

22 August 2017

Supervision Plan

This copyright work is licensed under the Creative Commons Attribution 3.0 New Zealand licence. You are free to copy, distribute and adapt the work, as long as you attribute the work to the Financial Markets Authority and abide by the licence terms. To view a copy of this licence, visit creativecommons.org

www.fma.govt.nz

AUCKLAND OFFICE | Level 5, Ernst & Young Building | 2 Takutai Square, Britomart | PO Box 106 672 | Auckland 1143
WELLINGTON OFFICE | Level 2 | 1 Grey Street | PO Box 1179 | Wellington 6140

Contents

Supervision Details	4
Supervision Details	4
Purpose and Methodology of Supervision	5
Purpose	5
Methodology	5
Scope of Supervision	6
Scope	6
Information and Reporting Requirements	8
Information and Reporting Requirements	8
Immediate Reporting Requirements	8
Reporting Requirements during the Initial Period of Supervision	8
Reporting Requirements at the end of the Initial Period of Supervision	9
Co-operation	9
Supervision and Monitoring Requirements	10
Supervision and Monitoring Requirements	10
Immediate Monitoring Requirements	10
Monitoring Requirements during and at the end of the Initial Period of Supervision	10
Outcomes	10

Supervision Details

Supervision Details

The relevant details of the Supervision Plan are:

Supervision	Details
Authorised Financial Adviser being Supervised	XYZ
Supervision Team (Regulation Function) at Financial Markets Authority	Senior Adviser within the Supervision Team (as nominated by the FMA)
Initial Period of Supervision	6 months from the date on which the Authorised Financial Adviser being Supervised recommences providing financial adviser services to clients as an Authorised Financial Adviser
Subsequent Period of Supervision	Provided that the overall period of supervision does not exceed 3 years, the Initial Period of Supervision can be extended for a further term and any Subsequent Period of Supervision can be extended for a further term if the FMA is not satisfied that the Purpose (as described in the section below) has been met within the completed period of supervision
Costs of Supervision	The costs of this Supervision Plan (if any) will be borne by the Authorised Financial Adviser being Supervised

Purpose and Methodology of Supervision

Purpose

The purpose of this Supervision Plan is to:

- Set out the minimum requirements that the AFA being supervised will need to meet during the Initial Period of Supervision to comply with the Relevant Code Standards (as defined **below**)
- Provide the Financial Markets Authority (**FMA**) with a measure by which to assess, evaluate and determine whether the AFA being supervised has improved his professional conduct to a standard that meets the minimum requirements of the following Code Standards under the Code of Professional Conduct for Authorised Financial Advisers –
 - Code Standard 6(b)
 - Requirement to provide written advice to clients at or about the time the relevant financial decision is being made
 - Code Standard 6(c)
 - Requirement to underpin all recommendations made to clients with the examination and appropriate analysis, which involves an interpretation, explanation and reconciliation of the relevant material
 - Code Standard 12
 - Requirement to maintain adequate written records sufficient to demonstrate compliance with Code Standards 5 to 10 (inclusive), and must include copies of information and documents provided to, or received from, the client in writing

(referred to as the **Relevant Code Standards**)

Methodology

The FMA will assess, evaluate and determine whether the AFA being supervised has improved his professional conduct during the Initial Period of Supervision to a standard that meets the Relevant Code Standards, with reference to Unit Standards from the New Zealand Certificate in Financial Services (**NZCFS**) (Level 5).

In assessing, evaluating and determining whether the AFA being supervised has improved his professional conduct during the Initial Period of Supervision to a standard that meets the Relevant Code Standards, the FMA will consider:

- Information and documentary material provided to it by the AFA being supervised
- Any other information and/or documentary material that the FMA considers relevant

Scope of Supervision

Scope

The assessment, evaluation and determination of whether the AFA being supervised has improved his professional conduct during the Initial Period of Supervision to a standard that meets the Relevant Code Standards will be undertaken by the FMA and will:

- Relate to all personalised financial adviser services provided by the AFA being supervised to retail clients
- Be measured with reference to NZCFS Unit Standards (Level 5), including but not limited to those set out in the table below

Strand	Unit Standard	Outcome	Evidence Requirements
Financial Advice (Code Standards 6(b), 6(c) and 12)	26360	Outcome 3: Demonstrate understanding of the Code of Professional Conduct for Authorised Financial Advisers	Evidence Requirement 3.2: Explain standards of client care described in the Code in terms of the requirements for authorised financial advisers and apply them to a given financial advice situation
Financial Advice (Code Standard 6(b))	25652	Outcome 1: Coordinate the implementation of agreed financial strategies and solutions for clients	Evidence Requirement 1.4: Clearly explain timeframes and responsibilities for execution and processing and gain confirmation of understanding from the client
Core (Code Standard 6(c))	28365	Outcome 2: Conduct research and analysis, develop fit for purpose financial solutions, and provide a supporting rationale	<p>Evidence Requirement 2.1: Using a case study, simulation, or workplace derived evidence, apply a research process to a range of situations</p> <p>Evidence Requirement 2.2: Based on the research process outcome, compare alternative courses of action and recommend, with justification, the preferred course of action</p>

Strand	Unit Standard	Outcome	Evidence Requirements
Financial Advice (Code Standard 6(c))	25651	Outcome 2: Develop, present, and agree appropriate financial strategies and solutions for clients	Evidence Requirement 2.1: Conduct research, analysis, and product modeling in accordance with client information
Core (Code Standard 12)	28363	Outcome 1: Demonstrate knowledge of and, where appropriate, comply with best practice and professionalism in respect of client care, ethical behaviour, and advice process	Evidence Requirement 1.1: Demonstrate how best practice and professionalism are adopted when providing services to clients Evidence Requirement 1.2: Explain how client information is managed to meet appropriate standards of best practice and professionalism
Financial Advice (Code Standard 12)	25652	Outcome 2: Monitor agreed financial strategies and solutions for clients	Evidence Requirement 2.5: Maintain records of client interactions at a standard that meets the requirements of legislation, regulations, and codes of practice

Copies of the **above** Unit Standards are set out in the **Appendix** to this Supervision Plan (as highlighted).

