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# FAP Regulatory Returns

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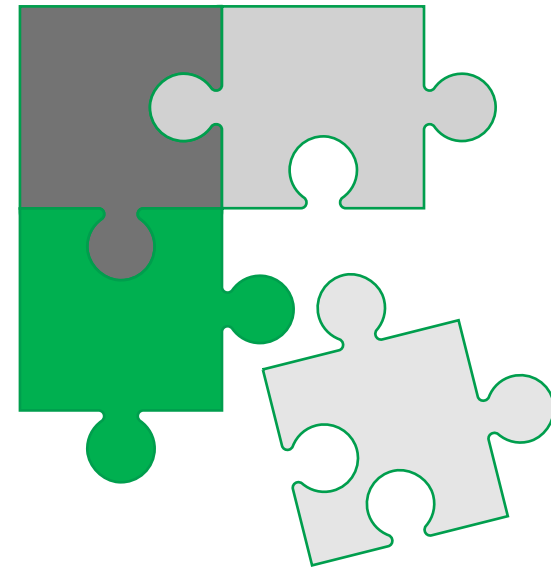
# Topics for today

1. Regulatory Returns – What are they?
2. Proposed Questions – Deep dive
3. Consultation – What you need to know

# 1. Regulatory Returns – What are they?

# Regulatory Returns – What are they?

- Regulatory Returns are a **FAP Licence Standard Condition** [Std Condition 3]
- Requests Licensed FAPs to **file certain information to the FMA** on a **periodic basis**
- Information is used to **gain an understanding** of the sector
- Information helps support FMA's **ongoing monitoring** of the advice sector, through identification of **priorities and focus areas.**



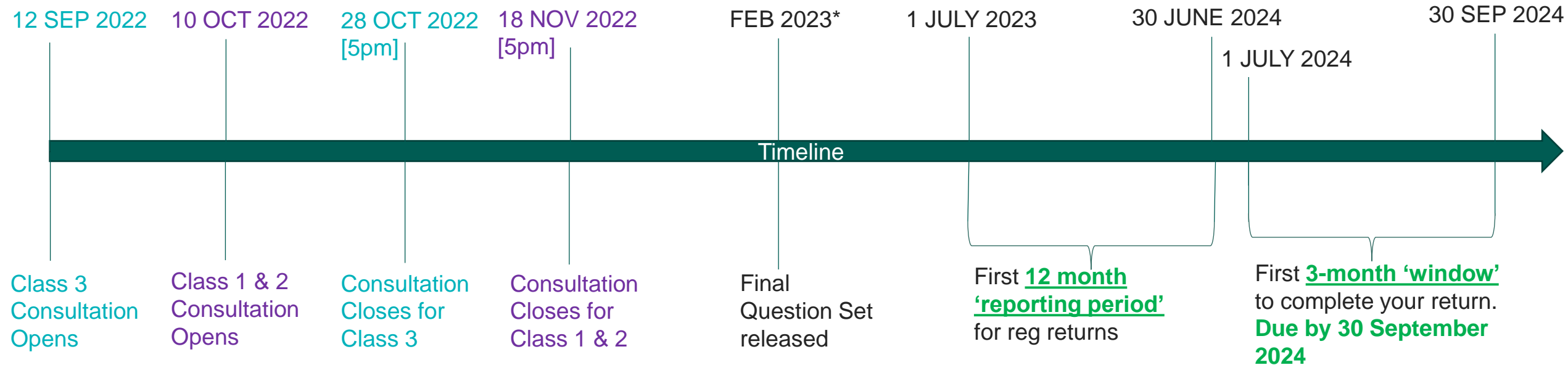
# Regulatory Returns – What are they?

Accurate and current information on the activities of licensed participants (FAPs, Authorised Bodies) is **essential** if our monitoring activities are to be effective:

- Reg Returns move us from a **reactive to proactive regulator**
- Reg Returns allows a deeper **understanding risk of harms to consumers**, before they arise. *It supports identification of monitoring priorities to address such risks.*
- Reg Returns allows identification of **new and emerging trends** and helps understand the evolution of the sector
- Reg Returns allows the FMA to reach **ALL** licensed holders on a regular basis

# Regulatory Returns – What are they?

We are proposing regulatory returns will need to be filed **annually**, for the year **1 July to 30 June**



\*Tentative release date

## 2. Proposed Questions – Deep dive

# Proposed Questions – Deep dive

Question Types	What it means for FAPs
Dynamic Form !	<p>The form will look and feel like your Licence application form.</p> <p>Some questions only appear depending on answers to previous questions [e.g. <i>if your select you provide investment advice, you may be asked about Funds under Advice etc.</i>]</p> <p><b><u>Questions-set are different depending on the Licence Class</u></b></p>
Quantitative [i.e. numerical figures]	<p>Be ready to <b>ensure data is captured in your business</b>, this could include number of retail clients, staffing levels, complaints, and proportions (expressed as %).</p>
Qualitative	<p>We will be asking you to <b>self-assess the state of your governance, systems, and controls</b>. Be honest and reflective, as it provides insights into our regulatory focus</p>
Checkbox, multi-select, Yes/No [binary]	<p>No long-form (descriptions or explanations) required. Only required to <b>select options that best describe</b> your Licensed FAP and/or business.</p>



