

# Personalised digital advice exemption

## Your guide to applying to provide personalised digital advice under the Financial Advisers (Personalised Digital Advice) Exemption Notice 2018

This guide covers all the questions you'll be asked, the minimum standards you need to meet, and the information and supporting documents you'll need to provide.

### In this guide...

Introduction	2
Getting started	5
Good character	9
Capability	11
Risk management processes	14
IT systems	16
Client filtering	17
Final steps	19

Getting started

Good character

Capability

Risk management processes

IT systems

Client filtering

Final steps

## How do I apply for the **personalised digital advice exemption**?

This guide contains information about how to apply to provide personalised digital advice (also referred to as 'robo-advice') under the Financial Advisers (Personalised Digital Advice) Exemption Notice 2018 (the 'exemption'). The list of providers approved to provide personalised digital advice is set out in Schedule 1 of the exemption. The exemption has been granted because we believe personalised digital advice has the potential to improve consumer access to advice and promote innovation. However, providers need to meet certain standards and conditions to align with the objectives of promoting the sound and efficient delivery of financial advice, and encouraging public confidence in the professionalism and integrity of the advice providers. These objectives are stated in the Financial Advisers Act 2008 ('FA Act'). Your application needs to show us that you can meet the objectives mentioned above. If your application is approved, you'll also need to comply with all other obligations in the exemption and the FA Act. Having your application approved does not mean you will meet the licensing standards under the proposed new regime that will replace the FA Act.

To apply, email us your completed application form and supporting documents. All mandatory information and documents must accompany your application.

This guide may be updated from time to time, so please check our website for the latest version before you apply.

### Questions?

If you have any questions email [exemptions@fma.govt.nz](mailto:exemptions@fma.govt.nz) or call 0800 434 567 between 8.30am and 5pm, Monday to Friday. Overseas callers should call +64 3 962 2698.

## Who is this exemption for?

**Financial adviser entities**

*The exemption is for financial adviser entities ('providers') who want to provide personalised financial advice or personalised investment planning services to retail clients through a digital advice service.*



After you submit your application, we may ask you to provide more information to help us progress your application.

## Things to know before you apply

**1. Eligibility criteria**

- a. The exemption is available to entities that:
  - have been approved by us to be included in the exemption. Approved providers are listed in Schedule 1 of the exemption
  - are registered on the Financial Service Providers Register ('FSP Register')
  - belong to an approved dispute resolution scheme.
- b. To approve your application, we must be satisfied you meet the minimum standards described in this guide.

**2. Minimum standards**

- a. We expect all entities to meet the minimum standards, but there is flexibility in how you meet them, depending on the size and nature of your business.
  - For **smaller businesses**, this may mean quite simple processes that are not fully documented (you'll still need to explain them in your application).
  - For **larger businesses**, we expect processes to be more detailed and fully documented.

When you're explaining how you will meet a minimum standard, tell us why your approach is appropriate for the size and nature of your business.

- b. When you've completed your application, look over all the minimum standards and check you've provided a level of information that would allow someone who doesn't know anything about your business to be comfortable that you will meet each minimum standard.

**3. Ongoing obligations**

- a. If we approve your application you'll have ongoing obligations, including:
  - meeting all the conditions and requirements of the exemption
  - meeting all the relevant requirements of the FA Act
  - maintaining the minimum standards for as long as you provide the digital advice service in reliance on the exemption. If a material change of circumstances occurs, you will need to notify us of this – see clause 7 of the exemption for more information.

You may have other legal requirements, including requirements under other financial markets legislation.

## Application questions

The questions we ask help us assess how you meet the minimum standards. Under Part B - *What do we ask?*, we list all the questions in the same order they appear in the application form.

If you have any questions email [exemptions@fma.govt.nz](mailto:exemptions@fma.govt.nz) or call 0800 434 567 between 8.30am and 5pm, Monday to Friday. Overseas callers should call +64 3 962 2698.

- b. We may periodically request that you provide us with information about your use of the exemption and your digital advice service.

