



Strategi Group

20 years of good advice

*Are you ready to
take the next step?*



FAP TOOLKIT

**HELPING YOU STEP UP
TO YOUR FAP OBLIGATIONS**

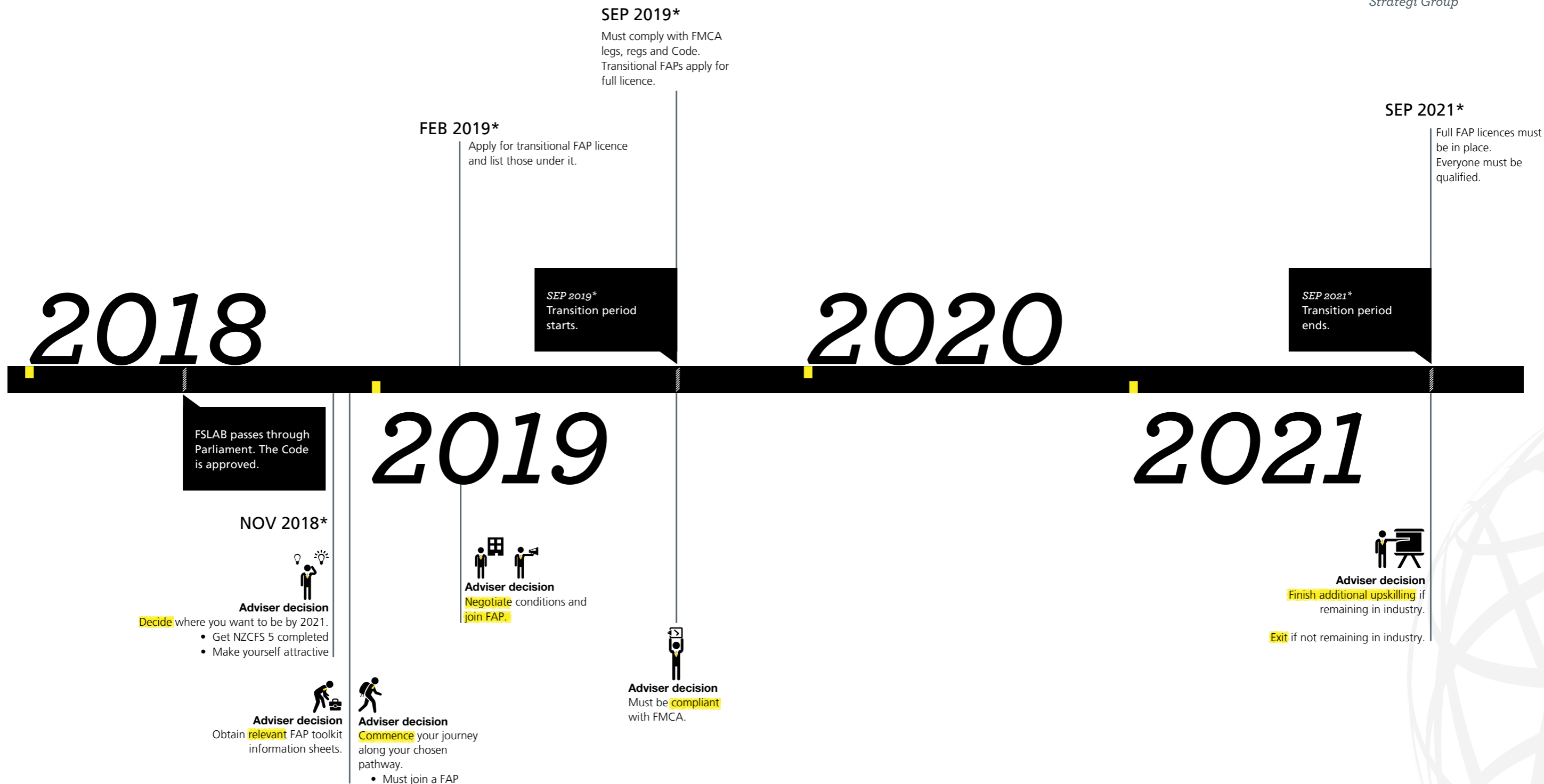
TRANSITION TIMELINE

Moving into the FMCA regime where everyone will have to operate under a FAP is likely to cause significant disruption for those organisations and individuals who leave the decision making until the last minute. Making the right decision for your particular situation is critical. Strategi Group will provide the tools, templates, Level 5 training,

CPD modules, business valuations and compliance services to make the journey as painless as possible. Consult widely with those you trust in the industry to help with your decision making then come back to us for those tools you need for your FAP toolkit.

