

SEPTEMBER 2024

Consultation: Regulatory returns for financial institution licensees

About this consultation

Certain entities licensed by the Financial Markets Authority – Te Mana Tātai Hokohoko (FMA) must provide us with regulatory return information on a periodic basis, as a condition of their licence. We use this information to monitor licensees' ongoing capability to effectively perform licensed activities.

As set out in Standard Condition 3 of the [standard conditions for financial institutions](#), registered banks, licensed insurers and licensed non-bank deposit takers who hold a financial institution licence will be required to provide us with regulatory return information.

This consultation:

- outlines the questions we propose to ask in the regulatory returns for financial institutions
- seeks feedback on the appropriateness, frequency and format of the information we propose to collect.

This paper should be read in conjunction with the [draft question set](#), which includes the questions we propose to ask financial institutions.

We invite your feedback to support our development of the regulatory returns for financial institutions. Please use the feedback form provided. Submissions close at **5pm on Friday 25 October 2024**.

This consultation is aimed at financial institutions and their authorised bodies, as well as other interested parties such as industry associations, law firms, training providers and compliance consultants.

It asks for feedback on our proposals for regulatory returns for financial institutions.

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Background

Why we request regulatory returns

Regulatory returns will ensure the FMA has up-to-date information about financial institutions (**FIs**). The information provided helps us:

- consider whether licence holders continue to meet eligibility criteria and market service licence obligations;
- understand the people and businesses we regulate in greater detail;
- determine the focus and priority of our supervision and monitoring activities; and
- identify issues or themes across the market that may require further exploration.

The FMA treats all information obtained from the regulatory returns as commercially sensitive. However, we may publicly report statistical information on an aggregated, non-identifiable basis from time to time.

The requirement relating to regulatory returns for FIs falls under Standard Condition 3 of the [standard conditions for financial institutions](#). Conditions are imposed by the FMA under [section 403](#) of the Financial Markets Conduct Act 2013 (**FMC Act**).

Standard Condition 3 for financial institution licences

“You must provide us with the information we need to monitor your ongoing capability to effectively perform the financial institution service in accordance with the applicable eligibility criteria and other requirements in the FMC Act. This will include updated information on your fair conduct programme and the nature, size and complexity of your financial institution service. Information must be provided in accordance with the requirements issued by the FMA, following prior consultation with industry.”

Framework and methodology

Frameworks and methodologies are subordinate legislation that detail any applicable technical requirements. We are not legally required to introduce either and our current view is that they are unnecessary given the type of information we need from this group of market service licensees. We may decide to introduce a framework and/or methodology related to FI regulatory returns at a later date, which must be consulted on before being issued.

Possible legislative changes

This consultation is based on current legislative requirements

In its May 2024 [Fit for purpose financial services conduct regulation](#) discussion document, the Government included options to simplify and clarify minimum requirements for fair conduct programmes, and to move to a single financial market conduct licence, and has recently announced policy decisions on this.

The proposed regulatory return questions in this consultation have been drafted on the basis of the current legislative requirements. We will consider whether changes to the regulatory return questions or guidance are needed to reflect the updated fair conduct programme requirements at a later stage, when the amendment bill to implement the Government's decisions is further progressed.

Regarding the move to a single financial market conduct licence, while any legislative changes will relate specifically to the licensing framework, the discussion document noted the potential for further operational efficiencies. This includes the FMA giving consideration to “better harmonising how [it] collects data from licensed firms across all of their licensed market services, particularly annual regulatory returns which represent some of the larger ongoing regulatory burden for licensed firms.”

Harmonising regulatory returns for licensed firms (e.g. by creating a single regulatory return that covers the different market services a firm provides) would be likely to take some time. We do not anticipate the process of considering this will be completed before the date we are proposing for the first FI regulatory return. The information collected will help us supervise FIs in a risk-based and intelligence-led manner.

However, we appreciate the legislative context in which this consultation is being undertaken, and the need to avoid unnecessary compliance costs. Therefore, as part of this consultation we encourage feedback regarding any related concerns you foresee for FI regulatory returns.

Our proposals

Content of regulatory returns

The purpose of a regulatory return is to provide information about an FI's business, including its size and nature, compliance performance and potential risks.

Each question includes brief guidance on how to answer, along with the rationale for requiring the information. The questions have been designed to:

- provide insight into the operations of licensees, to enable us to evaluate the risk of material issues.
- understand the methods used to ensure fair treatment for consumers.

This information will allow us to be better informed about entity-specific issues and broad industry themes, so we can prioritise our supervision and monitoring efforts.

We want your views on whether the information requested is appropriate, and if there are any other relevant questions that should be included or alternative questions that would achieve the same objectives.

We also want to know if there are any implications for your business associated with providing this information. We need an accurate understanding of both the feasibility of obtaining the information and the cost in time and money, including both initial and ongoing costs.

Reporting period

Generally, regulatory returns are required to be filed annually, for the year 1 July to 30 June, and submitted to the FMA by 30 September, i.e. within a three-month window.

However, given we will likely publish the final regulatory return questions in March 2025, there will be a limited period for financial institutions to prepare their processes and systems to start collecting information from 1 July 2025 for the first return.

We are also considering an alternative period for the first return of 1 October 2025 to 30 June 2026, with reporting due by 30 September 2026. This would mean a period of 9 months rather than 12 for the first returns, allowing more time for FIs and the FMA to prepare.

If we adopt the alternative proposal of a 9-month period for the first return, we would revert to annual returns (1 July to 30 June) with submission due by 30 September, from 2027.

Questions

Question number	Question
1	Do you believe the requested information is appropriate and sufficiently well defined? Is there any information we shouldn't be asking for, or any clarifications we should make? Please give your reasons for this.
2	Is there any other information we should ask for? If so, please state what, and how it would improve the returns.
3	Does providing the suggested information involve any systems changes or major costs for your organisation? If so, please outline these costs or changes.
4	We want the market to benefit from this information too. As such, are there any aggregate reports that could be generated from the data that would be useful for the industry (while maintaining the confidentiality of commercially sensitive data)?
5	Do you have any concerns about the proposed three-month timeframe for submitting regulatory returns at the end of each return period? If so, please specify.
6	Do you have any concerns regarding capturing information for the first reporting period commencing 1 July 2025 if the final question set is published in March 2025. If so, please specify.
7	Do you prefer the proposed alternative reporting period of 9 months (which would start 1 October 2025) for the first regulatory return and subsequent proposed annual frequency? If not, what is your preferred reporting period, and why?
8	Do you have any concerns about regulatory burden in relation to preparing and completing the FI regulatory returns (e.g. completing multiple regulatory returns if you hold more than one licence issued by the FMA)?
9	Do you have any other comments on the proposed regulatory returns?