## 4. Using this guide

### Structure

- a. In each section you'll find a list of the relevant questions in the application form, including the documents we ask you to provide.
- b. The guide has been designed so you can read the minimum standards (A), see what you'll be asked in the application form (B) and read our comments on things to think about when answering the questions (C), then assemble what you need before you start your application. Your answers to the questions in (B) need to show us how you meet the minimum standards (A). Once you have completed each section, we recommend you read over your answers to make sure each minimum standard is addressed.
- c. If you're asked to explain something, you can write your answer straight into the form, and/or supply a supporting document. For longer answers you may find it easier to respond in a separate document and cross-refer to this in the form.

### Supporting documents

- d. If you supply answers in a supporting document, please indicate the document name and the section you're referring us to. If you are a QFE or a member of a QFE group, you can supply an updated version of your QFE Adviser Business Statement with tracked changes to support your answers.

## 5. Group applications

- a. Personalised digital advice can only be provided by legal entities that have applied and been approved by us for the exemption. This means that in a corporate group all legal entities that want to provide personalised digital advice will need to apply to us. This can be done using one application form. We indicate in the form those questions that need to be separately completed for each legal entity that is applying. This includes:
  - applicant details – including entity name, FSP number, details of past proceedings
  - good character section – directors and senior managers of each entity need to provide good character declarations
  - declaration section.
- b. How you choose to structure your group and provide the personalised digital advice is up to you. Each group member could have its own separate arrangements in place. Alternatively, group members may rely on shared services arrangements with other members – for example, for the technical expert and quality assurance functions, risk management processes and IT systems. Groups could also choose to have a 'lead' entity – for example, a parent company or the QFE – overseeing and supervising any shared systems and processes.
- c. However, regardless of the structure, to approve a group application we need to be satisfied that each legal entity that is applying will meet the minimum standards. When you've completed your application, look over your answers and check you've explained how your group arrangements work and that the information explains how each group member meets the minimum standards.
- d. If you have any questions about how to complete the application for a group of entities, please get in touch with us.

## A. Getting started

*This guide is divided into sections, following the order of the application form. This 'getting started' section covers the first section of the form, which asks for details about you, your business, and your application.*

### Tell us about your service...

No two products or services are the same. Your answers to our questions about your digital advice service will help us understand the size and nature of your proposed offering.

## Information for applicants

### B. What do we ask?

#### Contact person details

- » Name of the person we should contact about the application, their position, address, phone number(s) and email.

#### Groups

- » Is this a group application? (See comment 1)

#### Applicant details

- » Entity name and contact details.

#### FSP registration

- » What is your FSP number? (See comment 2)
- » What is the name of your dispute resolution scheme? (See comment 2)

#### New Zealand Business Number

- » What is your New Zealand Business Number (if applicable)? (See comment 3)

#### Prosecution details

- » Does the entity applying for the exemption have any past, current or pending criminal prosecutions, civil litigations or administrative actions involving it? If YES, please provide details. (See comment 4)

#### Licensed Financial Service Provider

- » Is your entity a licensed provider under the Financial Service Providers (Registration and Dispute Resolution) Act 2008?

#### QFEs and QFE groups (See comment 5)

- » Is this application being made by a QFE and/or one or more members of a QFE group under the FA Act?
- » What is the name of the QFE and/or QFE group?
- » Has the QFE agreed to the members of its QFE group making this application?
- » Would the QFE like us to treat this application as notification of its intention to change the financial adviser services and compliance arrangements of the QFE or QFE group for the purposes of QFE standard condition 1.8?

## Application details

Specific questions about your digital advice service (See comment 6)

- » What personalised financial adviser service(s) does your digital advice service relate to? Please select one or both of the options: financial advice, investment planning service.
- » What product type(s) will the digital advice service provide advice on? Please select all that apply from the list:
  - bank notice product
  - bank or licensed non-bank deposit taker term deposit
  - call building society share
  - call credit union share
  - call debt security
  - consumer credit contract
  - contract of insurance other than an investment-linked contract of insurance
  - debt security issued by the Crown
  - interest in a KiwiSaver scheme
  - interest in a managed fund other than a KiwiSaver scheme
  - quoted equity security
  - quoted debt security
  - quoted managed investment product
  - unit in a cash or term PIE.
- » Is the digital advice service tied to products of a particular product provider(s)? Please specify the name(s) of the provider(s). Please indicate whether the provider is a member of your QFE group (if applicable) or related to you.

