

**BRING
IN THE
EXPERTS**

WEBINAR SERIES

**TAKING CARE OF YOUR
CLIENTS WHEN YOU CAN'T –
HOW TO INCLUDE A LOCUM
ADVISER AGREEMENT IN
YOUR BCP**

Financial Advice
NEW ZEALAND

DISCLAIMER

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

Reference material and resources used for today's webinar.

- FMA FAP Full Licence guide
- Standard conditions for full FAP Licence
- FMA
- FSCL
- Product Providers
- Financial Advice NZ members

AGENDA

- Business continuity plan overview
- The locum financial adviser's role
- Finding the right locum
- Contracts and practical considerations
- Activating a locum adviser arrangement
- How we can help
- Questions



Business Continuity Plan (BCP) overview

Standard Condition 5 - Full financial advice provider licences

Requires you to have and maintain a BCP that is appropriate for the scale and scope of your financial service.

How do you **Respond – Recover – Resume** from a disruption. This includes technology systems, people and premises.

Business continuity is important so that you can serve your clients, deliver advice and continue to operate.

A BCP should include:

A **detailed plan outlining actions to take in the event of a disruption** to the FAP's business to ensure it can continue to operate.

How to provide alternative service to clients during any downtime which may include **having a 'locum' to act on the FAP's behalf** by arrangement.

Most relevant for **Class 1 FAP's and solo adviser** businesses and is a question in the FAP Licensing guide.

The locum financial adviser options

You're a solo adviser with either a Class 1 or Class 2 FAP License.

Class 1 FAP Licence – to add a locum financial adviser to your License you need to apply for a variation to your license. This could take time and not be practical in the event of an urgent health issue for example.

Consider a referral based locum agreement with all advice given under the locums own FAP License.

A Director who is not a FA can only do non advice work!

The locum financial adviser options

Class 2 FAP Licence – you have the ability to add the locum financial adviser to your FAP License now or when required.

This is a more structured approach and you can be ready to activate when needed with your locum adviser.

Essentially, a locum financial adviser may be giving advice under your license and their own FAP too. FMA would need to approve this as part of the Full License application process.

The locum financial adviser's role

To assist you in the event that you are unable to work in your business and continue to provide a service to your clients.

It could be for a:

- a planned holiday (4-6 weeks for example)
- short term (a few months)
- medium term (1-2 years) or a
- longer term solution (3 years + or permanent)



Finding a locum financial adviser

- Someone with similar experience and competence.
- Operates in the area of advice you specialise in.
- Is in the same city or area for easy support of clients.
- Uses the same CRM for ease of access and use.
- Is accredited in the same product range as you for servicing your clients needs.
- Has the same mortgage aggregator (or head group)
- Is compliant and has a recent review to support this.
- Provides references from clients and industry peers.
- Someone you trust and you like dealing with.
- Is a member of Financial Advice NZ.





Locum financial adviser checklist

- FSPR details – are they correctly registered?
- Own FAP or FA on another FAP (structure to consider)
- Declaration – fit and proper (no conduct issues)
- Competence knowledge and skill to service your clients
- Product provider accreditations to service your clients
- Insurance advisers – agency agreements in place
- Mortgage advisers – common aggregator or Head group
- Do they have the capacity to service your clients over a short/medium/longer term?
- CRM currently being used and other IT systems or tools.

The locum & your clients

Good disclosure practice would be required so the clients are clear who the adviser is and what entity is giving advice – including how to make a complaint if that situation arises.



Remember to **keep your clients front of mind** throughout this process and how your locum will engage with them.

Handle **privacy of client information** and access to this information via an agreement and in your privacy declaration.

Locum contract or agreement

This could include:

- Remuneration for the time the locum works for you
- When this agreement is activated and how this is communicated (a lawyer may be the contact point)
- What is the delegated authority of the locum
- Handing back after a short or medium term period
- Access to passwords and systems
- Privacy of client information and data has been addressed.



Locum adviser engagement terms

Welcome to Russell Hutchinson



Who's contracting...

Your business



Your services – especially what financial advice services you offer

Whether you are a **FAP, AB, Sole Trader FAP**

We are not considering an FA working under a contract to a FAP – their case is different

When does the locum service operate?

Specifically, we need to **identify trigger conditions** for a locum to step in.

If you are a sole financial adviser you may be unable to trigger the start of the contract manually – it may need an automatic trigger. Typically these mean cover while the current FA / sole trader FAP is:

- Unable to work due to death or disability
- On leave of some other kind

You also need to contemplate how the period of service ends. Multiple methods of termination are required:

- Termination by the contractor
- Contract expiry
- Termination by the FAP / AB / Sole-trader FAP

What do you want a locum to do?

In functional terms: there are three main objectives tick as many as apply:

- Provide service continuity in ***financial advice*** to new or current clients?
- Provide continuity in *non-advice customer service*?
- Meet the terms of your agency agreement*** to enable continued payment of your renewals that requires a licensed financial adviser to be employed by the business?

You need detail.

The more detail you can develop the more clarity you will have on the service contract and the operational requirements of the contract.

Detailed terms or contract

- Place of work
- Nature of work
 - Types of advice engagement
 - Types of product
 - Scope of advice
- Applicable rates:
 - Base cost
 - Fees
 - Commissions
 - Reimbursement
 - Travel
- Professional indemnity coverage
- Standard documents
- Systems access
- Physical access
- Brand used
- Access to product
- Competence requirements
- Working days and hours
- Term of agreement
- Administrative support engagement
- Underwriting assistance
- Accounts systems / process
- Training
- Connectivity – BYOD or contractor supplied
- Client data
- Record keeping
- Confidentiality
- Privacy
- Tax
- Severance

Detailed terms or contract

Who is going to do the work?



Will you contract:

- A Financial Adviser
- An Authorised Body
- A sole-trader FAP

How they contract with you will be, in part, determined by their structure. Will this meet the requirements you set?

Detailed terms or contract

Who is going to monitor performance?

Your FAP continues to bear legal responsibility for the advice given, even if it contracts another FAP, AB, or FA to do the work.

Performance must be monitored.



Who will do this?

Activating a locum financial adviser agreement

Your plan to notify the following:



- The locum adviser
- Your clients
- FMA (if longer than 3 months)
- FSPR (if you are adding a Locum to your Licence)
- Your Head Group (mortgage aggregation only)
- Product Providers
- PI insurer
- Disputes Scheme

(refer to our Checklist for more details)

Preparation for your full FAP Licence

Remember to keep working on the following:

- Business continuity plan (including technology systems)
- Record keeping
- Internal complaints handling policy and process
- Outsourcing arrangements
- Competency – Professional development

*Consider having your locum adviser peer review your policies and processes so they understand how you operate in the event they need to look after your clients!

How we can support you to find a locum

1. Agreement template plan that has been created to support locum adviser employment.
2. A register to connect with FA's that are open to being a locum adviser within our member base.
3. A checklist to work through.
4. Support with the process and access to experts in the area.
5. Please email Jaime.Rendell@financialadvice.nz to register your interest.

THANK YOU!

The PowerPoint will be available to our members under your membership account.

