

**BRING
IN THE
EXPERTS**

WEBINAR SERIES

**ARE YOUR RECORD KEEPING
PROCESSES COMPLIANT FOR
THE NEW REGIME?**

Financial Advice
NEW ZEALAND

Disclaimer

The information provided in today's webinar is for general information only and is not legal advice.

Please refer to the regulations and seek legal advice in relation to how the regulations apply to you and your Financial Advice Provider.

Reference material and resources used for today's webinar.

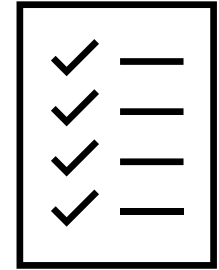
- FMA FAP Full Licence guide
- Standard conditions for full FAP Licences – FMA
- Code of Professional Conduct for Financial Advice Services.

Agenda

- Overview of standard conditions for FAP Licence.
- Standard Condition 1 – Record keeping
- What's included in record keeping?
- Policy Process and Controls for record keeping
- Questions

Standard conditions of a full FAP Licence.

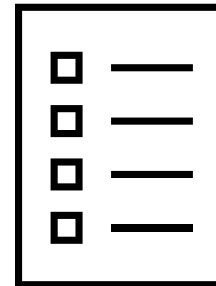
- 1. Record keeping**
2. Internal complaints process
3. Regulatory returns
4. Outsourcing
5. Business continuity and technology systems
6. Ongoing requirements
7. Notification of material changes



Standard condition 1

Record Keeping

Requires that you must create in a timely manner and maintain adequate records in relation to your financial advice service.

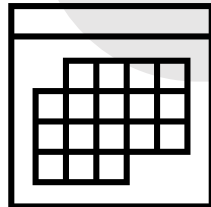


Your records:

- ***must be kept in a form (which may be electronic) and manner that ensures the integrity of the information and enables it to be conveniently inspected and reviewed by FMA;***
- ***may be in any language, providing that for records kept in a language other than English, if required by FMA, you provide in a timely manner a full translation of the record into English by a translator approved by FMA;***

Your records:

- ***must be readily available to you, and in any event within 10 working days or as otherwise agreed by FMA when requested; and***
- ***must be kept for a period of at least 7 years from the later of:***
 - *the date the record is made; and*
 - *the date the financial advice to which the record relates is given; and*
 - *the date any later record is made that refers to or relies upon information in the record; and*
 - *the date of the conclusion of the life of the financial advice product that the financial advice relates to.*



Other points to consider:

- **Your records must be stored securely and maintained whether they are kept in hard copy or in the cloud.**
- The FAP must also ensure client agreements or other arrangements include **client consent for the FMA to view their records.**



What's included in record keeping?

A record of **all regulated financial advice given to retail clients by the FAP**. Including but not limited to:

- Financial advice
- Financial Advice reviews
- Disclosure provided to clients
- Complaint's resolution information
- Continuing professional development

Financial
Advice:
Follow the six
step advice
process

- **File Notes** from your client meetings and conversations
- Client information (**fact find documents**)
- **Goal and objectives** that discussed with your clients
- **Analysis** of your client's situation
- **Product comparisons** where relevant
- **Research** around features and benefits, pricing or fees
- **Recommendations** – including suitability of your advice, benefits and any risks.
- **Applications** for Insurance, Mortgages, Investments.
- **Continuous file notes.....**



Financial Advice Reviews

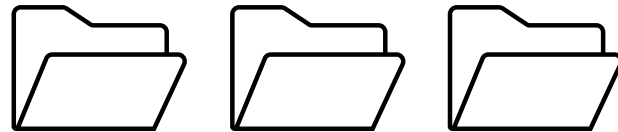
Financial Advice reviews should include:

- Records of **how and when** you review your clients financial advice (annually or policy anniversary?)
- **Updated client information** recorded
- Is the **advice still suitable** or have there been material changes in their lives?
- **Agreement** that changes are needed or the advice is still suitable and relevant
- **File notes** that evidence your interactions with your clients and any actions taken
- **Continuous file notes.....**

Tip on record keeping for advice!

The information needs to be documented in such a way that if **someone who did not know anything about the client, could read the documentation & understand** the client's background, their needs & how the advice provided meets their.

Be **detailed about what was discussed** with your clients in your notes or emails!



Disclosure provided to clients

Disclosure can be given in many forms including:

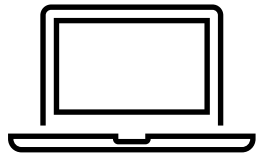
- Verbally
- Electronically
- In writing



With this in mind it is very important that you **document your process around how you record and evidence that the relevant stages of disclosure have been provided to retail clients** during the advice process.