### Your digital advice service

- » Please describe your personalised digital advice service. (See comment 7)

## C. What to think about

### 1. Group applications

For group applications, you will need to provide details for each legal entity that is applying. Please see the 'Things to know before you apply' section above for more information.

### 2. FSP registration

- a. You must be registered on the FSP Register at [www.fspr.govt.nz](http://www.fspr.govt.nz). New registrations can take up to five working days. Please register for the FSP Register category 'Wholesale and/or generic financial advice'. This is the most appropriate financial adviser service category available to entities on the FSP Register.
- b. You will also need to be a member of an approved dispute resolution scheme. For more information about dispute resolution schemes [click here](#).

### 3. New Zealand Business Number

An NZBN is a unique 13-digit identifier available for every sole trader, business, corporate, partnership or trust in New Zealand. If you do not have an NZBN, please answer “Not applicable”.

### 4. Prosecution details

If you are an existing Financial Markets Conduct Act 2013 (‘FMC Act’) licensee or authorised body, you do not need to answer this question. This is because details of past proceedings are covered by licensee requirements under the FMC Act regime.

### 5. QFEs and QFE groups

- a. QFEs must comply with ongoing obligations under the FA Act and the terms and conditions of their QFE status. This includes ensuring the QFE and members of its group comply with the QFE terms and conditions, and certifying on an annual basis that the QFE and members of its group have complied with their obligations under the FA Act.
- b. This existing FA Act framework means QFEs will have responsibility for personalised digital advice provided by any members of its group that are approved for the exemption. In view of this, the application form asks for express confirmation that the QFE has agreed to the members of its QFE group applying to us for the exemption.
- c. Under QFE standard condition 1.8, QFEs are also required to notify us of an intention to change the financial adviser services and compliance arrangements of the QFE group. If you wish, we can treat the application as your notification for this condition. We expect that the information provided in the application will address the matters required to be notified to us under the condition, but if you wish to provide any additional information you can do so in this section of the application form. You can also supply an updated version of your QFE Adviser Business Statement with tracked changes to support your answers if helpful.
- d. If you have any questions about how to complete the application, or how the exemption sits alongside existing QFE obligations, please get in touch with us.

### 6. Tell us about your digital advice service

- a. This section asks for some specific details about the nature and scope of your proposed personalised digital advice service.
- b. The FA Act defines what is meant by:
  - financial adviser service – see section 9
  - financial advice – see section 10
  - investment planning service – see section 11.
- c. When we ask about the product type(s) you can select as many as apply. Definitions of the product types are set out in clause 4 of the exemption and clause 5 of the FA Act.
- d. When we ask whether the digital advice service is limited to products of a particular product provider, this can include your own products. **Related** is defined in section 5 of the FA Act.

## 7. Describe your digital advice service

- a. Your comments should provide a high-level overview of the nature and scope of your personalised digital advice service. This helps us understand the size and nature of your proposed offering, which will assist our supervision and monitoring activities. For example:
- A high-level description of how the service works.
  - The target market for the service.
  - Whether the digital advice software is:
    - a bespoke application developed specifically for you – please indicate whether this was developed in-house and/or using external resource
    - a commercially available package – which may include some modifications for your use. Please indicate the name of the package and/or vendor, and what ongoing support is provided.
  - Your expected timing and plan for launching the service. For example, this could be:
    - as a pilot offering initially, which may involve intermittent service suspensions and reviews prior to a formal launch
    - with limited or phased functionality, followed by incremental expansion of the service and/or functionality over time
    - a full launch with all planned functionality and service available on day one.
  - How you will generate income from the service.
  - Your expected or target business size; for example, in terms of funds under advice and/or expected annual premium (if applicable). Please give your best estimate in NZ dollars.
  - A high-level description of any plans to expand the service over time, including moving into new product types.
- b. We do not need copies of the underlying algorithms and software as part of your initial application.
- c. Once approved, you do not need to reapply to us if you make changes to your digital advice service. For example, adding new features to the service, or introducing a new digital tool for a different eligible product type.
- d. To assist our supervision and monitoring activities, we may periodically request that you provide us with updated information about your digital advice service and your use of the exemption. This may include providing details of any new digital tools.

