



22 January 2008

Mr Liam Mason
General Counsel
Securities Commission
P O Box 1179
Wellington

Dear Mr Mason,

**Changes to Investment Statements –
Information about Investment Adviser Disclosure**

Thank you for the opportunity for the Investment Savings and Insurance Association ("ISI") to provide comments on the proposed wording change for investment statements that will be needed when new disclosure requirements for investment advisers apply, after 29 February 2008.

Our comments are as follows:

1. We agree that the present Investment Statement section on 'Choosing an Investment Adviser' will not be material to the offer of securities after the changes to the investment adviser disclosure requirements are effective – the obligation for the investment adviser to make the required disclosure remains regardless of the statement in the Investment Statement. We therefore support the proposal that the requirement for the revised wording covering investment advisers only applies to new or revised investment statements prepared after the investment adviser disclosure amendment comes into force.

For the avoidance of doubt, however, it would be preferable for the Commission to provide for an exemption from compliance with section 38E (d) in relation to this matter and we recommend that a formal exemption from the new requirements as far as existing investment statements are concerned be incorporated into the regulations.

2. We agree with the Commission's suggestion in paragraph 8 that the statement could be simplified. While it is desirable to tell investors what they need to request under a "request" based regime (so they can evaluate whether to make a request), it seems less necessary to tell investors the detail of the disclosures they will receive.

Also, it is difficult to summarise succinctly the required disclosures to match the issuer's required brevity.

If the statement is retained, the following points should be taken into account:

- the document will not tell investors the adviser's "professional standing" - that implies reputation;
- experience and qualifications do not necessarily correlate with ability;
- the requirement is to disclose the types of securities advised on, not "whether advice is given on particular types of security";
- the requirement is to disclose "if" the adviser gives advice about particular issuer(s), not "whether";
- the required adverse court findings are only those in the adviser's professional capacity, not all findings;
- the required professional body proceedings are only expulsions or prohibitions from membership not "all adverse findings";
- the description is not in any way complete, nor does it refer to important aspects such as influential relationships, indemnity insurance or dispute resolution facilities;
- investment brokers need to disclose the procedures for disbursement of money as well as the receipt of money;
- it should be clear that the information regarding fees and remuneration must also form part of the written disclosure statement, and
- the second bullet point relating to fees should read *whether the adviser will or may receive a commission or other benefit from advising you*, in order to be consistent with the relevant definitions in the Act.

We would be happy to discuss these comments with you if that would be helpful.

yours sincerely

Deborah Keating
EXECUTIVE OFFICER