding additional costs.
- The nature of the consultation process which will occur in relation to renewal terms or expiry dates for full licences.

In addition, AIA Sovereign requests MBIE/FMA to consider introducing a process for applicants to challenge FMA additional costs assessments.

Changes to the FMA Levy

4 *Do you agree with the identified objectives for setting the levy amounts that will apply in the new financial advice regime? Are there other objectives which should be considered?*

We support the objectives proposed in the consultation.

5 *Do you have any comments on the proposed levy? Are there any further advantages or disadvantages to our proposal?*

AIA Sovereign generally supports the proposed levy but requests some clarification from MBIE as to whether a single adviser business will be required to pay two levies on initial registration.

6 *Should the levy relating to financial advisers be payable by the financial adviser as proposed, or the financial advice provider?*

AIA Sovereign agrees that it is practical for a financial adviser to pay the levy given that a financial adviser may be representing a number of financial advice providers, as MBIE/FMA has suggested.

7 *Do you have any comments on the alternative options set out in the discussion document? Are there other options, or variations on the alternative options, that should be considered?*

No comments.

8 *What would the costs and benefits be of providing relief to single adviser businesses?*

No comments.

Changes to levies relating to authorised bodies

9 *Do you have any comments on the proposed changes to the levies that relate to authorised bodies?*

N/A

Assumptions

10 *Do you have any comments on the assumptions used in this paper as outlined in Annex 1 of the discussion document?*

No comments.