

## Nominated Representatives Commitment

The Securities Commission has published a *QFE Adviser Business Statement Guide (ABS Guide)* which specifies the principles of QFE frontline compliance.

Nominated Representatives will be required to make a number of commitments to ensure that Sovereign is able to meet its obligations associated with those principles:

- **People**
- **Processes**
- **Professionalism**

Each principle and the associated commitments required from Nominated Representatives are explained below.

### People

**A QFE must ensure Nominated Representatives exercise appropriate care, diligence and skill and operate according to appropriate conduct and competence standards.**

1. **Recruitment:** It recruits people with appropriate skills and ethical behaviour.
2. **Knowledge, skills and competence:** It supports individual advisers to achieve and maintain the right level of knowledge, skills and competence.
3. **Supervision:** It actively supervises advisers so they behave appropriately, provide suitable advice and comply with QFE processes.
4. **Performance management:** It identifies advisers who do not meet the required standard and takes appropriate remedial action.
5. **Reward:** Its reward structures and practices drive appropriate adviser behaviours and advice standards.

#### Your 'People' commitments as a Nominated Representative:

- Undergo a robust recruitment process which includes disclosure of any material issues, credit checks and criminal history checks
- Sign a QFE Terms and Conditions Agreement
- Sign a new Financial Adviser and / or Associate Financial Adviser Agreement
- If you are an employee or Associate, get the consent of your employer or Principal to your appointment as a Nominated Representative. This is because your employer or Principal will be required to sign a new Financial Advisers Agreement, QFE Agreement and Xplan Licensing Agreement which authorises Sovereign to view customer advice records via Xplan during compliance and assurance checks.
- If you are a Principal or employer, agree to supply a schedule to Sovereign of all employees, Associates and contractors that the adviser company wants Sovereign to appoint as a Nominated Representative of the QFE and each individual will be subject to "on boarding" checks. Each adviser company will also be required to give notice to Sovereign when employees,

Associates or contractors appointed to operate under the QFE, cease to be contracted to that company.

- Commit to achieving NCFPS (Level 5) and / or AFA Code of Professional Conduct alternative qualifications within a reasonable timeframe to be agreed with Sovereign if your completion is after the 31 December 2011.
- Commit to ongoing Continuing Professional Training (CPT) of at least 20 hours per annum, 10 of which must be structured. Sovereign will monitor the CPT credits of each of its Nominated Representatives and will also provide appropriate training courses.
- Agree to ongoing professional development including skills assessments and regular reviews of your professional development plan. Sovereign will provide Nominated Representatives with a Professional Development Consultant (PDC) who will create a tailored Professional Development Plan following an assessment of levels of knowledge, skills and competence.

Ongoing reviews will be completed to ensure that each Nominated Representative has a framework to work towards and the professional support to get there.

- Complete product accreditation certification in each speciality area that they perform financial advice in e.g. Risk, Home loans and Investments.
- Commit to only sell or provide financial advice on category 1 products that are Sovereign products (i.e. they are issued and promoted (as defined by the Securities Act) by Sovereign) and an approved list of category 2 products and product providers.

As it stands today, Sovereign does not offer any Category 1 products under the QFE. However, Nominated Representatives can maintain their legacy (pre January 2009) investment-linked life insurance products, which are deemed to be category 2 products. A current list of QFE approved products can be viewed at <http://www.sovereigninsider.co.nz>

- Remain a validating member of the QFE including the following risk production criteria:
  - 85% of your Net Annual Premium (NAP)
  - Minimum \$45,000 Net Annual Premium (NAP)
  - Minimum persistency rate of 87%

## Processes

**A QFE's processes should enhance professionalism, be appropriate to the Nominated Representatives using them, and be well controlled and monitored.**

1. **Marketing:** It does not mislead or deceive customers or engage in deceptive conduct
2. **Information for customers:** It supports its advisers in giving clear timely information that helps customers make informed decisions
3. **Suitability:** Its processes help advisers to consistently recommend or guide customers towards a suitable product
4. **Servicing:** It delivers agreed products or services, and meets reasonable expectations for ongoing services
5. **Complaints and compensation:** It has an internal process for addressing customer complaints and helping advisers learn from them
6. **Operations:** It has robust compliance arrangements, including those relying on IT systems or outsourcing
7. **Record keeping:** It retains appropriate, easily accessible records

### Your 'Process' commitments as a Nominated Representative:

- Obtain and retain independent legal sign-off of your marketing material, excluding any marketing material which is provided to you by Sovereign. All marketing material will be required to comply with all *Applicable Law* relevant to advertising including, without limitation, the Advertising Codes of Practice, the Financial Advisers Act 2008, the *Code of Conduct*, the Securities Act 1978, the Securities Regulations 2009, the Credit Contracts and Consumer Finance Act 2003 and the Fair Trading Act 1986.
- Use Sovereign's processes for internal disputes resolution, including notification of any client complaints to Sovereign. Nominated Representatives will be required to log complaints in Xplan within two working days of receipt. Sovereign will automatically be notified of the complaint, and will work with you to review and respond as appropriate.

Nominated Representatives are included in the Insurance and Savings Ombudsman disputes resolution scheme free of charge.

- Use Sovereign's Xplan platform for all customer interactions.
- Use SovTrack for all client advice, including maintenance of all records. SovTrack has been designed to meet requirements of information for customers, suitability and record-keeping.
- Maintain Professional Indemnity Cover.

## **Professionalism:**

**A QFE ensures professionalism by means of an appropriate culture, compliance assurance arrangements and good governance.**

The QFE's governance and compliance arrangements should ensure:

- 1. Governance:** It has a high-level person or body responsible for overseeing adviser professionalism and compliance.
- 2. Culture:** Its culture supports advisers' professionalism and compliance and the attainment of a suitable customer outcome.
- 3. Compliance:** It has appropriate arrangements for challenging and testing the adviser compliance framework and its outcomes.

### **Your 'Professionalism' commitment as a Nominated Representative:**

- Comply with the Code of Professional Conduct for Authorised Financial Advisers, as Sovereign deems applicable.
- Notify Sovereign immediately if you contravene any Applicable Law (including any Financial Adviser Obligation).
- Agree to at least one annual compliance assurance check of record keeping and suitability of advice provided to clients. Sovereign will review a sample of client files via Xplan to ensure that all necessary documents have been scanned and completed correctly, and that clients have been provided with suitable advice.

You will receive feedback based on the outcome of these checks. Any development needs identified will be discussed with you and included in your professional development plan.

As the *Adviser Business Statement Guide (ABS)* is a living document, the requirements of both Sovereign and the Nominated Representatives will change as the business evolves. This document serves as a guideline for the start of our journey within a regulated environment.