Information and Reporting Requirements

Information and Reporting Requirements

As part of assessing, evaluating and determining whether the AFA being supervised has improved his professional conduct during the Initial Period of Supervision to a standard that meets the Relevant Code Standards the FMA will consider the information and documentary material provided to it by the AFA being supervised.

The information and reporting requirements of the AFA being supervised are set out **below**.

Immediate Reporting Requirements

Within one month after this Supervision Plan is either agreed to as between the AFA being supervised and the FMA, or is imposed by an order of the Financial Advisers Disciplinary Committee (**FADC**), the AFA being supervised must submit to the FMA an updated / revised:

- Primary Disclosure Statement which meets the requirements of Schedule 1 of the Financial Advisers (Disclosure) Regulations 2010
- Adviser Business Statement which addresses the issues raised in the FADC's Decision, dated 22 June 2017, along with each of the matters outlined in the guidance "*AFA Adviser Business Statement Guide*" published by the FMA at <<https://fma.govt.nz/assets/Guidance/150101-afa-adviser-business-statement-guide.pdf>> (January 2015)
- Professional Development Plan which addresses the issues raised in the FADC's Decision, dated 22 June 2017, along with each of the matters outlined in the guidance "*Continuing Professional Development*" published by the FMA at <<https://fma.govt.nz/compliance/role/authorised-financial-advisers/your-on-going-obligations/continuing-professional-development/>>

Reporting Requirements during the Initial Period of Supervision

As soon as the AFA being supervised recommences providing financial adviser services to retail clients as an AFA, the AFA being supervised must submit to the FMA:

- A monthly report which sets out a summary / timeline overview (in a form to be prescribed by the FMA) of the steps in the financial advice process that have been undertaken by the AFA being supervised in relation to each client (or prospective client) during the previous month
- Any supporting information and/or documentary material in relation to a monthly report, as requested by the FMA

The AFA being supervised must submit his monthly report for the previous month to the Supervision Team not later than the 5th day of each month (or the following work day if the 5th day of the month falls on a weekend or statutory holiday).

Reporting Requirements at the end of the Initial Period of Supervision

At the end of the Initial Period of Supervision, which will be six months after the AFA being supervised has recommenced providing financial adviser services to retail clients as an AFA, the AFA being supervised must provide to the FMA:

- A written self-assessment of the steps the AFA being supervised has taken to improve his professional conduct and recordkeeping practices over the Initial Period of Supervision, including whether he considers those steps have been effective in his achieving compliance with the Relevant Requirements
- A sample of client files randomly selected by the FMA for an on-site review and assessment

Co-operation

The AFA being supervised will co-operate with the FMA and do all things necessary to facilitate the FMA's monitoring and supervision under this Supervision Plan. This includes providing complete information and documentary material in a timely way and being ready, willing and able to respond to telephone and/or email queries from the FMA during normal business hours.

Supervision and Monitoring Requirements

Supervision and Monitoring Requirements

As part of assessing, evaluating and determining whether the AFA being supervised has improved his professional conduct during the Initial Period of Supervision to a standard that meets the Relevant Code Standards the FMA will undertake monitoring and supervision over the AFA being supervised.

The monitoring and supervising requirements that the FMA will undertake are set out **below**.

Immediate Monitoring Requirements

The FMA will review and provide feedback to the AFA being supervised on the following information and documentary material submitted to the FMA by the AFA being supervised, being an updated / revised:

- Primary Disclosure Statement which meets the requirements of Schedule 1 of the Financial Advisers (Disclosure) Regulations 2010
- Adviser Business Statement which addresses the issues raised in the FADC's Decision, dated 22 June 2017, along with each of the matters outlined in the guidance "*AFA Adviser Business Statement Guide*" published by the FMA at <<https://fma.govt.nz/assets/Guidance/150101-afa-adviser-business-statement-guide.pdf>> (January 2015)
- Professional Development Plan which addresses the issues raised in the FADC's Decision, dated 22 June 2017, along with each of the matters outlined in the guidance "*Continuing Professional Development*" published by the FMA at <<https://fma.govt.nz/compliance/role/authorised-financial-advisers/your-on-going-obligations/continuing-professional-development/>>

Monitoring Requirements during and at the end of the Initial Period of Supervision

During, or at the end of, the Initial Period of Supervision, the FMA will:

- Review each monthly report submitted by the AFA being supervised, along with any supporting information and/or documentary material as requested by the FMA, and provide feedback (as appropriate and/or necessary)
- Conduct a 'Tailored' Supervising Monitoring Visit at the business premises of the AFA being supervised (to be scheduled at a mutually convenient time) and provide feedback (as appropriate and/or necessary)
- Conduct an on-site review of 5 client files randomly selected by it and provide feedback (as appropriate and/or necessary)

Outcomes

Following the Initial Period of Supervision, the FMA will assess, evaluate and determine whether the AFA being supervised has improved his professional conduct during the Initial Period of Supervision to a standard that meets the Relevant Code Standards. The FMA will make this determination with reference to NZCFS Unit Standards (Level 5), the information and documentary material provided to it by the AFA being supervised, along with any information and/or documentary material that the FMA considers to be relevant. Having made its assessment, the FMA will then determine:

- Whether the Supervision Plan can come to end; or
- Whether a Subsequent Period of Supervision is necessary and appropriate