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The financial advice landscape is changing in New Zealand

The financial advice regime in New Zealand is changing and the current legislation is being repealed. More businesses and activities will be brought into the new regime, which seeks to simplify financial advice. Regulatory barriers are being removed to encourage innovation and improve the accessibility to, and quality of, financial advice for New Zealanders.

Any client-facing financial services businesses now need to think about the upcoming changes and how they might be affected. KPMG can help with these decisions and any associated changes.

HOW MIGHT THIS AFFECT MY BUSINESS?

A level, but expanded, financial advice playing field

The definition of what constitutes regulated financial advice has been widened

- Many more financial services activities (and the people providing them) will be brought within the remit of the new legislation and will need to comply.
- Digital, online advice services are now permitted.
- The distinction between category 1 and category 2 products has been removed, along with the distinction between personalised and class advice. The same standards of advice delivery for retail clients will apply to all financial advice products, services and advice types.

Code of Conduct

Conduct standards will apply to anyone providing financial advice

- Previously the Code of Conduct only applied to Authorised Financial Advisers (AFAs), who tended to provide more complex or higher risk products and services. The new Code will apply to anyone providing regulated financial advice to retail clients.
- This means all entities and individuals providing financial advice will need to comply with the legislation and the Code of Conduct.
- Providers will need to be able to demonstrate that their staff act in a client-centric manner and that products, services and processes have been designed and will be delivered with the new regime in mind.

Licensing

All providers will need to be licensed

- Previously the regime authorised individuals, whereas now there will be a licensed entity regime.
- Providers and those providing advice will need to think about how they are going to structure their businesses and business strategy to take account of, and capitalise on, these changes.
- Providers will need to ensure they have robust frameworks, processes and controls to meet the licensing obligations and new regime requirements initially, and on an ongoing basis.

Client-centricity

The focus will be more output-orientated than input-orientated (in line with conduct lens being applied by regulators, and the fact that it will sit within FMCA)

- In the case of a conflict, an adviser will now need to prioritise the client's interests (which puts conflicted remuneration under the spotlight) and there will be an increased focus on management and disclosure of conflicts of interest.
- Providers will need to consider how they align staff incentives to their clients' interests. Greater thought will need to be given to the metrics and measures associated with adviser incentive schemes.
- Advisers will need to be able to show how they encourage their clients to understand their services and the advice being given.

Next steps

As a priority, financial services businesses with front line client-facing staff should consider whether these changes will affect their business. Thought will need to be given to the potential business model changes, new distribution channels and compliance requirements. The changing regime offers both opportunity and challenge and KPMG has the expertise to help you navigate these changes.

Contact our team

The KPMG team has expertise across the banking, insurance, funds management and financial advice industries. We support clients with complex regulatory change projects and can provide advisory services to help your business to make the most of this significant change.

Beckie McCleland
Director
Advisory
Auckland, KPMG

T: +64 9 363 3273
M: +64 21 837 417
E: bmccleland@kpmg.co.nz

Ceri Horwill
Partner
Advisory
Auckland, KPMG

T: +64 9 367 5348
M: +64 21 363 966
E: cerihorwill@kpmg.co.nz

Matthew Prichard
Partner
Head of Wealth Management Sector
Auckland, KPMG

T: +64 9 367 5846
M: +64 27 432 128
E: matthewprichard@kpmg.co.nz

kpmg.com/nz

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