

# WHO IS LOOKING AFTER YOUR CLIENTS WHEN YOU ARE UNABLE TO?

A discussion on locum financial adviser arrangements and the practical and regulatory requirements to provide you with peace of mind

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# DISCLAIMER

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

# AGENDA

- Why consider a locum financial adviser?
- Regulatory requirements
- Practical considerations
- Activating a locum adviser arrangement
- Testing and review
- Questions

# WHY CONSIDER A LOCUM FINANCIAL ADVISER?

A locum can assist you in the event that you are unable to work in your business and continue to provide a service to your clients providing:

- Peace of mind
- Protection against unexpected risks
- Continuity of client service/your business
- Preservation of business value

**Who will run your business if you/other key persons are unable to?**

# REGULATORY REQUIREMENTS: Business Continuity Plan

## **Standard Condition 5** - Full financial advice provider licence

- Must have and maintain a BCP that is appropriate for the scale and scope of your financial advice service.
- A documented process as to how you **Respond – Recover – Resume - Restore** following a disruption.
- **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 your FAP business to ensure it can continue to operate.

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

# Locum financial adviser options

## Locum arrangements expressly permitted under Class 1 Licence

-FAP engages locum to give financial advice on its behalf

- FAP liable for provision of financial advice
- locum to meet FAP's duties
- FAP to monitor **OR**

-Consider a referral based locum arrangement with all advice given under the locum's own FAP licence.

**Class 2 licence** – ability to add a locum now/when required

Appropriate FSPR/licence updating required

# Notice to FMA

## **Standard Condition 7 for full FAP licence**

Notification required to FMA within 10 working days of implementing any material change to the way you provide financial advice.

**This includes engaging a locum for a period of 3 months or more, to provide regulated financial advice on your behalf.**



# PRACTICAL CONSIDERATIONS

## Finding a suitable locum financial adviser

- Ask colleagues, industry associations (FANZ Register)
- Undertake your own due diligence
- Someone you trust/you like dealing with
- Someone with a similar philosophy/approach
- Is in the same city/area for easy support of clients.
- Uses the same IT systems/tools for ease of access/use.
- Has capacity
- Provides references from clients and industry peers.
- No complaints against
- Product providers happy with choice
- Is a member of Financial Advice NZ.



# Finding a suitable locum financial adviser (continued)

- Current FSPR registration
- Authority to accept locum role
- Declaration – fit and proper
- Competence knowledge and skill to service your clients
- Is compliant and has a recent review to support
- Product provider accreditations to service your clients
- Insurance advisers – agency agreements in place
- Mortgage advisers – common aggregator or Head group

# The locum & your clients

**Important to keep your clients front of mind throughout this process**

How do you want your locum to engage with your clients?

**Privacy of client information essential**

- locum will need access to client information
- update client terms of engagement and privacy statement to permit appropriate information sharing.

**Disclosure important**

# LOCUM ARRANGEMENTS

## **Locum arrangements need to be:**

- Recorded in writing.
- Tailored to your circumstances
- Written by a lawyer/compliance specialist –based on the practical detail/scope you provide

**Be prepared to spend the time and money to get things right upfront**

# WHO IS CONTRACTING?

**Your business** – are you a FAP, AB, Sole trader FAP?

**Your services** – especially what financial advice services you offer

**Who are you contracting with?**

Structures will further determine appropriate terms.

# LOCUM FINANCIAL ADVISER ENGAGEMENT TERMS INCLUDE:

- Activation of arrangements
- Notification
- Term/termination
- What do you want the locum to do?
- Delegated authority
- Access to systems/offices/admin support
- Remuneration
- Client service expectations
- Privacy of client information
- Compliance/policies/processes/use of the brand
- Agency arrangements
- Monitoring and oversight
- Non-solicitation
- Indemnity/PI insurance
- Handing back arrangements

# ACTIVATING ARRANGEMENTS

## What and who will activate the arrangements?

- Identify trigger events and who will notify your locum adviser if you are unable to
- Prepare notification in advance including:
  - instructions
  - relevant software URLs and user names
  - locum agreement
  - BCP plan
  - Contact details for queries

Who will update the FSPR/advise FMA if engagement is more than 3 months?

# ACTIVATING ARRANGEMENTS - NOTIFICATIONS

## 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 Resolution Scheme



# MONITORING ARRANGEMENTS

## **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 by someone competent to do so.

Who will do this?

# REVIEW AND TEST

It is important that your locum arrangements are:

- Reviewed
- Regularly tested
- Updated if there is a material change to your business

Your locum adviser should be kept abreast of updated policies and processes and changes to your business – understanding how you operate and what client's expect



# CALL TO ACTION!



- Act now
- Need to get arrangements right
- Arrangements tailored for circumstances
- Record in writing
- Arrangements take time

**“NEVER SAY THAT WONT HAPPEN TO ME. LIFE HAS A FUNNY WAY OF PROVING US WRONG!”**

# HOW FINANCIAL ADVICE NZ CAN SUPPORT YOU TO FIND A LOCUM

1. We have created Locum checklist and a Locum Support Agreement Guide.
2. We are currently working on a register to connect with Financial Adviser's that are open to being a locum adviser within our member base.
3. Support with the process and access to experts in the area. email [leigh.hodgetts@financialadvice.nz](mailto:leigh.hodgetts@financialadvice.nz)

The above information is found under your membership page

# QUESTIONS

## **Our presenter:**

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# THANK YOU!

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

