

## Financial Markets Conduct (Sovereign Services Limited) Exemption Notice 2015

Pursuant to section 556 of the Financial Markets Conduct Act 2013, the Financial Markets Authority gives the following notice (to which is appended a statement of reasons of the Financial Markets Authority).

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### Notice

- 1. Title**  
This notice is the Financial Markets Conduct (Sovereign Services Limited) Exemption Notice 2015.
- 2. Commencement**  
This notice comes into force on 1 June 2015.
- 3. Revocation**  
This notice is revoked on the close of 30 November 2015.
- 4. Interpretation**
  - (1) In this notice, unless the context otherwise requires,—
    - Act** means the Financial Markets Conduct Act 2013
    - Purchaser** means the purchaser under a Qualifying Sale Agreement
    - Qualifying Sale Agreement** means an agreement for the sale and purchase of that portion of Sovereign's business relating to the provision of the Specified Service, such agreement being conditional on:
      - (a) the issue to the Purchaser of a market services licence permitting the Purchaser to provide the Specified Service; and
      - (b) the Purchaser entering into agreements for the provision of administration and custody services necessary to enable the

Purchaser to provide the Specified Service following completion of the sale under the Qualifying Sale Agreement; and

- (c) an exemption being granted exempting Sovereign from section 388(c) of the Act

**Sovereign** means Sovereign Services Limited

**Specified Service** means the discretionary investment management service commonly referred to as the *Select Wealth Management Service* being provided by Sovereign on the date this exemption takes effect

- (2) Any term or expression that is defined in the Act and used, but not defined, in this notice has the same meaning as in the Act.

## **5. Exemption**

Sovereign is exempted from section 388(c) of the Act.

## **6. Conditions**

The exemption in clause 5 is subject to the conditions that—

- (a) Sovereign has entered into a Qualifying Sale Agreement;
- (b) an application has been made by the Purchaser under section 395 of the Act for a market services licence that would, if issued, permit the Purchaser to provide the Specified Service;
- (c) investor money and investor property held on behalf of an investor under the Specified Service provided by Sovereign is held by a body corporate which Sovereign believes, on reasonable grounds, to be appropriate to hold and safeguard, the money or property;
- (d) Sovereign only provides the Specified Service to a retail investor who was not receiving the Specified Service from Sovereign immediately before the exemption took effect where that retail investor has been notified in writing prior to signing an investment authority that Sovereign's business relating to the provision of the Specified Service is to be sold or discontinued;
- (e) the Financial Advisers Act 2008 and regulations made under the Financial Advisers Act 2008, as in force at 30 November 2014, apply to the Specified Service provided by Sovereign during the period in which the exemption is in effect;
- (f) the exemption ceases to apply upon the earliest to occur of:
  - (i) the application in sub clause (b) above being declined;
  - (ii) if the Qualifying Sale Agreement terminates or is terminated (otherwise than by reason of completion

- occurring under that agreement), the expiry of 20 working days from such termination occurring; and
- (iii) the date of revocation of this notice specified in clause 3.

Dated at Wellington this 25<sup>th</sup> day of May 2015.



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Liam Mason  
General Counsel  
Financial Markets Authority

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### Statement of reasons

This notice comes into force on 1 June 2015 and expires on 30 November 2015.

This notice exempts Sovereign Services Limited ("**Sovereign**") from section 388(c) of the Financial Markets Conduct Act 2013.

The effect of the notice is to permit Sovereign to provide a discretionary investment management service without a market services licence, with the conditions that—

- i. Sovereign has entered into an agreement (the "**Sale Agreement**") for the sale and purchase of that portion of Sovereign's business relating to the provision of the *Select Wealth Management* discretionary investment management service provided by Sovereign on the date the exemption takes effect, such agreement being conditional only on:
  - the issue to the purchaser under that agreement ("**Purchaser**") of a market services licence permitting the Purchaser to provide the discretionary investment management service provided by Sovereign on the date the exemption takes effect; and
  - the Purchaser entering into necessary agreements for the provision of administration and custody services to enable the Purchaser to provide the *Select Wealth Management* discretionary investment management service following completion of the sale under the Sale Agreement;
  - this exemption being granted

- ii. an application has been made by the Purchaser under section 395 of the Act for a market services licence that would, if issued, permit the Purchaser to provide the discretionary investment management service provided by Sovereign at the date the exemption takes effect;
- iii. investor money and investor property held on behalf of an investor under the discretionary investment management service provided by Sovereign are held by a body corporate which Sovereign believes, on reasonable grounds, to be appropriate to hold and safeguard, the money or property;
- iv. Sovereign only provides the discretionary investment management service to a retail investor who was not receiving the discretionary investment management service from Sovereign immediately before the exemption took effect where that retail investor has been notified in writing prior to signing an investment authority that Sovereign's business relating to the provision of the Specified Service is to be sold or discontinued;
- v. the Financial Advisers Act 2008 and regulations made under the Financial Advisers Act 2008, as in force at 30 November 2014, apply to the discretionary investment management service provided by Sovereign during the period in which the exemption is in effect;
- vi. the exemption ceases to apply upon the earliest to occur of:
  - the application in sub clause (ii) above being declined;
  - if the Sale Agreement terminates or is terminated (otherwise than by reason of completion occurring under that agreement), the expiry of 20 working days from such termination occurring; and
  - 30 November 2015

The Financial Markets Authority (**FMA**), after satisfying itself as to the matters set out in section 557 of the Act, considers that it is appropriate to grant the exemption because—

- in the absence of the exemption there is a risk existing investors being provided a discretionary investment management service by Sovereign will not receive timely, accurate, and understandable information in regards to the service;
- in the absence of the exemption Sovereign may be subject to unnecessary compliance costs in applying for a licence for a service it does not intend to provide past 30 November 2015;
- the exemption will not cause significant risk or harm to investors or the financial markets.

In summary, the FMA is satisfied that the granting of the exemption is desirable in order to promote the purposes of the Act, specifically the provision of timely, accurate, and understandable information to persons to assist those persons to make decisions relating to financial products or the provision of financial services and to avoid unnecessary compliance costs.

As such, the FMA is satisfied that the exemption is not broader than is reasonably necessary to address the matters that gave rise to it.

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