## Minimum standards

### A. Good character

Your directors and senior managers must be of good character.

#### Minimum standards

1. Your directors and senior managers must be of good character. This covers integrity, probity, trustworthiness and reputation.

#### Numbered comments

Our comments are numbered sequentially throughout the document. If you call us, just quote the comment number your question is about.

## Information for applicants

### B. What do we ask?

- » Are you an existing FMC Act licensee or authorised body? If so, you are not required to complete this section. (See comment 8)
- » How many directors, and senior managers responsible for the digital advice service, are you supplying details on behalf of for this application? (See comments 9 and 10)
- » For each of these directors and senior managers please provide full name, date of birth, gender, and position – for group applications please indicate the name of the applicant entity or entities at which the position is held.
- » Attach a declaration form completed by each of these directors and senior managers. (See comment 11)

### C. What to think about

#### 8. Who does not need to provide declarations?

- a. If you are an existing FMC Act licensee or authorised body, you do not need to provide declarations for your directors or senior managers. This is because good character matters are covered by licensee requirements under the FMC Act regime.
- b. For group applications, any member of the group who is not an existing FMC Act licensee or authorised body will need to complete this section.

#### 9. Who should you include in your application?

This section relates to those who lead the digital advice service. You need to include:

- all current directors
- those senior managers responsible for the digital advice service.

#### 10. How is 'senior manager' defined?

- a. The title 'senior manager' means different things in different organisations. **Senior manager** is defined in the exemption in clause 4. You only need to list people who have significant influence over the management or administration of the digital advice service – not the entity as a whole. We would usually only expect this to apply to one or two members of a provider's senior management team who have overall responsibility for the service, not to more junior managers and staff.

## 11. What do you need to supply?

- a. Each director and senior manager listed in the application has to complete and sign a **declaration**, which you need to scan and attach to your application. You must retain the original signed hard copy as we may ask for this later.
- b. The declaration asks the directors and senior managers on your list to provide us with their personal details – these are needed to complete Ministry of Justice checks – tell us about their background and past conduct, and give us consent to complete checks with third parties.

## 12. How do we assess good character?

Our assessment of good character is important for preserving public confidence in the professionalism and integrity of financial adviser entities providing digital advice services. We base our assessment on (but not limited to):

- information in the declarations in your application
- feedback from third-party checks such as the Ministry of Justice
- conduct indicating past non-compliance
- convictions or involvement in dishonesty, deceit, theft or fraud
- failure to manage business or personal financial affairs
- dismissal from a position of trust
- adverse information from other government agencies and regulators.

## Minimum standards

### A. Capability

Your organisation must have people with the right skills and experience to provide the personalised digital advice service effectively.

#### Minimum standards

1. You must have people with appropriate expertise in the technology and algorithms used to provide the digital advice service ('**Technical Experts**').
2. You must have people with the knowledge, skills and experience to oversee and review the advice generated by the algorithms used by the digital advice service ('**Quality Assurance function**').

#### Outsourcing

3. If you outsource any of these functions, before contracting a provider, you must have appropriate processes to ensure the provider is an appropriate entity and capable of effectively performing the outsourced function to an acceptable service level.
4. You must have a proper legal arrangement with any outsourced provider, including provisions that enable you to effectively monitor their performance and take appropriate action for non-performance.
5. Records and information the outsourced provider holds must be available for our inspection on request.
6. You must regularly review the outsourced arrangement (at a frequency appropriate to the risk involved). Your performance monitoring programme must include:

## Information for applicants

### B. What do we ask?

#### Skills and experience of your team

- » Please tell us what skills and experience you have identified that you need to provide the personalised digital advice service effectively. (See comment 13)
- » Please explain how you have satisfied yourself that you have engaged people with these skills and experience (See comment 13), including staff or contractors:
  - » to act as Technical Experts (See comment 14)
  - » to perform the Quality Assurance function. (See comment 15)

