

Appendix A: Status overview of the full set of RDR proposals

The table below provides a snapshot of the current status of each of the initial 55 RDR regulatory proposals put forward in November 2014. It includes a summary of key changes in thinking (if any) since the initial proposal. These summaries are however at a very high level and we recommend that they be read together with the detail in the body of the document as well as with our November and December 2015 updates. The column headed "Ref in this document" provides cross-references to the sections / paragraphs in this update document where the proposal concerned is discussed in greater detail (where applicable).

| No. | Initial proposal heading | Key changes / updates since initial RDR | Phase | | | Ref. in this document |
|-----|---|--|--------------------------|--------------------------|--------------------------|-----------------------|
| | | | 1 | 2 | 3 | |
| A | Forms of advice defined (financial planning, up-front product advice, ongoing product advice), with related conduct standards | <ul style="list-style-type: none"> We are no longer proposing formal separate definitions of up-front & ongoing product advice, but standards will be set for the provision of ongoing advice Financial planning is to be defined with reference to professional body standards (see proposal T) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 3.1(c) |
| B | Standards for "low advice" distribution models | <ul style="list-style-type: none"> This terminology is likely to change to "simplified" or "general" advice We are considering either: Guidance to clarify that different levels of advice / needs analysis are already possible under FAIS; or formal creation of a new form of advice | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 3.1(d) |
| C | Standards for "wholesale" financial advice | <ul style="list-style-type: none"> Standards under the FAIS General Code will be considered In the longer term, the COFI Act licensing framework will distinguish between retail and other forms of customers, with related differentiated conduct standards | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| D | Standards for sales execution, particularly in non-advice distribution models | <ul style="list-style-type: none"> FAIS competency standards are being set for sales execution, with specific standards for selling per a script Further standards are being considered, including linkage to product | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 2.2(b) 3.4(a) |

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| E | Standards for ongoing product servicing | <p>complexity</p> <ul style="list-style-type: none"> Standards for specific types of servicing are being strengthened for insurers, including specific requirements for insurers to adopt TCF standards (see PPRs) Further standards for other sectors are planned Cross-cutting service standards will be introduced under COFI | | <input type="checkbox"/> | <input type="checkbox"/> | 2.5(a) |
| F | Insurance premium collection to be limited to qualifying intermediaries | <ul style="list-style-type: none"> Premium collection will in due course be regarded as an outsourced service to insurers, subject to specific outsourcing standards for qualifying intermediaries We are considering whether a specific fee cap for premium collection is required | | <input type="checkbox"/> | | 3.3(b) |
| G | Revised standards for investment platform administration | <ul style="list-style-type: none"> These standards are to be addressed through amendments to the FAIS Code of Conduct for Administrative FSPs Further consultation is planned on specific proposed measures regarding equal platform fees and equally prominent display of all platform offerings We are considering whether further standards are required for other types of "platforms" | | <input type="checkbox"/> | | 3.2(b) |
| H | Standards for product aggregation and comparison services | <ul style="list-style-type: none"> These standards are to be introduced, based largely on international precedents | | <input type="checkbox"/> | | 3.4(b) |
| I | Standards for referrals and lead generation | <ul style="list-style-type: none"> Standards will be proposed for product suppliers to allow PSAs to refer customers to other product suppliers or to an appropriate RFA, subject to governance requirements, in light of the strict approach to PSA "gap filling" | | <input type="checkbox"/> | | 3.4(c) |

