

**BRING
IN THE
EXPERTS**

WEBINAR SERIES

**101 – HOW TO OBTAIN A
FINANCIAL ADVICE PROVIDER
(FAP) LICENCE**

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 and Class 1 guide
- Standard conditions for full FAP Licences – FMA
- FMA website – full licensing guides and information
- The Code of Professional Conduct for Financial Advice Services
- Financial Advice NZ member resources

AGENDA

- Overview of full FAP licence
- Full FAP Licence Standard Conditions
- Class 1 and Class 2 explained further
- How do you get started?
- Ready to apply!
- FAQ's
- Resources
- Next steps to take
- Questions



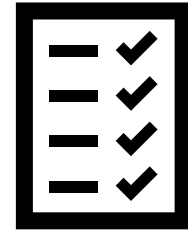
Overview of full FAP license



Your licence application will include details of your FAP business and details of how you will comply with:

- Financial Markets Conduct Act 2013 (FMC Act)
- Financial Markets Conduct Regulations 2014 (FMC Regulations)
- Code of Professional Conduct for Financial Advice Services
Conditions imposed by FMA (standard conditions)

Standard conditions for 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

Time frame



The FMA's target date for **Class 1 and Class 2** licence applications is **30 September 2022**.

Applications must be received and approved by **16 March 2023**. Otherwise you will not be able to provide regulated financial advice to retail clients.

What's a Class 1 and Class 2 FAP?

Class 1 FAP

You are a 'sole adviser business' providing regulated financial advice to retail clients through your FAP. You may have a Locum adviser.

Class 2 FAP

One or more Financial Advisers in the business providing regulated financial advice to retail clients on behalf of the FAP. You may have Authorised Bodies but no Nominated Representative.

Where do I start?

Step 1 – FSPR

- Login to the ENTITY (FAP) in the FSPR.
- Click on ‘financial services’ tab
- Select ‘maintain financial services’
- Scroll down the heading ‘additional information’
- Select “Financial advice provider – licensee – full license”

*Wait 24 hours then get ready to start your application with FMA via their website.

Ready to apply?

<https://www.fma.govt.nz/compliance/role/fap-new-regime/full-licence/>

- **TIP - Have your RealMe login details and password ready.**
- **Around 23 questions to answer**

Questions about your business



- ***Applicants details***

FAP name and FSPR

- ***Business structure***

Example-

How long have you been providing financial advice?

How many retail and or wholesale clients do you have?

**Refer page 4 of the FAP full licence guide – Class 1*

Questions that refer to agreements

- ***Outsourcing***

Which functions will you outsource? (tick the boxes)

For example:

Oversight & compliance, Training, Record keeping and IT services – CRM.

Do you have contractual agreements in place? Y/N

**See standard condition 4 regarding outsourcing*

**Refer page 5 of the FAP full licence guide – Class 1 for full list*

Questions that refer to a policy

- **Business continuity**

Do you have professional indemnity insurance? Y/N

Do you have approved, documented business continuity arrangements? Y/N

The dates your BCP was last reviewed & tested and next review planned.

- **Cyber Security**

Do you have an approved, documented cyber security policy? Y/N

The dates it was last reviewed & next review date

Questions I'll be asked



- ***Relevant parties***

Do you act jointly or with any individual or organisation? Y/N (Provide their details if yes)

Does anyone else influence your advice or activities?

Questions about how you operate

- ***Products and service***

What types of financial advice will you provide to your clients? Tick which apply

For example:

- Investment Planning Services
- Financial advice on financial products
- Switching funds within a Managed Investment Scheme (including KiwiSaver)

What products will your financial advice cover?

*See the list on page 6

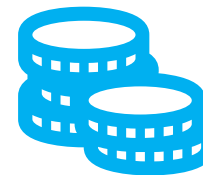
Questions about how you operate

- ***Products and service continued....***

Do you engage with another FAP or provide financial advice to clients of another FAP? Y/N

- Engagement methods if you provide advice to another FAP's clients (interposed person)
- FMA will need more information on these arrangements.

Questions I'll be asked



- ***Client Money & client property***

Will you provide client money services as part of your service either inside or outside of your FAP? Y/N

Providing client money or property services (previously broking and custodial services under the Financial Advisers Act 2008) means that the FAP receives, holds, or transfers money or property on behalf of a client.