“
OUR ROLE IS TO SUPPORT ADVISERS, COMPANIES AND NETWORKS IN THIS MASSIVE REGULATORY TRANSFORMATION.
 ”

David Greenslade
 Strategi Group



* Dates may change

FAP TOOLKIT

FAP MATRIX

	Planning to exit	Join a FAP	Own a FAP
01. Business plan	<p>Build your plan for when to exit, who to sell to and keeping your business compliant to maximise value.</p> <p>Resource: FAP toolkit: Planning to exit.</p>	<p>Decide the criteria for selecting a FAP that is right for your values, operational methodology and budget.</p> <p>Resource: FAP toolkit: Your FAP decision making guide.</p>	<p>Create your FAP business plan: size, quality, service, products and brand.</p> <p>Resource: FAP toolkit: Planning your FAP.</p>
02. Upskilling	<p>How do you meet required competence, knowledge and skill for your role prior to exit?</p> <p>Resource: Subscribe to Strategi Institute's Radar and build your PDP.</p>	<p>Complete NZCFSS so you are attractive to a FAP plus have flexibility to become an AFA if necessary.</p> <p>Resource: FAP toolkit: Your education pathway to the new adviser regime.</p>	<p>What education standards do you want for your FAP advisers and how will you get them there?</p> <p>Resource: FAP toolkit: Your education pathway to the new adviser regime.</p>
03. Fit and proper	<p>How do you meet 'fit and proper' person and CPD requirements prior to exit?</p> <p>Resource: Subscribe to Strategi Institute's Radar and build your PDP.</p>	<p>How do you prove you have the integrity, competence knowledge and skill to join the FAP of your choice?</p> <p>Resource: Complete NZCFSS, subscribe to Strategi Institute's Radar and build your PDP.</p>	<p>How do you test to ensure your directors and managers meet 'fit and proper' requirements plus competence, skills and experience for their roles?</p> <p>Resources: Obtain Strategi's Board and senior management competency matrix for a FAP. Subscribe to Strategi Institute's Radar and build your PDP.</p>
04. Capability	<p>Have you got the right staff and advisers plus reviewed your client advice to maximise your business valuation price?</p> <p>Resource: Obtain a Strategi valuation.</p>	<p>Can you prove you have high production levels through organic growth (not via acquisitions and product switches) and you are compliant with all relevant legislation, regulation and codes?</p> <p>Resource: Complete your NZCFSS via Strategi Institute.</p>	<p>Do you have the right team to build and operate a FAP?</p> <p>Resource: Obtain Strategi's Adviser recruitment, on-boarding and risk rating kit.</p>
05. Operational infrastructure	<p>Is the business operating compliantly, are the systems and processes effective and are you meeting good conduct obligations?</p> <p>Resource: Undertake Strategi's Navigator Exit compliance review.</p>	<p>Are your systems and processes compliant and easily amended to meet requirements of your desired FAP?</p> <p>Resource: Undertake Strategi's Navigator Essentials compliance review.</p>	<p>How will the FAP operate: consistency of advice, branding, technology, pricing, templates, service proposition, product selection, compliance, data retention, complaints etc?</p> <p>Resource: Engage Strategi to draft policies and processes. Obtain new advice templates.</p>
06. Financial resources	<p>Maximise sustainable profitability and recurring revenue. Develop detailed financial accounts.</p> <p>Resource: Obtain a Strategi valuation.</p>	<p>How much will a future FAP charge you vs the cost of creating your own FAP? Which is more financially viable for you over the next five years? Clearly identify your revenue streams.</p>	<p>Develop commercial viability and budgets. Do you have the necessary funding?</p>
07. Governance and compliance	<p>What do you need to do to remain compliant until you sell the business?</p> <p>Resource: Undertake Strategi's Navigator Exit compliance review.</p>	<p>Ensure you are meeting good conduct obligations and your business is fully compliant today. Will a future FAP take the compliance and conduct high or low road?</p> <p>Resource: Undertake Strategi's Navigator Essentials compliance reviews.</p>	<p>How will your board/you as a sole director operate and prove you have adequate oversight of the business and good reporting procedures? How will you build a 'compliance culture'? What compliance option - in-house, outsource or both?</p> <p>Resource: Engage Strategi to help draft Governance Framework and Compliance Assurance Programme.</p>

FAP TOOLKIT

PLANNING TO EXIT

01. Business plan

- When do you intend to exit?
- Who will you sell to?
- How will you get the business compliant to maximise the sale value?

