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# Advertising Guidance Refresh

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## Topics

1. Ensure a Balanced Message Between Risk and Reward
2. Advertising must be Truthful and Accurate
3. Exercise Caution and Clarify when comparing Dissimilar Financial Products
4. Claims must be able to be Substantiated
5. Advertising Regulated Offers on Content-Limited Platforms
6. KiwiSaver member incentives
7. Avoid Claims of Endorsement, Approval, or Regulation
8. KiwiSaver Retirement Projection Calculators

## Key existing guidance and information sheets

• KiwiSaver Sales and Advice Guidance Note, 2017

• Customer vulnerability – our expectations for providers

• Disclosure Framework for Integrated Financial Products

• Advertising Offers of financial products under the FMC Act

# 1. Ensure a balanced message between risk and reward

**MIS manager:** promotes a mortgage investment fund

**News website ad:** Headline: "This investment opportunity offers a 20% return. Secured by a legal security over land." The ad is also packed with marketing images. At the bottom of the ad, in fine print: "All investments have risks. Please refer to our website."

## Issues:

Highlighting return and security, downplaying risks. Return figure is confusing.

## Improvements:

Enlarging/ elaborating risk statement. Providing timeframe for return.

**Social media post: Caption:** "This fund is a great investment". Post carried images, which needed to be clicked to be read, containing a detailed list of features and the key risks.

## Issues:

Risk statements effectively fine print (required clicking and reading through lots of text)

## Improvements:

Make disclaimers prominent

## 2. Advertising must be truthful and accurate

MIS fund webpage: “This fund does not invest in companies in the whaling industry”.  
Fund does not invest in companies actually engaged in whaling, but does invest in companies that derive substantial revenue from distributing whale meat to eateries serving whale dishes

### Issues:

Overall impression from statement: no whaling companies or downstream activities

### Improvements:

Be careful with accuracy of exclusion claims.  
Reaction of reasonable person is the right test.

A fund that invests in illiquid assets, and publishes a statement on its social media page, along the lines of "we have improved liquidity by having a ready group of investors to buy units if you need to redeem your investment"

### Issues:

Overall impression is it's easy to get out of the investment, risk-free.

### Improvements:

Disclose the risk of a protracted selling process, and discounted sale price.

### 3. Exercise caution and clarify when comparing dissimilar financial products

MIS manager's fixed interest fund webpage proclaims: "This fund returns a higher yield than you can get from the average bank term deposit"

#### Issues:

Comparing dissimilar products without making clear the differences

#### Improvements:

Make clear differences e.g. differences between yield measure and interest rate measure, fixed interest fund could experience temporary low or negative returns.

MIS manager promoting its mortgage loans fund with "want to buy a house without actually buying one?"

#### Issues:

The type of investment, its returns and risks are materially different from the one compared with.

#### Improvements:

Clarify the differences with buying homes

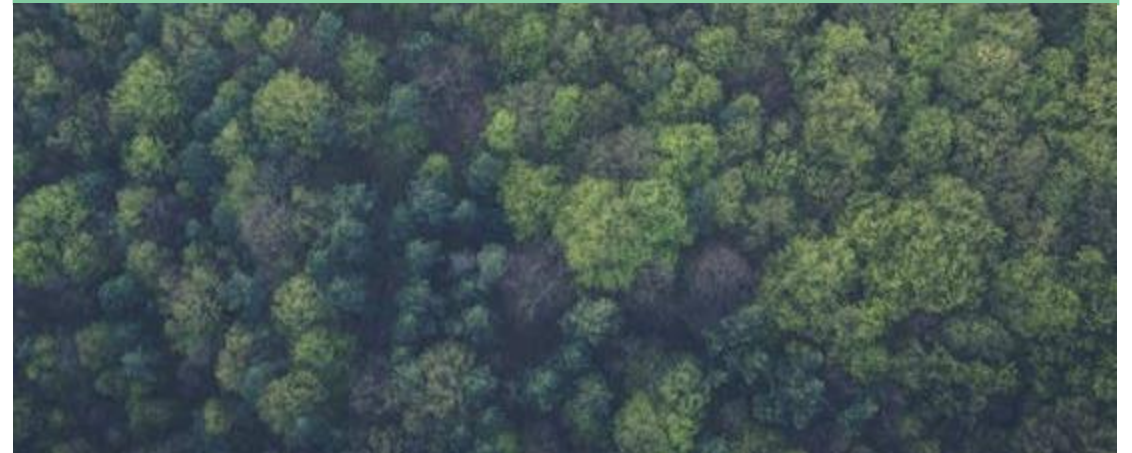
## 4. Claims must be able to be substantiated

