



NEW ZEALAND'S EXCHANGE
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Financial Markets Authority
Level 2, 1 Grey Street,
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by email only: consultation@fma.govt.nz

NZX Submission on proposed standard conditions for financial advice provider full licenses and classes of financial advice service

NZX Limited (**NZX**) submits this response to the Financial Markets Authority (**FMA**) consultation document 'Proposed standard conditions for financial advice provider full licenses and classes of financial advice service' (**Consultation Document**).

We thank the FMA for the opportunity to make this submission and to contribute to the Government's work of further developing the policy settings for the regulation of financial advice providers and their services in New Zealand under the Financial Services Legislation Amendment Act 2019 (**FSLA Act**).

Nothing in this submission is confidential.

Response to consultation

We support the FMA's agenda to regulate financial advice providers with the view that these proposals will bring the regulation of financial advice in New Zealand closer to international standards. This will ultimately benefit New Zealand's international reputation ensuring that it retains its reputation as a reliable and viable option for investments.

We wish to comment on the following proposed conditions that are set out in the Consultation Paper:

1. professional indemnity insurance; and
2. instances when technological disruptions should be reported to the FMA.

Professional Indemnity Insurance

We agree with the FMA's proposal to include professional indemnity insurance as one of the financial advice provider full licence standard conditions. We also believe that introducing this standard will benefit the market by providing more certainty to investors as it will enable them to obtain remedies for negligent acts committed by financial advisers.

We support the FMA's intended approach to not prescribe a specific level of professional indemnity insurance cover in proposed condition 5. Insurance coverage is usually a significant undertaking for a smaller firm and we agree that it is appropriate for firms to determine the level of cover they need based on the nature and scope of their advice, and

client base. We agree that where the FMA waives the requirement for professional indemnity insurance, that it will be appropriate to require the licence holder to notify retail clients that they do not have professional indemnity coverage.

As an alternative solution to accrediting firms without insurance coverage, the FMA may wish to consider creating a professional indemnity class fund for financial advisers in smaller firms to alleviate the financial burden of such insurance coverage.

Reporting of technological disruptions

We support the FMA's initiative towards creating more reliable and secure technological systems throughout the market.

Proposed condition 6, requires the financial adviser's firm to notify the FMA within five business days of discovering any event that materially impacts the cybersecurity of the firm's critical technology system. The proposed condition is drafted in a manner that appears to apply to technology systems of a financial advice provider's entire business, rather than to systems involved in the provision of financial advice, which we suggest is inappropriate for providers who operate diverse businesses using a wide range of technological systems.

We would like to recommend that the FMA amend the current wording of this requirement so that only technological disruptions which materially affect the ability for a financial adviser to *provide financial advice* should be reported to the FMA within 5 business days. We believe that this amendment is consistent with the intention of condition 6.

Closing comments

We thank the FMA for this opportunity to submit on these proposals and NZX is happy to provide further information or clarification of any matters contained within. We would welcome the opportunity to meet with you discuss any aspect of this submission.

Yours faithfully,



Kristin Brandon
Head of Policy and Regulatory Affairs
NZX Limited