Resource: FAP toolkit: Planning to exit.

02. Upskilling

- If exiting prior to end of transition period and joining a FAP which does not require you to hold a minimum of NZCFS5, then no level 5 required.
- Still need to meet required competence, knowledge and skill for your role.

Resource: Subscribe to Strategi Institute's Radar and build your PDP.

03. Fit and proper

- How do you prove you have good character and competence knowledge and skills to do your current role until you exit?
- If planning to exit after Feb 19 but before end of transition period, then how will you meet ongoing CPD requirements?
- If you cannot meet 'fit and proper' person requirements, then you may need to exit before licensing commences.

Resource: Subscribe to Strategi Institute's Radar and build your PDP.

04. Capability

- Have you got the right mix of people with the right skills and experience in the right roles to continue to operate compliantly until you exit?
- Have you obtained professional and expert advice to position your business/book of business so it is compliant and presented in a way to maximise sale value?
- Have you reviewed your advice to clients to minimise contingent liabilities and personal indemnities and warranties when you sell?
- Have you obtained a valuation on your business prior to putting it on the market?

Resources: Obtain a Strategi valuation. Subscribe to a Strategi compliance review to ensure the business is compliant.



05. Operational infrastructure

- Ensure you are meeting good conduct obligations.
- Update client database so easy to extract data on sale.
- Ensure client advice is suitable for client objectives and 'no harm' is caused.
- Ensure business is compliant.
- Ensure all client agreements are in place and updated and able to be assigned to purchaser along with transfer of client data.

Resource: Undertake Strategi's Navigator Exit compliance review.

06. Financial resources

- Maintain a solvent business.
- Ensure financial accounts, commission statements, API/FUM information is all up to date to make valuation easier. Separate recurring revenue from upfront revenue.
- Ensure have funding to pay PI runoff cover.

Resource: Obtain a Strategi valuation.

07. Governance and compliance

- What do you need to do to remain compliant until you sell the business?

Resource: Undertake Strategi's Navigator Exit compliance review.

FAP TOOLKIT

JOIN A FAP

01. Business plan

- What products do you currently sell?
- Should you join a product-orientated brand or one with multiple product solutions?
- Will you provide financial planning or just sales?
- Consider ethics, technology, people and pricing.

Resource: FAP toolkit: Your FAP decision making guide.

02. Upskilling

- What education standards are required by your future FAP?
- Minimum standard is NZCFS5.
- Complete NZCFS5 asap (before end of 2018) so you have time to embrace new legs, regs, Code, IT systems, and templates.
- Complete NZCFS5 so you are attractive to a FAP plus have flexibility to become an AFA if necessary.

Resource: FAP toolkit: Your education pathway to the new adviser regime.

03. Fit and proper

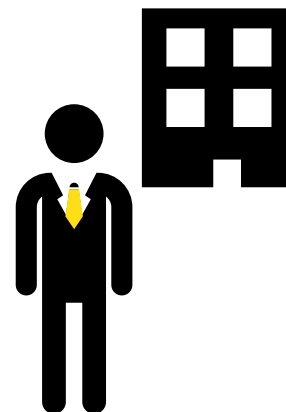
- How do you prove you have the integrity, probity, trustworthiness and reputation to join the FAP of your choice?
- Need to prove you have the competence, knowledge and skill to fulfil your role today and tomorrow. Prove by holding NZCFS5 and having passed a comprehensive compliance review.
- Have on-going CPD in place with a PDP and log.

Resource: Subscribe to Strategi Institute's Radar and build your PDP.

04. Capability

- Can you prove you have the competence, knowledge and skill to operate as a professional financial adviser today?
- Can you prove you have high production levels through organic growth (not via acquisitions and product switches)?
- Can you prove you are compliant with all relevant legislation, regulation and codes?

Resources: Complete your NZCFS5 via Strategi Institute. Undertake a Strategi's Navigator Essentials compliance review.



05. Operational infrastructure

- Ensure you are meeting good conduct obligations.
- Is your proposed FAP following systems, processes, standards, etc and using products that you feel comfortable with and align with how you want to operate?
- Is the new FAP rigid or flexible on operational matters?
- Ensure client advice is suitable for client objective and 'no harm' is caused.
- Ensure your business is compliant.
- Ensure all client agreements are in place and updated and able to be assigned to FAP along with transfer of client data.
- Ensure client records are up to date. Review your current IT system to ensure data is able to be easily exported to the FAP's IT solution.

