



Best Practice Review

A Brief for Advisers

Introduction

The working environment for Advisers has become more focused on having business and advice processes that are beyond reproach. The new regulatory regime involves requirements for quality checks to ensure that Advisers are conforming to the new rules.

Adviserlink has developed a **Best Practice Review Service** to help Advisers prepare for this more rigorous business environment. This service is aimed at Advisers who wish to obtain an independent review and report on their compliance with industry “best practice”, the Financial Advisers Act 2008, common law and the rules of their professional association or dealer group.

Adviserlink approach

The review is based on a questionnaire approach that takes around 3 hours and can be completed either remotely or site at the Adviser’s practice.

At the conclusion of this we discuss our findings briefly with the Adviser, and then prepare a comprehensive report with conclusions and recommendations for change should this be appropriate. As with any professional audit process the recommendations are ranked according to severity. Advisers are requested to implement any fixes, or to set a plan for such implementation. This provides the Adviser with a plan of work to rectify all issues. Once completed Adviserlink will sign off the review and provide a third party endorsement for the Adviser for a period of one year.

Our review covers practice issues as defined in the Adviser Business Statement, such as disclosure, business relationships with providers and the content of promotional material, and then moves to a review of client files (usually 4 are selected). Depending on circumstances these are reviewed against a check list of up to 130 items, including Standard Set C compliance checkpoints.

The base questionnaire is very comprehensive, with the facility for an Adviser to include questions that relate specifically to any unique requirements that pertain to their industry sector or area of specialisation.

Process integrity

It is important that the Adviser being reviewed does not select “model” client files as this gives no indication of standard practice. To ensure integrity of the process, files are selected by the Adviserlink reviewer.

Adviserlink is not linked with any product providers or Adviser networks, which means we have no pre-conceived view of whether any particular products or processes are “best”. The key is that there is a reasonable basis for any recommendations, rather than the specific recommendations themselves, as there is usually a number of ways to produce the same end result.

The benefit for the Adviser

The review will allow the Adviser to ensure they are working towards all their files and business documentation being fully compliant with FMA standards. It will also allow the Adviser to make any business adjustments if any are needed before being forced to by the regulator. This means they are not under time pressure, and can manage the process of change without impacting their ability to run their day to day business and generate revenue.

It gives the benefit of an independent, objective opinion on the extent the Adviser meets best practice standards, and should be viewed as a practice review, not a compliance audit.



The review is entirely voluntary and it is up to the Adviser whether they accept or reject the results and wish to refine their business processes as a result of the reported findings.

Some key check points included in the review . . .

- **Are there any loans on a non commercial basis from any product provider?**
These represent a potential conflict of interest and must be disclosed.
- **Do you have arrangements in place whereby clients are referred?**
If you pay a fee it must be disclosed, there are privacy issues if you have been given information by someone else without permission.
- **Do you have a procedures manual that documents your key business processes?**
How do you make sure your staff member complies with it? When was it last updated and checked against changes in legislation etc?
- **Where clients have been given advice, is it in written form?**
Advice must be in writing. It should be client specific (not generic "boiler plate" text) and based on their identified objectives.
- **Do all clients sign a contract of service or letter of appointment before you do work for them?**
If not, how will you enforce any fees you charge? What if there is a disagreement over whether you have done what you said you would?
- **Does every file contain a comprehensive fact find of some kind?**
Without information you can not demonstrate that you had a reasonable basis for the advice you gave. How will you know the client can afford the recommendations if there is no cash flow statement? Ownership of products (investment and risk) may need to consider the impact of the Will or a Family Trust.
- **Is there a recommendation to replace one product with another similar product?**
Have you determined any cost involved in exiting the old product? Have you pointed out any detriment to changing - not just the advantages? Do you properly understand the old product, or is the change from something you are unfamiliar with to something you know?

This is just a small sample of the content of the **Adviserlink Best Practice Review programme**

Documents that may be Required:

Have available for review original or copies of the following documents:

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| ▪ Adviser Business Statement | ▪ Disputes Resolution Agreement |
| ▪ Disclosure Document
<i>(and practice brochure if you use one)</i> | ▪ Personal Development Plan |
| ▪ Imprint of any rubber stamps you use | ▪ Client Service Agreement |
| ▪ Business card and letterhead | ▪ Record of CPD credits/hours |
| ▪ Any self-developed promotional material | ▪ Copy of PI insurance schedule |
| ▪ Personal Disclosure Document | ▪ Invoice <i>(if you issue invoices)</i> |

The key to completing the review within the designated time frame will be having the information already made available. It is particularly useful if the following documentation is compiled prior to the meeting, and if necessary photocopied

For further information please contact



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