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| J | Outsourced services obo product suppliers to be more clearly identified and regulated | <ul style="list-style-type: none"> Disclosure standards are to be developed for referrals and leads more broadly Further technical work is planned on remuneration standards The Insurance Regulations will further refine types of permissible binder and outsourcing arrangements; governance and oversight standards; data sharing standards; and fee caps. This includes defining and setting standards for outsourcing of "policy data administration services" Outsourcing of investment management to financial advisers providing advice on the same products is to be disallowed. Detailed standards will be informed by technical work on defining and clarifying the scope of the "investment management" activity | <input type="checkbox"/> | <input type="checkbox"/> | | 2.4(b) 3.2(e) |
| K | Types of adviser defined: independent (IFA), multi-tied or tied | <ul style="list-style-type: none"> This proposal has been changed from an initial three-tier adviser categorisation model to a two-tier model: Product supplier agents (PSAs) and registered financial advisers (RFAs). This terminology will be consumer tested An adviser may only act in one of these capacities Use of the descriptor "independent" will not be a separate licence category, but will only be permitted where no relationships exist that could result in product supplier influence | | | <input type="checkbox"/> | 3.1(a) 3.1(f) |
| L | An IFA may advise on certain products on a multi-tied basis | <ul style="list-style-type: none"> The proposal is no longer required in light of the revised adviser categorisation model | | | | |
| M | Further input required on criteria for IFAs to offer sufficient product and product supplier choice | <ul style="list-style-type: none"> This proposal will not be pursued. No formal requirements will be set regarding the spread of product suppliers and / or products recommended by RFAs Supervisory reporting by and monitoring of RFAs (including in relation | | | | 3.1(e) |

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| N | Criteria for IFAs to be free of product supplier influence | <ul style="list-style-type: none"> to the spread of products / suppliers they recommend) will be undertaken to assess risks of product supplier influence In light of the revised adviser categorisation, this proposal now relates to RFAs (not IFAs) The underlying principle is that RFAs should be wholly free of product supplier influence. However various other RDR proposals introduce measures to mitigate risks of conflict of interest, where certain business relationships with product suppliers exist These relationships include (but are not limited to): <ul style="list-style-type: none"> ownership relationships (risk of influence to be monitored through close supervision) production / volume related targets (to be disallowed – but with further work planned to ensure customer, adviser and product supplier interests are balanced when contractual relationships are terminated) binder and outsourcing arrangements (risk of influence to be mitigated through efficiency and governance requirements and fee caps) Various other potentially conflicted relationships (for e.g. through cell captive or reinsurance models) are also being reviewed | | | | | | 3.1(e) | |
| O | Status disclosure to be made by IFAs | | | | | | | | 3.1(f) |

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| P | Criteria for multi-tied advisers | <ul style="list-style-type: none"> In light of the revised adviser categorisation, this Proposal now deals with criteria for RFAs | | | | | | 3.1(a) |
| Q | Status disclosure to be made by multi-tied advisers | <ul style="list-style-type: none"> In light of the revised adviser categorisation, this Proposal now deals with status disclosure by RFAs. Disclosure standards will be introduced together with implementation of the final adviser categorisation model | | | | | | 3.1(a) |
| R | Criteria for tied advisers | <ul style="list-style-type: none"> In light of the revised adviser categorisation, this proposal now deals with criteria for PSAs PSAs will be limited to providing advice on their home supplier and its group's products only – i.e. a strict approach to “gap filling” (see detail of possible limited exceptions in the body of this document) | | | | | | 3.1(a) 3.1(b) |
| S | Status disclosure to be made by tied advisers | <ul style="list-style-type: none"> In light of the revised adviser categorisation, this Proposal now deals with status disclosure by PSAs. Disclosure standards will be introduced together with implementation of the final adviser categorisation model | | | | | | 3.1(a) |
| T | Criteria for financial planners | <ul style="list-style-type: none"> Either RFAs or PSAs will be permitted to use the additional designation “financial planner”, provided they meet the requirements for such a designation as set by a Professional Body approved as such by SAQA Currently this applies only to the FPI and its CFP designation, but other bodies are free to apply to SAQA for the relevant approvals. We will also consider foreign equivalents, in consultation with SAQA Currently we see no clear case for an equivalent approach in the short-term insurance sector specifically, but we are open to discussion | | | | | | 3.1(c) |
| U | Status disclosure to be made by financial planners | <ul style="list-style-type: none"> Disclosure standards will be introduced together with implementation of the final standards for financial planning | | | | | | 3.1(c) |