#### Roles and responsibilities

- » Provide an organisation or group chart showing how the team that provides the digital advice service is structured. Please note any outsourced functions. (See comment 16)

#### Outsourcing (See comment 17)

- » Do you or will you outsource any of the Technical Expert or Quality Assurance functions required for you to meet the minimum standards? If YES, you will be asked:
  - Is the digital advice software a commercially available package (which may include some modifications for your use)? If so, please explain what it is, the name of the provider, and how you satisfied yourself that the software is fit for purpose.
  - Describe the functions you will outsource and your arrangements, such as who will perform the functions, and how and where these will be carried out.
  - Provide a high-level description of your due diligence process to select the most appropriate outsourced providers for your business.
  - Explain how you have appropriate processes to ensure the outsourced provider(s) are appropriate and can effectively perform the outsourced function to an acceptable service level.
  - Explain how you will monitor performance and ensure the outsourced providers perform to an acceptable level.
  - Do you have formal legal agreements with outsourced providers?

If YES, do these agreements provide for information to be available to the FMA as required? (See comment 18)

- checks that the provider's performance meets required standards
- triggers for identifying non-performance
- a plan for steps you will take in the event of non-performance.

## C. What to think about

### 13. What do we need to know?

- a. You need to tell us what skills and experience you have identified as being necessary to provide the personalised digital advice service effectively. This will vary depending on the nature of your service.
- b. You then need to explain how you are satisfied you have engaged people with the appropriate skills and experience. This explanation must cover all staff who will perform the Technical Expert and Quality Assurance functions. (For outsourced functions, please see comment 17.)
- c. How you structure your business, and decide the skills, experience, the number of people required to meet the minimum standards is up to you. If you choose to outsource any of the roles, you will need to meet the additional minimum standards set out in this section for outsourced functions.

### 14. Technical Experts

- a. Your team needs to include people with the right technical expertise to be able to meet the minimum standard for Technical Experts.
- b. You must decide what technical expertise is needed to provide your digital advice service effectively. This may vary depending on the complexity of the service provided and whether the digital advice software was developed specifically for you or was a commercially available package.

For example:

- If the digital advice software is a bespoke application developed specifically for you, you will need in-house technical expertise and/or external resource to undertake the initial design and build of the digital advice software.
- If the digital advice software is a commercially available package (which could include some modifications for your use), you will require sufficient knowledge and expertise to be able to assess whether the software meets your business requirements and can deliver your digital advice service effectively.

In both cases, you will need ongoing technical expertise to operate the system, including being able to change the algorithms and continuously monitor system performance, and identify any system issues. If you have outsourced this to a third party (for example, the third party from which you purchased the software), you will need to meet the additional standards for outsourced functions.

### 15. Quality Assurance function

- a. Your team needs to include people with the right knowledge, skills and experience to enable you to meet the minimum standard for the Quality Assurance function.
- b. We would usually expect a person performing the Quality Assurance function to be an AFA who:
  - complies with the requirements of [Code Standards 16-18](#)
  - is authorised to provide the financial adviser service(s) offered by the digital advice service (for example, personalised financial advice and/or a personalised investment planning service)
  - has experience in advising on the product type(s) that the digital advice service relates to.

- c. If your team performing the Quality Assurance function includes people who are not AFAs, please explain how you are satisfied that these people have appropriate knowledge, skills and experience to perform this function. Consistent with Code Standard 15, we would expect them to have knowledge of the exemption, the FA Act and other legal obligations relevant to the operation of the digital advice service. They need to understand the personalised service provided to clients and be able to assess whether the digital advice service has generated advice that is suitable for clients.

## **16. Roles and responsibilities**

You must provide an organisation or group chart showing the team structure of those who will provide the digital advice service.

This chart should show:

- the team structure, including key positions and how these roles relate to other roles
- the names of the people or (for larger organisations or groups) number of FTE (full-time equivalent) staff performing the Technical Expert and Quality Assurance functions
- any outsourced providers performing the Technical Expert or Quality Assurance functions.

