



No need for advisers to drown in compliance

The doomsayers predict that small financial advisory businesses will drown in compliance once we move to the new advice regime on March 15, 2021. But David Greenslade, founder and executive director at Strategi, believes this is not the case – if a few fundamentals are in place.

While it is common for advisers in the UK and Australia to spend about half a day per week on compliance-related tasks, this is unlikely to be the case here in New Zealand, David Greenslade says.

“Those regimes have a prescriptive approach to compliance that requires a lot more input. New Zealand has a more enlightened regulator (the Financial Markets Authority (FMA)) which promotes a more principles-based approach,” he says.

Greenslade offers a range of suggestions for avoiding an excessive compliance burden, including the following.

- 1 Have a well-drafted operations manual in place**, proportionate to the size of the business. This sets the framework for how your business will operate under the new regime.
- 2 Embed simple to use technology** into the business and maximise its potential. This is absolutely critical and needs to be well thought through.
- 3 Have a really good advice process in place** that includes simple to understand and quick to prepare advice documents. These documents

should ideally be digitally delivered, and short enough that clients will read them.

- 4 Obtain the level five qualification as soon as you can** – and don’t regard it as a box-ticking exercise. “Instead, select your education provider based upon its quality of training material, range of training methodologies and NZQA qualitative rating – and consider it an investment rather than a cost. This is the foundation for the way advisers will need to operate under the new regime and the more you know about the requirements and obligations, then the easier compliance will become.”
- 5 Outsource some compliance tasks to reputable providers** to gain efficiencies and ensure you are on the right track and remaining compliant. Use them to conduct annual end-to-end compliance reviews, and provide periodic advice on systems, processes, templates and governance. Greenslade points out that the financial advice provider retains liability and responsibility for compliance and conduct, so if something goes wrong, it is the FAP that the clients and FMA will be chasing.

“With this in mind, hiring the cheapest compliance provider may end up being the most expensive option in the long term if something goes wrong,” Greenslade says. “Select your compliance provider based upon experience, capability, capacity and quality”.

- 6 If you have a secretary or PA, make sure you get them on the Strategi Compliance Officer Course (before March 15, 2021)**. An investment of \$2,100 plus GST to upskill that person to the level they can undertake most compliance tasks will save considerable time and money. Strategi estimates at least a 10-fold return on the course cost.

There is no doubt that the compliance step-up required for some Registered Financial Advisers will be huge, Greenslade says. However, it is all achievable provided the journey starts now and not on March 15, 2021 when the new advice regime begins. ¹

Strategi Group is the leading provider of compliance and training services for the New Zealand financial advisory industry.

For more information, visit www.strategi.co.nz.