Resource: Undertake Strategi's Navigator Essentials compliance review.

06. Financial resources

- Have readily available your revenue figures for past three years showing up-front and on-going revenue streams split in relevant categories so your future FAP can easily assess your productivity and commercial viability.
- Have funds to meet PI run-off cover.
- Identify how much you will need to pay future FAP vs setting up your own FAP. Which is more financially viable for you over next five years.

07. Governance and compliance

- Ensure you are meeting good conduct obligations.
- Ensure your business is compliant with all applicable legislation, regulation and codes. How will you prove this?
- Does your future FAP have additional compliance obligations and are you happy to meet those?

FAP TOOLKIT

OWN A FAP

01. Business plan

- Size: How many advisers by end of 2021?
- Service offering: Range of products, e.g., investment, risk, mortgages etc.
- Growth: Acquisition, mergers or organic?
- Branding.
- Financial advisers, nominated representatives or both?

Resource: FAP toolkit: Planning your FAP.

02. Upskilling

- What is the business' risk appetite?
- What education standard will you require for all financial advisers/nominated reps (Code minimum or higher)?
- Recommend getting education completed before other changes. How will you get your advisers through NZCFS5 before the end of 2018?
- Who pays for NZCFS5 - you, adviser, product provider or bit of each?
- How will you ensure ongoing CPD of advisers?

Resource: FAP toolkit: Your education pathway to the new adviser regime.

03. Fit and proper

- How do you test to ensure your directors and senior managers meet 'fit and proper' requirements ie: good character and capability?
- How do you test and what is your benchmark for assessing competence, skills and experience for their roles?

Resources: Obtain Strategi Board and senior management competency matrix for a FAP. Then subscribe to Strategi Institute's Radar and build your PDP.

04. Capability

- Do you have a management team (proportionate to business size) with the appropriate breadth and depth of financial services know-how?
- Do your job descriptions include clear responsibility and accountability for key functions?
- What are your staff recruitment and management processes to ensure staff have the right skills and experience for their roles?
- What external expert advice and assistance will you need to fill gaps?
- What is your adviser recruitment, on-boarding and management policy and procedure and how do you assess their risk to the business?
- How will you train all your staff and advisers on the new regulatory requirements and ensure they know their obligations?

Resources: Obtain Strategi's Adviser recruitment, on-boarding and risk rating kit. Ensure all new advisers undertake a Strategi's Navigator Essentials compliance review before being accepted into your FAP.

05. Operational infrastructure

- Will your client service proposition be consistent across the FAP or can each adviser operate differently?
- Branding: All operate under one brand or multiple brands? How will you enforce brand standards and consistency of advice?
- What will be the advice delivery mechanisms? What systems and templates will be used?
- What research tools will be used for product selection and how will you make this decision?
- How will you identify conflicts of interest and inappropriate advice?
- How will you monitor client reviews, advice suitability and client reporting?
- Complaints: How will you monitor all complaints received by your FAP? What DRS will all advisers use?
- How will you identify and report material issues in the business?
- Decide what you will outsource vs undertake in-house. Have an outsourcing policy in place.
- How will you meet record keeping obligations?
- What IT solution will you use? Document your business continuity policy and your cyber-security policy.

Resources: Engage Strategi to draft policies, processes. Obtain new advice templates. Check out Strategi's Business in a Box range of solutions.

06. Financial resources

- Will your balance sheet be sufficiently strong to make the business changes? Adviser commerciality: How much will you charge advisers to operate under your FAP? How will you assess if an adviser is commercially viable to recruit and retain?
- What will be the minimum level of PI cover for your FAP and each adviser? Who will pay this?
- Will your accounting and commission splitting system be able to handle new advisers?
- Develop a budget and 12-month cashflow.

07. Governance and compliance

- How will your board/you as a sole director operate and prove you have adequate oversight of the business and good reporting procedures?
- How will you develop and maintain a positive 'compliance culture' and demonstrate it?
- Compliance resource: Options - (1) Larger FAPs: Have an in-house compliance officer supported by Strategi, plus Strategi undertakes 6-monthly or 12-monthly compliance assurance reviews; (2) Smaller FAPs 1-3 advisers: use Strategi's *Virtual Compliance Officer* service.
- How will your adviser remuneration policy demonstrate good conduct and minimise conflicts of interest?
- How do you intend to test your compliance?

Resources: Engage Strategi to help draft Governance Framework and Compliance Assurance Programme. Undertake Strategi's Navigator Enterprise compliance review.



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