## **17. How will you select outsourced providers?**

- a. For group applications, group members applying for the exemption are not treated as 'outsourced providers' and the minimum standards for outsourcing (3-6) do not apply. Your answers to our questions under 'Skills and experience of your team' and 'Roles and responsibilities' need to cover the group. If applicable, this includes explaining how the functions are shared between group members so that each member will satisfy the minimum standards.
- b. You can outsource the Technical Expert or Quality Assurance functions to an outsourced provider and its staff. However, you remain responsible for any outsourced functions, as if performed by you. Your own staff must have sufficient knowledge, skills and experience to monitor the performance of the outsourced functions.
- c. If you outsource any of the Technical Expert or Quality Assurance functions, please explain how you determined that the provider can perform the outsourced functions to the required minimum standards.
- d. Please also describe the assurance processes you have in place to ensure the provider can effectively perform the outsourced function, and how your monitoring of their performance meets the minimum standards.

## **18. What records are required?**

- a. The level and nature of records the outsourced provider must keep should be at least equivalent to what you would keep if you performed the function yourself.
- b. We expect to be able to view the records within a few days of a request, depending on the nature and volume of the records.
- c. Explain what records the outsourced provider will keep, and how we can access them. You don't need to arrange for direct access as long as we can obtain the records through you easily.

## Minimum standards

### A. Risk management processes

You must have adequate risk management processes in place to provide the digital advice service effectively.

#### Minimum standards

1. Your risk management processes must enable you to monitor and test the digital advice service and take appropriate action when necessary, including adequate and effective processes to:
  - monitor and test the algorithms used to deliver the digital advice service, including changes to them
  - review the advice provided to clients to test the quality of the advice and ensure it meets the standards required by the FA Act and the exemption.

## Information for applicants

### B. What do we ask?

- » Please explain how you have satisfied yourself that you have adequate risk management processes in place that meet the minimum standards for risk management processes. (See comment 19)
- » Do you have systems and controls in place to suspend the digital advice service – in whole or in part – if necessary?
- » If YES, please provide a high-level description of these. (See comment 19b)
- » Please provide a high-level description of your systems and processes for monitoring and testing the algorithms used to deliver the digital advice service. (See comment 20)
- » Please provide a high-level description of your systems and processes for reviewing the advice provided to clients through the digital advice service. (See comment 21)

### C. What to think about

#### 19. Risk management processes

- a. You need adequate risk management processes to enable you to provide the digital advice service effectively. The processes you need will depend on the size and nature of your service. For larger or more complex services, we expect processes will usually be more detailed and documented. For smaller or less complex services, your processes may be relatively simple.  
For example, larger services may have automated exception reporting to identify situations where the advice output deviates from expectations. For smaller services, a manual review process may be adequate.
- b. We expect your processes to include systems and controls to suspend the digital advice service, in whole or in part, if necessary – for example, if an error in the algorithm is detected that may result in unsuitable advice or poor consumer outcomes.
- c. If any of your risk management processes are outsourced to a third-party provider, you will need to explain what arrangements you have to ensure the outsourced functions are performed adequately and effectively. Please explain how any outsourced functions meet minimum standards 3 to 6 set out under 'Capability' above.

#### 20. Monitoring and testing algorithms

- a. Please explain how you are satisfied that your systems and processes to monitor and test the algorithms are

adequate and effective. These processes need to cover the design process, where applicable, and any changes made to it. You should have escalation and remediation processes where issues are identified.

- b. Please describe what processes you have to review and update the algorithms – for example, to reflect market events or changes in regulation or product design.

## **21. Monitoring and testing advice**

Please explain how you are satisfied that your systems and processes for reviewing the advice provided to clients by the digital advice service are adequate and effective, and will meet the minimum standards. You should consider:

- the role of your Quality Assurance function in reviewing the advice output
- the timing, frequency, and level of review and sign-off
- processes for escalation and remediation where issues are identified.