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| V | Insurer tied advisers may no longer provide advice or services in relation to another insurer's products | <ul style="list-style-type: none"> This proposal is to be implemented through pending changes to the LTIA Regulations, with an exception for product classes that the "home" insurer is not authorised under the LTIA to underwrite This is an interim proposal, pending the final approach to "gap filling" for PSAs Advisers will be able to continue servicing customers on existing policies entered into through previously permitted arrangements | | | | 2.4(a) 3.1(b) 2.4(a) |
| W | "Juristic representatives" to be disallowed from providing financial advice | <ul style="list-style-type: none"> This proposal remains in place We are considering a possible exception to allow a PSA (not an RFA) to be set up as a juristic entity, but subject to conditions. Conditions to be consulted on include a requirement to use the product supplier's branding; strict oversight, operational and financial requirements; and only allowing such structures if they are part of the product supplier's group We are also reviewing conditions for when juristic representatives will be permitted in non-advice distribution models | | | <input type="checkbox"/> | 3.1(h) |
| X | Standards for juristic intermediaries (adviser firms) | <ul style="list-style-type: none"> Standards are to be aligned, where necessary, with the implementation of other related RDR proposals | | | <input type="checkbox"/> | 3.1(h) |
| Y | Advisers may not act as representatives of more than one juristic intermediary (adviser firm) | <ul style="list-style-type: none"> This proposal will be introduced through a change in the FAIS Regulations An adviser will be permitted to operate on more than one RFA licence only where the first RFA is not authorised under FAIS for the product category concerned. This exception is being granted to allow advisers to gain experience under supervision on new product categories. Further consideration will be given to the extent to which further limitations may be required in the final adviser categorisation model. | | | <input type="checkbox"/> | 2.3 |

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| Z | Restricted outsourcing to financial advisers | <ul style="list-style-type: none"> See Proposal J | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 2.4(b) 3.2(e) |
| AA | Certain functions permitted to be outsourced to financial advisers | <ul style="list-style-type: none"> See Proposal J | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 2.4(b) 3.2(e) |
| BB | Product supplier responsibility for tied advisers | <ul style="list-style-type: none"> The underlying principle is that product suppliers and advisers must reasonably share accountability for customer outcomes, with the extent of product supplier responsibility aligned to the extent of the product supplier's potential influence over the advice Product suppliers are therefore fully accountable for advice provided by their PSAs | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 3.1(g) |
| CC | Product supplier responsibility for multi-tied advisers | <ul style="list-style-type: none"> In light of the revised adviser categorisation, this proposal now deals with product supplier responsibility for RFAs The underlying principle is that product suppliers and advisers reasonably share accountability for customer outcomes, with the extent of product supplier responsibility aligned to the extent of the product supplier's potential influence over the advice Product suppliers will therefore be expected to take more proactive responsibility for advice provided by RFAs where any of the potential influence relationships referred to under Proposal N exist. Relatively less onerous responsibilities may apply where the relationship between product supplier and RFA is truly at arm's length | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 3.1(g) |
| DD | Product supplier responsibility for IFAs | <ul style="list-style-type: none"> In light of the revised adviser categorisation, this proposal falls away in its current form. However, see Proposal CC | | | | 3.1(g) |
| EE | Product supplier responsibility for non-advice sales execution | <ul style="list-style-type: none"> Standards will be set together with Proposal D and will include product supplier responsibility for ensuring that relevant FAIS Fit and Proper standards are met An underlying principle is that product suppliers should pay particular attention to suitability of products for the target market when using | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |

