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**Subject:** RE: OIA request CRM:093300043  
**Date:** Monday, 1 July 2024 3:44:17 pm  
**Attachments:** [FINAL response to letter of expectations 15April.pdf](#)

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Kia Ora,

We refer to your official information request below for the FMA's response to the Minister's annual letter of expectations for 2024/25 dated 11 April 2024. The information you have requested is attached.

You have the right to seek an investigation and review by the Ombudsman of this decision. Information about how to make a complaint is available at [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz) or freephone 0800 802 602.

If you wish to discuss this decision with us, please feel free to contact me.

Ngā mihi  
Christiner

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[REDACTED]  
**Sent:** Monday, June 10, 2024 10:47 AM

**To:** Questions Comments Scams Complaints <[questions@fma.govt.nz](mailto:questions@fma.govt.nz)>; Questions Comments Scams Complaints <[questions@fma.govt.nz](mailto:questions@fma.govt.nz)>; Questions Comments Scams Complaints <[questions@fma.govt.nz](mailto:questions@fma.govt.nz)>; Questions Comments Scams Complaints <[questions@fma.govt.nz](mailto:questions@fma.govt.nz)>

**Subject:** OIA request

Hello

I would like to request under the OIA a copy of the FMA's response to the Minister's annual letter of expectations for 2024/25, dates 11 April 2024.

Many thanks

[REDACTED]

15 April 2024

Hon Andrew Bayly  
Minister of Commerce and Consumer Affairs  
Parliament Buildings  
WELLINGTON

Dear Minister,

### **FMA response to 2024/25 Letter of Expectations**

I am writing in response to your 2024/25 Letter of Expectations for the Financial Markets Authority (FMA). The following provides an overview of how the FMA Board and Executive intend to respond to the expectations you have set out for the FMA.

The FMA Board recognises the important role the FMA has in contributing to the Government's priorities and overarching aim to improve outcomes for all New Zealanders. Well-regulated financial markets are a cornerstone of a successful economy and create the right conditions for attracting investments and capital as well as encouraging innovation, competition and broader participation in financial markets.

#### **General overview**

FY 24/25 is a key year for the FMA. The Conduct of Financial Institutions regime is due to come fully into force in March 2025. Following your speech to the FSC Outlook in January 2024, the FMA has instituted a programme of engagement with smaller financial institutions, including understanding from these firms the best way to assist them to prepare for the new regime. The FMA also continues to work with the XRB to successfully implement the climate-related disclosures regime. We are highly supportive of work to streamline the regulatory system. The FMA will continue to work closely with the Commerce Commission and MBIE on the transfer of credit regulation to the FMA.

The FMA is co-chair of the Council of Financial Regulators (CoFR). As per your letter, the FMA will continue to provide resource and effective leadership on cross-agency issues. The [CoFR regulatory initiatives calendar](#) is a key resource for industry, in that it provides an overarching picture of financial services regulatory and policy initiatives across multiple agencies, mitigating unnecessary compliance costs for firms and enabling firms to plan appropriately. The FMA continues to chair the CoFR Insurance Forum, building increased engagement with a sector that has previously been largely outside the FMA's regulatory remit.

## **Specific priorities**

As a Board we will focus on the FMA's performance to fulfil our mandate. The FMA will continue to work with you to simplify complex financial services policy and regulatory settings to remove unnecessary barriers and transactional costs. An example of this is the current consultation on [green bonds](#), which responds to market feedback by seeking to reduce both regulatory costs and the time it takes for issuers to bring offers to market. The FMA will continue to provide you with timely advice and briefs on regulatory reforms and market issues. The FMA looks forward to working with you on an approach to streamline capital market settings to enable greater access to capital for businesses, and to consider the issue of KiwiSaver funds investing in unlisted assets.

The FMA looks forward to continuing to engage with your office to achieve these specific priorities, including further discussions in our regular meetings. As we have indicated to you, our regulatory policy team continues to be available to assist in providing input or comments on ways to further achieve your objectives.

## **Specific Expectations**

The FMA will continue to be an effective regulator, that acts promptly and confidently to meet its statutory objectives. It will continue to work with the Reserve Bank of New Zealand to minimise the impact on financial institutions of the twin peaks model of financial regulation. We recognise the importance of mitigating conduct risks, while avoiding unnecessary compliance costs and promoting innovation. The FMA continues to take a proportionate and risk-based approach to regulation.

The FMA's long-term move towards adopting an outcomes-focused approach particularly in its supervisory activities, rather than simply assessing technical compliance, offers the best ways to balance the objectives set out in your letter and achieve your goals. The approach, which aligns with international best practice, facilitates proactive and proportionate engagement with industry to deliver better outcomes for New Zealanders. It seeks to avoid unnecessary compliance costs, while enabling innovation and flexibility.

The outcomes do not introduce new rules or regulations. Legislation provides the mechanism to enforce legal obligations that support the outcomes the FMA is seeking. Following the recent consultation with the sector, the FMA is currently considering the feedback and next steps. It is important that this approach has the support of the industry to be successful. I and the executive of the FMA look forward to engaging with you further on this issue.

The FMA currently takes a risk-based, proportionate approach to AML/CFT. There are parts of the AML/CFT regime where prescription is set out in the legislation. Where this is the case, the FMA will be happy to work with you and other areas of Government to consider the appropriate ways forward to achieve your aims.

## **General expectations and good governance**

The FMA has throughout its recent history demonstrated a strong organisational capability with a focus on delivery. This has included delivering several new regulatory regimes, including the

financial advice regime, which involved engaging and licensing many small and medium sized firms. The FMA will use and further develop this experience to ensure the smooth delivery of the Conduct of Financial Institutions regime by March 2025.

The FMA will continue to demonstrate strong fiscal management and value for money. The FMA continues to engage with your office and MBIE about the FMA's funding for 24/25 and beyond. The FMA has agreed to a funding reduction of 7.5% of Crown funding for 24/25 and this response is based on that agreement. Further reductions will impact the delivery of the FMA's engagement-led approach along with our front-line regulatory activities.

The FMA's remit continues to expand, and there are increased expectations for guidance and engagement with the financial sector, particularly in terms of preparing for the implementation of CoFI. Industry has broadly supported and indicated a willingness to pay higher levies in return for an engagement led approach during FMA funding and levy consultations in 2020 and again in 2021.

### **Accountability documents and performance measures**

The FMA will provide you with a draft Statement of Performance Expectations and a draft Statement of Intent ahead of your deadline of 1 May 2024. The FMA has already sought and received feedback from MBIE on these drafts. The FMA looks forward to providing these to you to enable thorough consideration by you and your team.

### **Concluding response**

The FMA continues to work towards your expectations and our priorities due to the dedication and commitment of our staff, and with the support of the Government, to deliver confidence in our financial markets and better outcomes for New Zealanders.

I and the executive are committed to working with you and your office to support an effective working relationship. I have thoroughly enjoyed meeting with you since your appointment, and I look forward to working with my successor to ensure an orderly transition over the next few weeks. I am sure they will be as committed as I am to ensure an effective working relationship with you and your office.

I wish you all the best for your term as Minister of Commerce and Consumer Affairs. If you have any questions about this response, please don't hesitate to get in touch.

Yours sincerely,



Mark Todd  
Chair