For example, we would expect rigorous testing and monitoring in the design phase, or after changes to the algorithm. This could include having a significant amount of the advice generated by the digital advice service reviewed by staff performing the Quality Assurance function, to assess whether this resulted in advice that was suitable for those clients. At other times, during the business-as-usual operation of the service, regular reviews by your Quality Assurance function of samples of the advice may be enough.

## Minimum standards

### A. IT systems

The IT systems used to deliver your digital advice service must be secure and reliable. Your arrangements must ensure they perform efficiently and the associated risks are managed.

#### Minimum standards

1. Your IT systems include all necessary functionality to provide the digital advice service effectively.
2. You have effective safeguards and controls over these systems (and the underlying processes), whether they are built into, or external to, the system. This includes processes:
  - to ensure cyber-resilience, data and system security and prevent errors or system failure
  - that account for risk from human error, technical failure and malicious conduct.
3. You have proper legal arrangements with any third party software providers, including licences for software and contracts for maintenance and support.

## Information for applicants

### B. What do we ask?

- » Please tell us the IT systems you have identified you need to meet the minimum standards for IT systems. (See comment 22)
- » Please explain how you have satisfied yourself that your IT systems meet these requirements and have the necessary functionality to perform the digital advice service effectively. (See comment 23)
- » Please describe the legal arrangements you have in place with any third-party software providers.

### C. What to think about

#### 22. Your IT systems

As a digital service, it is particularly important that the processes performed by your chosen IT systems to deliver the digital advice service are effective in delivering it. This includes adequate and effective IT systems for the service to:

- maintain cyber-resilience to detect, prevent and respond to cyber-risks
- maintain client records
- protect client data and confidential information
- comply with your obligations under the exemption, the FA Act, and other legal obligations relevant to the provision of the digital advice service.

#### 23. Key information about your IT systems

When you outline your IT systems needed to deliver the service, include a high-level description of:

- key risks, and controls and safeguards in place (internal and outsourced)
- your cyber-resilience framework – for example, whether you apply the NIST Cybersecurity Framework
- how you manage data security and integrity (measures such as a security audit)
- how you manage disruptions from IT system failures and outages (including outsourced providers)
- legal agreements – your legal rights to use the software and whether it is currently under support.

## Minimum standards

### A. Client filtering

You must have adequate and effective processes to filter out clients who are not suited to receive advice through your digital advice service.

#### Minimum standards

1. You have adequate and effective arrangements to filter out clients for whom the advice provided by the digital advice service is not appropriate, or who want advice that is outside the scope of the digital advice service.

## Information for applicants

### B. What do we ask?

- » Please provide a high-level description of your client filtering processes for the digital advice service that meet the minimum standards for client filtering. (See comment 24)

### C. What to think about

#### 24. Your client filtering processes

- a. Providers can use different methods for filtering clients. You can decide on the method you use, as long as you explain how you are satisfied that your client filtering processes are appropriate for your digital advice service and will meet the minimum standards for client filtering.

#### 25. What is client filtering?

- a. Depending on the nature of the digital advice service, filtering may occur as an initial screening process as well as later in the process.
- b. For example, the digital advice service may be programmed to ask appropriate filtering questions at the start of the process. This could help filter out clients for whom the digital advice service is not appropriate or who want advice on areas outside the scope of the service.
  - This could include clear, concise disclosure of the nature and scope of the advice the digital advice service, and seek the client's acknowledgement of this.
  - This could involve asking a series of initial questions about the client's circumstances to see whether they fall within the scope of the advice being offered. For example, these questions could identify and apply filtering processes in the following circumstances:
    - A client who is seeking to invest to save for their child's university fees, when the digital advice service only offers advice on a provider's KiwiSaver funds.
    - A client who indicates they have a very low risk tolerance and would not be comfortable losing any of their initial capital, when the digital advice service only advises on products where an investor may lose some or all of their original investment.
    - A client who is seeking a comprehensive financial plan involving consideration of their tax obligations and existing debt, when the digital advice service only offers advice on specific products and does not

take into account a client's wider circumstances.