**Advertising for fund: “This fund targets investing in planting enough trees to ensure NZ reaches net zero by 2050”.**

In this case, we expect the manager should be able to demonstrate that it had, at the time of the advertisement, reasonable plans (e.g. identified suitable planting areas, discussions with plant suppliers) to plant enough trees to achieve the targeted goal.

### Impact Funds

Fund should be true to label and align with the definition of being an ‘Impact Fund’.

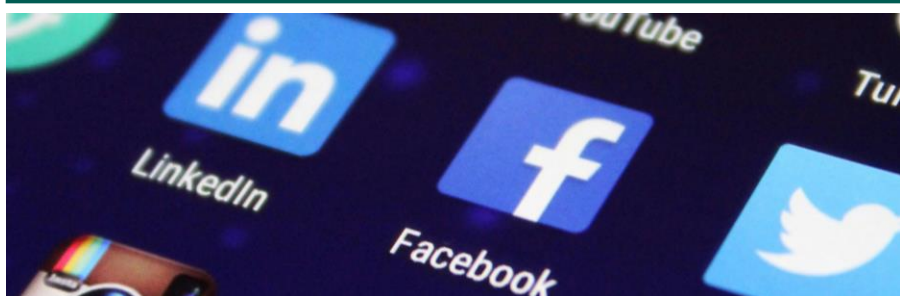


## 5. Advertising Regulated Offers on Content-Limited Platforms

In a social media post, MIS Manager makes strong claims about the types of companies its fund invests in without qualifying there are limited circumstances where the claim does not apply. MIS manager argues that space restrictions (on wording or video length) on the social media post makes it impossible to include the qualifying information.

### Issues:

Potential misleading or deceptive representation, due to the lack of an indication that the claim is qualified.



### Improvements:

- If there is important qualifying or clarifying information about claims, the advertisement should at a minimum contain a disclaimer indicating where to obtain the information.
- If the advertisement is clickable and leads to a landing page, the qualifying or clarifying information should be prominent/emphasized and easily located on the landing page or linked to.



## 6. KiwiSaver member incentives

Incentives in KiwiSaver Promotions: Top-up contributions and prize draws.

Practices of offering incentives to attract new members.

Think about how the incentive encourages engagement with KiwiSaver:

- Be specific about good outcomes
- Be clear in what is being offered
- Prioritise investment decisions
- Consider the risk profile of the member
- Think about the role advice plays in decision making
- Any financial advantage has to be **minor**



## 7. Avoid claims of endorsement, approval, or regulation

- Avoid making statements or using names that imply endorsement or approval by a government agency, professional body, or independent agency unless the endorsement is current and can be verified.

## 8. KiwiSaver Retirement Projection Calculators

- FMA Expectations for KiwiSaver Calculators (sent in June 2019).
- Non-Advisory KiwiSaver Calculators- Assumptions to align with the Financial Markets Conduct Amendment Regulations 2019.
- Advisory KiwiSaver Calculators- May use different assumptions but must be clear.

## General things to consider

Establishing Internal Clearance Process for Advertising Approvals.

Valid Hyperlinks – Regular check for correct and functional hyperlinks

Be proactive in identifying, notifying of, and remediating inaccurate or misleading information

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Questions?

End slide

