



LBA QUARTERLY NEWSLETTER

August 2007

Welcome to the first Quarterly Newsletter for 2007!!

Great News.....

It has been confirmed that the 2008 LBA Conference will be held in Nelson at the Rutherford Hotel. The dates for this Conference are 21st - 23rd May 2008.

Book your flights early and save \$\$\$\$\$\$!!

The theme is "Dawn of a New Day" - A Southern Experience. There will be a chance to make monthly payments over 6 months (Nov-April).

Coming to you soon.....The Financial Alert, N.B.R. & Good Returns will be added to our mailing list. So keep your eye out for these.

Membership

Kevin sent out a letter to all members after Conference in regards to membership. You all needed to sign up one person to become a member of the LBA.

Have you done this yet???? If not, why not?

Do not procrastinate and action this today!!!!

Preparing for Regulation of Advisers

As members will be aware, the Government has announced the intended regulation of advisers with the requirement that all financial advisers will need to belong to an “Approved Professional Body” (APB). The associations colloquially known as the G-4 have formed a working party with the following aim:

To work towards the formation of an APB for the licensing of financial advisers independent of existing organisations.

The members of the working party are:

Institute of Financial Advisers: Simon Hassan and Tony Vidler

Life Brokers Association: Alex Rodgers and Alan Murray

Professional Advisers Association: Richard Thomas and Dave McMillan

Society of Independent Financial Advisers: Murray Weatherston and Tom Watson

The working party held its first meeting on 18 July and will meet regularly, initially every second month. Chairmanship of the meetings will rotate and IFA management will provide secretarial support.

Since the legislation for regulation has yet to be introduced to Parliament, and there is considerable detail yet to be determined on the requirements for an APB, the working party’s task will necessarily extend over many months.

G4 REPORT

LBA Update on Review of Financial Intermediaries Regulations

If you have not already read the latest review please do so.

Introduction

There were no surprises in the recommendations announced yesterday. We are mostly comfortable with the content of the recommendations with one notable exception: disclosure of remuneration for life insurance advisers. The following summarises the main points contained in the Financial Adviser regulations (the parts of the proposed legislation likely to impact on financial advisers) and provides a high level LBA perspective on each point.

1.0 Definition of Financial Advice

The definition has been modified from one only pertaining to a financial product through to including “opinions, recommendations, and guidance on the buying, selling and holding of financial products or investment and savings decisions given to a member of the public in the course of the adviser’s business.”

LBA's view

This is a preferable position and one which reflects the majority of the 140 submissions made to the MED. In essence the definition has moved from one exclusively attached to a financial product through to a more general definition of financial advice (not necessarily attached to a financial product).

2.0 Definition of Financial Product

The regulations take a broad view of financial products with the definition encompassing: debt/equity, credit and risk products, investment, real estate investment (other than primary residence) and other tangible products where there is an investment and savings element: this includes all of the traditional financial products plus the addition of investment property.

LBA's view

We don't imagine that the Real Estate industry will be pleased with the inclusion of investment property but it does create parity of regulation across all forms of financial advice. We believe that if you give advice you should be included.

3.0 Classification of Advisers

The three categories of financial adviser proposed in the discussion document have been discontinued. In the legislation there will be no separate categorisation of advisers. This should mean that advisers working for product suppliers will be subject to the same regulatory requirements as self employed, independent advisers.

LBA's view

Needless to say there were significant problems with the original category of product marketer and high level intermediary proposed by the MED. We are much more comfortable with the one rule for all that will now apply to all financial advisers.

Disclosure

Members of an APB must provide the following information in writing prior to advice being given:

- Membership of an APB
- Experience and qualification
- Access to dispute resolution
- Past relevant criminal convictions,
- Relevant remuneration/relationship and
- Type of advice given.

LBA's view

We are in favour of disclosure of all information that poses a potential conflict of interest. However, we are not convinced that the unique nature of life insurance compensation is fully understood by the Ministry. Consequently we are discussing a combined PAA/LBA meeting with the Minister of Commerce (Hon Lianne Dalziel) to express our concern that the regulations do not currently adequately distinguish the unique characteristics of life insurance remuneration.

Approved Professional Bodies (APBs)

All financial advisers will be required to belong to an APB. Larger organisations can opt to belong as a 'corporate member'. The APB is responsible for:

- Maintaining a register of its members,
- Set entry level competency standards,
- Set ongoing standards,
- Monitor members,
- Carry out discipline breaches of APB rules,
- Participate in dispute resolution process, and
- Report to the Securities Commission on its own corporate governance, as well as financial adviser's behaviour.

There is no set number of APBs that will be allowed to form. The test is ultimately whether the organisation can meet the International Organisation of Securities Commissions (IOSCO) minimum standards for "self regulated organisations."

LBA's view

Whereas PAA and IFA may be large enough to form their own APB I do not believe that we are. We should therefore continue working with IFA, PAA and SIFA to create one APB.

What do you need to do next?

The proposed regulations do not require you to do anything immediately. However, ultimately you will need to join an APB and you will need to provide evidence of your competence to give advice to the APB.

More Information?

The full documentation can be downloaded from the Ministry of Economic Development's website (http://www.med.govt.nz/default___6.aspx).

PAA and LBA - Comment from Alex Rodgers – Past President

If you were one of those who attended conference you will know that the vote to merger or not with PAA was lost by a very small margin. I still believe that the merger was the right direction but respect the decision of the day. I will be watching with fascination to see all these members who value their LBA "independence" offer their assistance to the new Board in running our organisation. It will also be interesting to see where the PAA goes to now. Please take an interest in your future and decide where we need to go.

Alex Rodgers and Alan Murray
(Your G4 Committee Members)