

Self-assessment tool: Key outsourcing arrangements

Why this matters

As a small business, we expect you'll need to outsource some functions to third parties. It's important that you protect your reputation and your clients by conducting robust background checks, putting contractual agreements in place, and performing regular reviews to ensure suppliers of key functions are up to the task and can meet your expectations and Financial Advice Provider (FAP) obligations. As a FAP, you remain responsible for any functions that you outsource.

Use this self-assessment tool to see if you're ready to complete the outsourcing section of your Class 1 or Class 2 FAP full licence application. It should help you identify areas of strength or weakness in your full licence preparation so you can seek further help or advice and address any gaps before you apply. *

Are you ready?	Yes/No	Steps still required
WHAT TO CONSIDER		
<p>Do you know which key functions or processes you outsource?</p> <p>You can outsource any aspect of your licensed business. We only need to know about those outsourcing arrangements that you rely on to meet your licensee obligations. These include:</p> <ul style="list-style-type: none"> • Oversight and compliance functions • Record keeping and IT services (eg digital CRM) • Training services • Advice services (including digital advice). <p>But not things like utilities (phone and electricity suppliers), referral arrangements, or standard software licensing agreements (such as with Microsoft 365 Suite)</p> <p>Please note that even if you partially outsource a function, we recommend you select this function as outsourced on the application form. If you are part of a corporate group that takes care of some of your FAP's key functions or processes on your behalf (for example, you outsource a function like record keeping to a parent company, sister company or subsidiary), you should also consider this a "key outsourcing arrangement".</p>		

Are you ready?	Yes/No	Steps still required
CONTRACTS & DUE DILIGENCE		
<p>Do you have formal and written contracts in place with the suppliers of these key functions?</p>		
<p>Do these written contracts include details about:</p> <ul style="list-style-type: none"> • Monitoring their performance. • Taking action if they don't perform to your expected standard (for example, terminating the agreement if you had to). • Keeping records that relate to your financial advice service, and making sure these are available if requested, for example, by the FMA. 		

<p>Can you show that when choosing these suppliers, you looked at:</p> <ul style="list-style-type: none"> • The supplier’s previous experience (and qualifications). • Public reports and information about their service. • Any reported complaints about them, and their complaints handling procedures. • The country in which they operate. If they are primarily based outside New Zealand, have you reviewed any relevant restrictions imposed in that jurisdiction (for example, access to customer data from cloud computing providers) • The arrangements they have in place to help you respond to, and recover from, any cyber security or other technology breaches (as required by Standard Condition 5). 		
<p>If you answered ‘No’ to the above, can you explain how you will meet the outsourcing requirements set out in Standard Condition 4?</p>		

Are you ready?	Yes/No	Steps still required
REGULAR REVIEW		
<p>Have you set a date to regularly review the performance of each of these suppliers?</p> <p>This could be annually or at a frequency appropriate to the level of risk to your service. It’s a good idea to have evidence that each supplier has been (and remains) compliant with your licensee obligations, for example:</p> <ul style="list-style-type: none"> • Disclosure • Record keeping • Complaints resolution information • Continuing professional development 		
<p>Do you have a way to monitor the ongoing performance of these suppliers?</p>		

Ready to take the next step? [Start your draft full licence application online on the FMA website](#)

Remember, you don’t have to complete your application in one sitting. Make a start, complete what you can, and then return to fill in any gaps.

Need more help?

- Our [2020 Supervision Insights Report](#) provides helpful commentary on our expectations regarding outsourcing. See page 10.
- For full details of your outsourcing obligations see [Standard Condition 4 in the Standard Conditions for full FAP licences](#)
- For more information about your duties and obligations as a financial advice provider, visit the [FMA website](#)
- Contact us: 0800 434 566 or questions@fma.govt.nz

**Please note that this self-assessment tool is designed to help you prepare to apply for your Class 1 or Class 2 full licence. Completion of this form does not provide any guarantee that you will be granted a full licence. To apply for a licence you will need to complete the full licence application form on the [FMA website](#). Your application will then be assessed by our licensing team.*