

BRAMWELL BROWN LTD

INVESTMENT ADVISERS – BROKERS

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Financial Institutions' Conduct & Culture

Following the recent damning reports from the Australian Royal Commission into financial institutions in that country, the FMA and Reserve Bank have conducted their own investigations into New Zealand's banks and insurance companies. The findings of the review into the banking sector were released in November. New Zealand's eleven largest retail banks were reviewed to identify conduct and culture issues that may be present, and to understand how banks detect, manage and remediate those issues. They found:

- Conduct and culture issues are not widespread in New Zealand's banks
- Board and senior management's governance and management of conduct risks is poor
- The measurement and reporting of customer outcomes is poor

The results from the review into the life insurance industry were far less flattering. They found:

- Extensive weaknesses in life insurer's systems and controls
- A lack of focus on good customer outcomes
- Several instances of poor conduct, and some examples of potential misconduct (law breaches)
- Remediation of conduct issues is poor
- Sales incentive structures create risks of sales being prioritised over customer outcomes

They found instances of life insurance being sold to foreign customers who were ineligible for the insurance cover, and would never be able to make a claim. One insurer had a system error that resulted in an excessive increase to premiums. Only those customers who picked up the error were refunded.

By far the biggest issue in my view is the system of incentives and commissions paid to insurance intermediaries. Holidays, conferences, and huge up-front commissions are very good at driving sales, however do nothing to ensure good customer outcomes. If the FMA and RBNZ want to ensure that sufficient levels of consumer confidence exist in the New Zealand financial system, and that this confidence is both justified and sustainable, they need to legislate to remove these incentives.

Nelson

My son and his wife and family will be in New Zealand this month and I will be taking some time off to spend with them. I will be joining them in Nelson from February 18th to the 22nd. In my absence Anne Marie and Angeline will be able to help you with any queries, and they will be able to contact me if necessary. Don't hesitate to phone or email.

Trustpower Bond

Trustpower Limited is considering making an offer of up to NZ\$75,000,000 (with the ability to accept up to NZ\$25,000,000 of oversubscriptions) of fixed rate bonds to New Zealand institutional and retail investors in early February 2019, subject to market conditions. No money is currently being sought and applications for the bonds cannot currently be made. If Trustpower offers the bonds, the offer will be made in accordance with the Financial Markets Conduct Act 2013 as an offer of debt securities of the same class as existing quoted debt securities.

CALL THE OFFICE IF THIS OFFER IS OF INTEREST TO YOU

Bank Term Deposit Rates

Here is a summary of some of the bank rates on offer at present.

	1 Year	2 Years	3 Years	4 Years	5 Years
ANZ*	3.45%	3.55%	3.65%	3.75%	3.80%
ASB	3.45%	3.50%	3.65%	3.75%	3.80%
BNZ	3.55%	3.50%	3.55%	3.68%	3.88%
Heartland	3.50%	3.70%	3.80%	3.90%	3.95%
Kiwibank	3.40%	3.50%	3.60%	3.70%	3.75%
Rabobank*	3.45%	3.84%	3.94%	4.09%	4.23%
Westpac	3.40%	3.50%	3.55%	3.60%	3.65%

* ANZ and Rabobank rates are available through an intermediary relationship with Bramwell Brown.

Portfolio Administration

Are you having trouble with the share registries sending your financial information via email rather than post? Are you spending hours searching for financial information for your accountant at the end of each financial year? If so Bramwell Brown can help. We offer a portfolio administration service where we handle all the mail associated with your portfolio and liaise with your accountant at the end of each year. Call the office if you would like to discuss this service.

DISCLOSURE STATEMENT AVAILABLE ON REQUEST AND FREE OF CHARGE