# Proposed Questions – Deep dive

- Standard Condition 3 notes you must provide us with the information we need to monitor your ongoing capability to effectively perform the financial advice service in accordance with the applicable eligibility criteria **and other requirements in the FMC Act**
- The regulatory returns will help the FMA to understand **the profile of your business**

## What does this mean?

We've included questions that help us gain insights into your business activities, which are supportive to your Licensed Service and satisfy our monitoring under the FMC Act more generally.

*Example – We ask about eligible investor certificates. Whilst this may not be directly associated with the FAP service, it is activity captured for wider FMC Act monitoring we conduct.*

# Proposed Questions – Deep dive

Sections covered are as follows:

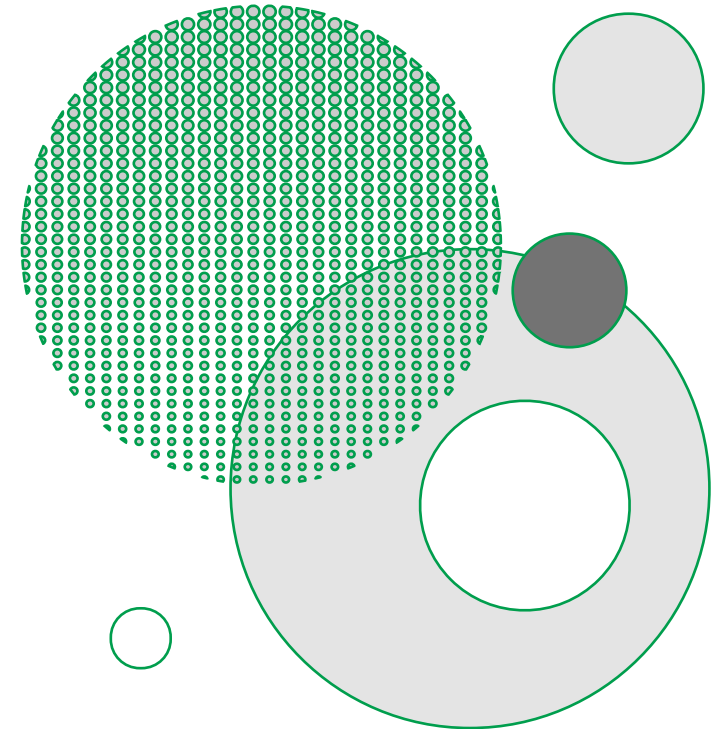
**Part 1 – Business and Infrastructure**

**Part 2 – Licensed Activities**

**Part 3 – Complaints**

**Part 4 – Outsourcing**

**Part 5 – Business continuity and technology systems**



# Proposed Questions – Deep dive

## Part 1 – Business and Infrastructure.

### Questions include:

- Confirming your license structure and FAs, ABs, and/or NRs {if Class 3}
- Competency
- Staffing/Resourcing – including compliance support

# Proposed Questions – Deep dive

## Part 2 – Licensed Activities

### Questions include:

- Understanding your clients
- Types of financial advice provided, including products advised and volumes
- Other services you provide
- How you market and advertise
- Revenue generation

# Proposed Questions – Deep dive

## Part 3 – Complaints

### Questions include:

- Complaint volumes – received and resolved internally
- Complaints via your DRS provider
- Complaint resolution times
- Complaint categorisation

# Proposed Questions – Deep dive

## Part 4 – Outsourcing

### Questions include:

- Services outsourced
- Details of your outsourced service providers
- Arrangements to oversee outsourced services

# Proposed Questions – Deep dive

## Part 5 – Business continuity and technology systems

### Questions include:

- Your business continuity arrangements
- Insurances you hold for your business
- Types of cyber incidents (whether material or not) that your business has experienced

# 3. Consultation – What you need to know



# Consultation – What you need to know

- **Class 3** responses are due by **5:00pm, 28 October 2022**, via [consultation@fma.govt.nz](mailto:consultation@fma.govt.nz)
- **Class 1 & 2** responses are by **5:00pm, 18 November 2022** via [consultation@fma.govt.nz](mailto:consultation@fma.govt.nz)
- There is a 'consultation document' and 'feedback form' to assist your feedback
- **Give honest feedback**, FMA welcomes feedback from a interested parties, such as industry associations, financial service law firms, training providers and compliance consultants.
- **The questions sets are different depending on Licence Class.** Ensure you provide feedback on the Licence class that is relevant to you

Questions?