Questions I'll be asked

- ***Capabilities and qualifications***



Meeting your competency requirements

How does your sole adviser meet the competency requirements of the Code?

Example

- *was an AFA immediately prior to the commencement of the Code*
 - *NZ Certificate in Financial Services (Level 5) V 1/2.*
- *Refer page 8 of the FAP full licence guide – Class 1 for full list*

Questions I'll be asked

- ***Maintaining competence***

Do you have an approved documented process to ensure that all persons providing advice under this licence maintain their competency?

Your **professional development plan** will support how you keep your competence, knowledge and skill up to date, and can also be demonstrated by reference to your FAP's **procedures, systems and expertise**.

Questions I'll be asked

- ***Oversight & compliance functions***

What is included in the scope of your oversight and compliance functions? Select from the list including:

- Advice Operations
- Governance
- Systems & Procedures
- Persons giving financial advice
- Code of Conduct
- Reporting and notification to the FMA
- Standard conditions on the licence

Policy or
process I will
be asked about

- ***Customer care and handling conflicts***

Conflicts of interest

Do you have an approved, documented process on how to handle conflicts of Interest?

Provision of financial advice

Do you have an approved, documented process that explains how financial advice should be provided?

**Refer page 10 of the FAP full licence guide – Class 1 for full list*

Policy or process I will be asked about

- ***Code of Conduct***

Do you have an approved, documented process to ensure that the advice provided under this licence complies with the Code?

How will you ensure you comply with the standards set in the Code?

- ***Complaints handling***

Do you have an approved, documented process detailing how complaints will be handled?

Remember this is a standard licence condition!

Questions I'll be asked

- **Record keeping**

Do you have an approved, documented process on record keeping?

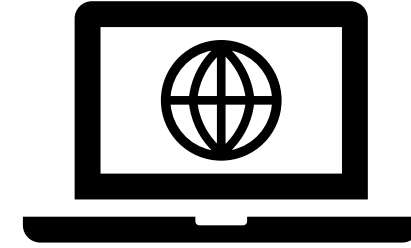
How you will ensure that you comply with the record keeping licence condition?

- **Reviewing conduct**

Do you have an approved, documented process to review your conduct and the conduct of all persons providing financial advice under this licence?

How will you identify and rectify poor conduct?

Questions I'll be asked



- ***Digital advice***

Do you have a digital advice facility?

This is where there is no advice given by a person but obtained by the customer via a platform or application.

*See page 12 for further details if you have a facility.

Applicant's sign off

- ***Fit and proper***

A series of questions about individuals and organisations including directors and senior managers

- ***Declaration***

To be completed by the applicant.

The end.



Recap on Documents & Policies

What do I need to get ready – key policies and documents

- **Record keeping**
- **Internal Complaints policy**
- **Outsourcing Policy and or agreements**
- **Cyber security policy**
- **Business continuity and technology systems (BCP)**
- **Competency requirements**
- **Professional Development Plan**
- **Conflicts of interest policy**
- **Financial advice process**
- **Code of Conduct policy or process**
- **Digital advice (if applicable)**

FAQ's

What we get asked almost every time

1. *Do I need to submit my policies or documents with my application?*

Answer – NO but you need to check when you reviewed them last and when they will be reviewed in the future (dates)

2. *Will FMA review my draft and see my changes and query these?*

Answer – NO they will only see the final version that gets submitted

TIPS on making your application

Do this in stages – take your time!

- Start your application and read what is required.
- Save a draft and prepare your answers.
- Check your supporting policies and processes and documents are updated and dated with current version.
- Review what you have said and submit your application.
- Remember to update your details from Transitional FAP License holder to FAP License on all your client facing material when approved!

Your next Steps

- Log into the FSPR and select the full FAP License box
- Wait overnight for this to update in the system

- Log into FMA website and click on 'apply for Licence'
- Start completing your details about your FAP
- Read through the questions to understand the flow
- Save a draft!

- Prepare your answers fill in any gaps
- Review your supporting documents and policies.
- Log back in and complete application
- Submit!

How the FMA will confirm your licence.

- You will receive an email notification acknowledging receipt of your online application.
- FMA may contact you for clarification on any matter, or to request further information.
- FMA will email you to confirm whether your licence has been approved, declined, or requires specific conditions.
- Approved licences will appear on the Financial Service Providers Register from the date your licence takes effect.

Resources
created to
assist you

In the members resource area.....

THANK YOU!

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