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| | | non-advice distribution models | | | | | | |
| | | <ul style="list-style-type: none"> The new Insurance PPRs will impose governance standards in respect of product development, including in respect of the suitability of products and distribution models for the target market. | | | | | | |
| FF | General product supplier responsibilities in relation to receiving and providing customer related data | <ul style="list-style-type: none"> This proposal will be implemented for insurers through the pending PPR changes. An insurer will be required to give customer information to an adviser when authorised to do so by the customer, alternatively the requested information may be provided directly to the customer with an explanation of why it was not provided to the adviser | <input type="checkbox"/> | | | | | 2.5(b) |
| GG | Ownership structures to be reviewed to assess conflicts of interest | <ul style="list-style-type: none"> It is accepted that ownership structures between advisers and product suppliers do not automatically result in product supplier influence or conflicted advice, but they do increase the risk of these conflicts arising. These relationships will therefore be subject to close supervisory scrutiny | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | | 3.1(e) |
| HH | General disclosure standards in relation to fees or other remuneration | <ul style="list-style-type: none"> Disclosure standards are to be refined as the various RDR remuneration models are finalised The new Insurance Regulations will introduce general principles for all forms of intermediary remuneration in the insurance sector | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | | 2.4(b) |
| II | Standards for financial planning / risk planning fees | <ul style="list-style-type: none"> These standards are to be developed together with standards under Proposal T and broader standards for advice fees (see Proposal JJ) | | | <input type="checkbox"/> | | | 3.1(c) |
| JJ | Standards for up-front and ongoing product advice fees | <ul style="list-style-type: none"> These standards will be developed as the various RDR remuneration models are finalised | | | <input type="checkbox"/> | | | |
| KK | Additional standards for ongoing advice fees | <ul style="list-style-type: none"> These standards will be developed as the various RDR remuneration models are finalised As a principle, ongoing fees must be linked to ongoing service | | | <input type="checkbox"/> | | | |

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| | | life risk policies will be phased in over time | | | | | | |
| OO | Product supplier commission prohibited on replacement life risk policies | <ul style="list-style-type: none"> A decision on whether and to what extent to proceed with this proposal is deferred to finalisation of the broader remuneration model for life risk policies In the interim, the pending LTIA Regulations and PPRs introduce strict insurer monitoring obligations for life risk replacements and a prohibition on commissions unless strengthened replacement disclosure obligations are met. The final decision on a remuneration intervention will also be informed by experience of this interim approach | <input type="checkbox"/> | <input type="checkbox"/> | | | 3.3(f) 2.1(a) 2.4(c) 2.5(c) | |
| PP | Commission regulation anomalies on "legacy" insurance policies to be addressed | <ul style="list-style-type: none"> Pending amendments to the LTIA Regulations will introduce a gradual phasing down of maximum causal event charges on legacy insurance investment products The LTIA Regulations will also remove legacy commission anomalies on variable premium increases so that these increases are treated similarly to new policies for commission and causal event purposes Further technical work on reducing causal event charges on future policies will be undertaken together with the finalisation of the broader remuneration model for investment products | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | 2.4(d) 3.2(a) | |
| QQ | Conflicted remuneration on retirement annuity transfers to be addressed | <ul style="list-style-type: none"> Pending changes to the FAIS General Code will define "replacement" to include retirement annuity and living annuity transfers We are considering extending the insurer monitoring controls being introduced for life risk replacements (see Proposal OO) to product suppliers in respect of these transfers | <input type="checkbox"/> | | | | 2.1(b) | |
| RR | Equivalence of reward (EoR) to be reviewed | <ul style="list-style-type: none"> Comprehensive EoR standards at individual insurer PSA level will be introduced together with the final remuneration model for life risk | <input type="checkbox"/> | | <input type="checkbox"/> | | 3.3(e) | |