Disclosure provided to clients

Maintain your **publicly available information** to ensure it is updated at all times, including **websites and any documents** that are used to provide to clients for disclosure purposes.



Keep a register of when you updated your marketing material and **version control of all documents** that are provided to clients.

A **good record keeping practice** that can be evidenced in compliance reviews.

Disclosure provided to clients

Nature and Scope of Advice

Keep a template with your disclosure detailed and update this regularly. (version control and register)

Personalise this disclosure where required for each client during the advice process, & save on client file.

Add in additional questions to your meeting notes to cover that your client also **understands the nature and scope of the advice**. (431J Duty)

Remember this is not a tick box exercise to say they received it!

Disclosure provided to clients

When advice is given

It's important to provide specific information to your client as advice is given (**SOA**) and **record this on their file along with detailed notes from your meeting.**

- What was agreed to and accepted in relation to **fees or expenses** and method of payment with your client.
- **Disclosure of commission** including **amounts or value** in relation to products recommended.
- **Conflicts of interest** that are material to the financial advice you are giving, and
- **Duties information** – my obligations and duties.
- **Identifying information** – who gave the advice?

Complaints resolution information

When a complaint is received, the following information must be provided to the complainant:

- An overview of the **FAP's complaints handling process**; and
Prescribed information about the **FAP's disputes resolution scheme**.



Where are you recording this has been actioned?
In your CRM, complaints register, and client file?

Review your policy, process and controls – how you check that you are managing complaints in your FAP?

Continuing Professional Development

Full FAP Licensing question.

How does the FAP (and all persons providing retail financial advice) meet the **competency requirements** under the Code of Professional Conduct of Financial Advisers?

***Refer to Code of Professional Conduct for Financial Advice Services
Part 2 Competence Knowledge and Skill.**

Continuing Professional Development

1. Professional Development Plan

Plan, record and review at least annually.

2. Your CPD register

Evidence and track what you have completed including:

- Training relevant to the advice strands that you provide
- Formal training and qualifications (Level 5 Cert FS)
- Ongoing product training
- Updates on regulation and legislation

Policy Process Controls

Three steps

1. **Develop your Business Policy - statement**
2. **Develop Procedures – tasks**
3. **Develop Controls – checks**



It is very important that your policies, processes, and controls are not too complex or complicated.

Your FMA review will likely be based on the evidence you supply – so it is vital your PPC's are documented and accessible.

Example: Policy Process Controls

1. Develop Policy statement example

We will maintain, store and destroy records to comply with relevant legislation and regulatory requirements.

- Records are kept for 7 years from the time the client engagement ends.
- All client advice, documents and meeting notes are saved in our CRM and stored electronically in the cloud and regularly backed up.
- Information can be retrieved quickly and be provide to the FMA upon request as consented by clients during our onboarding process.

Example:
Policy
Process
Controls

2. Develop Processes and Procedures (tasks)

- Client files that are **no longer required are securely destroyed** or removed from our system by a **designated person** in our business.
- **All staff are trained** on this policies and know how records are maintained, managed and stored to meet both privacy and security obligations.
- A compliance officer to check records are stored securely, are safe and accessible at least annually.
- A compliance officer checks that training has been completed for new staff and all staff training refreshed at least annually.

Example:
Policy
Process
Controls

3. Develop Controls (check it is working)

- An internal compliance officer **checks a random selection of client files** for each Financial Adviser at least annually **to ensure time frames are adhered to** and actioned for this policy.

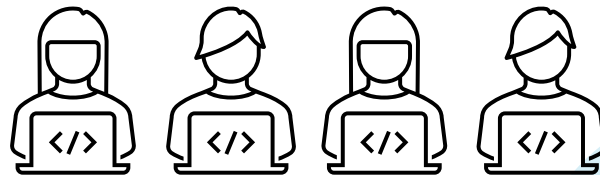
A **designated person** or external compliance officer checks (at least annually):

- the staff have been trained on the record keeping policy, by reviewing the **training registers** to see it has been tracked and completed.
- **Records have been reviewed** by the internal compliance officer and those not required have been properly destroyed and **documented in a register**.

Example:
Policy
Process
Controls

Our Ready Set Go webinar series covered many relevant examples of record keeping in the following workbooks :

1. Priority to clients interest
2. Competence knowledge and skill
3. Client understanding the nature and scope of advice
4. Exercise care diligence and skill
5. Comply with the code of conduct & Make information available



Thank you!