- A client who is seeking advice on a replacement insurance policy, when the digital advice service is only suitable for those with no previous insurance cover.
- c. You could also have a process for flagging potentially inconsistent responses as a client moves through your digital advice tool, or to identify other circumstances where the advice would not be appropriate for the client. This could include the tool identifying that the client's personal circumstances are complex and require more tailored advice than the tool can provide. This may trigger filtering processes such as warnings, offering further information, or asking further questions to clarify whether the service is appropriate for the client. If not appropriate, the client may need to be filtered out.
- d. If a client is filtered out of the digital advice service, you may want to let them know if they have the option to speak to a human adviser – including whether there is an associated cost for that.

## Final steps

*This section covers finalising and submitting your application*

### Have you...

- Answered all the mandatory questions and given the answers you think best describe your digital advice service?
- Provided all the mandatory documents?
- Checked all the good character declarations are attached?
- Checked there's nothing you want to add, change or delete?
- Kept a copy of your application form and supporting documents?
- Arranged how you're going to pay?

## Information for applicants

## 26. Certifying your application

- a. At the end of the application you will be asked to certify you are authorised to submit it and that, to the best of your knowledge, all relevant information has been included. You need to be sure the information you're providing is true, correct and complete – and that nothing important has been left out.
- b. Please note that for group applications, the declaration section must be completed by each legal entity that is applying. You can use separate sheets and attach them to the application.

## 27. Submitting your application

- a. Please email the following documents to exemptions@fma.govt.nz:
  - Your completed application form
  - Copies of all supporting documents, including scanned copies of the signed good character declarations.
- b. The subject line of the email should be: 'Personalised digital advice exemption – Application – [name of provider/group]':
- c. We will acknowledge receipt of your application.

## 28. Fee payment

- a. You will also need to pay a fee of **\$1,265** (incl. GST) before we process your application. The same fee applies for single applicants and group applications.
- b. You can pay this fee by electronic deposit, internet banking, or cheque. Payment can be made by applicants or by law firms making applications on behalf of their clients.
- c. Payment by credit card is not available for this application process.

Payment option	How to pay	Additional information
Electronic deposit or internet banking	Where bill pay is available please select 'Financial Markets Authority - Other' Otherwise our bank details are: <b>Bank:</b> Westpac <b>Account name:</b> Financial Markets Authority <b>Account number:</b> 03-0584-0198005-000	To ensure we process your payment correctly please provide the following information: <b>Particulars:</b> Payor's name <b>Code:</b> Exemptions <b>Reference:</b> [Applicant's / Group's name]

Cheques	Send to: Exemptions Team FMA Level 2 1 Grey St PO Box 1179 Wellington 6140	Please make the cheque out to 'Financial Markets Authority'  Include a hard copy of your application with your cheque.
---------	--	--

### 29. Application processing

- a. We will only approve an application if we are satisfied you have met all of the application requirements, including meeting the minimum standards. We will process your application as quickly as possible. The more complete your application is, the quicker we are able to process it. Carefully reading this guide will help ensure your application is processed without unnecessary delays. We will contact you directly if we have any queries about your application.
- b. We will notify you when your application has been approved.
- c. We would usually expect an application to be approved within one to three months. The timeframe depends on how well prepared your application is, whether all supporting documents have been provided, how long it takes to assess, and whether we need to come back to you for more information. It also depends on how many applications we are assessing at the same time.

### 30. Updating exemption notice schedule

Once approved, your name will be added to the list of approved providers included in Schedule 1 of the exemption. You cannot provide the personalised digital advice service until you have been added to the list in Schedule 1. We will notify you when this has happened. This may take one to two weeks from the time your application is approved, to enable the amendment notice to be prepared and formally notified in the Gazette.

### 31. Submissions

If we consider declining your application based on the information provided, we will contact you and give you the opportunity to make submissions supporting your application. You may also be given the opportunity to meet with us to discuss your submissions. Your lawyer can attend that meeting if you wish.

### 32. Application declined

If your application is declined, we will formally notify you of our decision and the reasons for it.

If you have any questions email [exemptions@fma.govt.nz](mailto:exemptions@fma.govt.nz) or call 0800 434 567 between 8.30am and 5pm, Monday to Friday. Overseas callers should call +64 3 962 2698.