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| | | <p>policies</p> <ul style="list-style-type: none"> In the interim, LTIA Regulations will be amended to clarify the Registrar's powers in relation to EoR and the consequences of non-compliance with EoR standards Current PSA (insurer representative) remuneration practices are to be reviewed as part of technical work to finalise the remuneration model | | | 2.4(e) |
| SS | Standards for remuneration arrangements between adviser firms and their individual advisers | <ul style="list-style-type: none"> In addition to EoR standards for insurer PSAs on life risk policies, we are considering the need for further standards on other remuneration arrangements within RFA firms, to mitigate unintended risks of arbitrage between RFA and PSA remuneration options We are considering strengthening the current FAIS General Code Conflict of Interest provisions as applicable to remuneration arrangements between FAIS FSPs and their individual representatives Further standards are to be developed as broader remuneration models are finalised | <input type="checkbox"/> | <input type="checkbox"/> | 3.3(e) |
| TT | Special remuneration dispensation for the low income market | <ul style="list-style-type: none"> This proposal is being pursued as part of a holistic financial sector transformation and inclusion strategy, supported by explicit mandates in the Financial Sector Regulation Bill For recurring contribution retail investment products, the low income dispensation is likely to include a contribution size cap below which product supplier commissions will remain available, with further consideration of the extent to which this dispensation should be linked to specific product types or product features | | <input type="checkbox"/> | 3.5 3.2(c) |
| UU | Remuneration for selling and servicing short-term insurance policies | <ul style="list-style-type: none"> The current intent is to proceed with this proposal largely as initially proposed, although we are considering the extent to which commission caps should distinguish between remuneration for selling | <input type="checkbox"/> | <input type="checkbox"/> | 3.3(c) |

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| | | <p>the policy and remuneration for ongoing service (with both payable on an "as-and-when" basis)</p> <ul style="list-style-type: none"> • Consultation and technical work to assess impacts of this proposal and develop detailed standards (including appropriate commission caps) has commenced. A detailed intermediary activity analysis has been undertaken to inform this work • As a first step, the STIA Regulations will replace the current "section 8(5) fees" with a mechanism for allowing advisers to earn fees from customers over and above commission, provided they relate to an agreed service to the customer that is not already covered by commission and meets other prescribed requirements. In the final remuneration model, this mechanism is likely to be removed in light of the availability of advice fees | | | | 2.4(f) |
| WV | Conditions for short-term insurance cover cancellations | <ul style="list-style-type: none"> • This proposal is being implemented through the revised PPRs. The proposal has been extended to also apply to long-term insurance policies | <input type="checkbox"/> | | | 2.5(d) |
| WVV | Remuneration for direct non-advice sales execution | <ul style="list-style-type: none"> • These standards will be developed together with standards for proposals D and EE | | <input type="checkbox"/> | <input type="checkbox"/> | 3.4(a) |
| XX | Remuneration for referrals, leads and product aggregation and comparison services | <ul style="list-style-type: none"> • These standards will be developed together with standards for proposal H | | <input type="checkbox"/> | <input type="checkbox"/> | 3.4(b) and (c) |
| YY | Remuneration for investment platform administration | <ul style="list-style-type: none"> • The intention remains to pursue this proposal largely as initially proposed, being a shift to "clean pricing" and removal of rebates, together with implementation of Proposal G | | <input type="checkbox"/> | <input type="checkbox"/> | 3.2(b) |
| ZZ | Binder fees payable to multi-tied intermediaries to be capped | <ul style="list-style-type: none"> • In light of the revised adviser categorisation, this proposal now applies to all binder holders authorised to provide financial advice • The draft Insurance Regulations propose a fee cap of 2% for each permissible type of binder agreement with an adviser. The final | <input type="checkbox"/> | | | 2.4(b) |

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| | | 1 | 2 | 3 | 1 | 2 | 3 | |
| | | quantum of this cap is still subject to completion of consultation and technical work underway | | | | | | |
| AAA | Commission cap for credit life insurance schemes with "administrative work" to be removed | <ul style="list-style-type: none"> This Proposal is to be implemented through the pending changes to the LTIA Regulations. The commission cap for all credit life schemes will in future be 7.5%, with any additional remuneration for outsourced administration only available if the relevant outsourcing or binder arrangement standards are met | | | <input type="checkbox"/> | | | 2.4(g) |
| BBB | Outsourcing fees for issuing insurance policy documents | <ul style="list-style-type: none"> This proposal is not being pursued in light of broader proposals relating to outsourcing | | | | | | |
| CCC | General standard: No financial interests may be provided by product suppliers to intermediaries unless specifically provided for in the regulatory framework. | <ul style="list-style-type: none"> This general standard is being considered for inclusion as a conduct standard under either the FSRA or COFI | | | | <input type="checkbox"/> | <input type="checkbox"/> | |