

# Hon Dr David Clark

MP for Dunedin

Minister of Commerce and Consumer Affairs

Minister for the Digital Economy and Communications

Minister for State Owned Enterprises

Minister of Statistics

Minister Responsible for the Earthquake Commission



11 MAR 2021

Mark Todd  
Chair  
Financial Markets Authority  
PO Box 1179  
Wellington 6140  
Email: [Mark.Todd@fma.govt.nz](mailto:Mark.Todd@fma.govt.nz)

Dear Mark

## **ANNUAL LETTER OF EXPECTATIONS FOR 2021/22**

I am writing to convey my portfolio priorities and your role in achieving these priorities for the Financial Markets Authority (FMA) in relation to the 2021/22 financial year.

The goal of this Government's economic strategy is to continue improving the wellbeing and living standards of New Zealanders through productive, sustainable and inclusive growth. This means moving beyond narrow economic indicators and measures of success, and instead puts the wellbeing of our people and the environment at the centre. A particular focus of the Government this year is on resetting and rebuilding our economy to position New Zealand for recovery from the impacts of COVID-19. This has relevance to the FMA given its responsibility for ensuring continuity of markets and services in the financial sector in way that is fair, transparent and efficient.

### **Commerce and Consumer Affairs priorities and what this means for the FMA**

My priorities for this year in the financial sector are as follows:

- progressing further work on open banking and a consumer data right to increase competition, innovation and consumer welfare consistent with our overall goal of building a broad-based economy
- progressing work on mandatory climate-related financial disclosure requirements for listed issuers, large registered banks, licensed insurers, and managers of registered investment schemes

- progressing legislation to regulate the conduct of the banking and insurance sectors to protect consumers and enable better financial decision-making
- progressing reforms to New Zealand's insurance contract law to make insurance contracts easier to understand and fairer for consumers
- finalising the procurement of the KiwiSaver default scheme providers to ensure that KiwiSaver delivers value for those in default funds and help people save for retirement
- implementing the new financial advice regime to improve access to high quality financial advice for New Zealanders and establish a level playing field of regulation for all who provide financial advice.

I expect the FMA to contribute to achieving results against these priorities, as appropriate.

I acknowledge that it continues to be a very busy time for your organisation and I appreciate the hard work that is going into adapting to and implementing the numerous ongoing regulatory changes. I am sure the FMA will continue to meet these challenges as well as carry out its core functions effectively.

This Government's priorities extend beyond agency boundaries. Many will involve you playing an effective role within an integrated and coherent system. I expect you to focus on working together with the range of agencies and parties that have a stake in achieving these priorities in the Financial Markets regulatory system including, but not limited to, the Ministry of Business, Innovation and Employment (MBIE), the Reserve Bank of New Zealand, the Treasury, the Commission for Financial Capability, and the Commerce Commission.

The following paragraphs set out my specific expectations for the FMA for 2021/22.

### **Specific expectations for FMA**

My particular expectations for the FMA in 2021/22 are:

- ensuring effective implementation of the new regime for financial advice, including ensuring robust processes for monitoring and full licensing of financial advice providers, and providing industry with guidance and support where appropriate
- effectively planning and preparing for the significant organisational transformation challenge with recent and upcoming changes to the FMA's regulatory environment
- working effectively with the External Reporting Board to prepare for your proposed role monitoring, reporting and enforcing mandatory climate-related financial disclosure requirements
- promoting the effectiveness and integrity of the KiwiSaver system in conjunction with other agencies and organisations, with a strong focus on provider transparency, value for money, and improving investor engagement and decision-making

- continuing to work with MBIE on the reform of insurance contract law and the regime regulating the conduct of financial institutions
- continuing to monitor KiwiSaver default provider arrangements, including engaging with default providers and working with other agencies to ensure default members are well-supported leading up to the expiry of the current default providers' terms, and once the new instruments of appointment come into effect from 1 December 2021
- ensuring effective implementation of the licensing regime for financial benchmark administrators under the FMC Act
- coordinating with MBIE, the Commission for Financial Capability and any other agencies across government where appropriate to build investor capability and confidence, including by encouraging access to information and advice
- proactively monitoring conduct risks, including those affecting vulnerable investors and, where appropriate, vulnerable customers, particularly given the disruption and volatility in financial markets resulting from COVID-19
- anticipating and promoting innovation in financial markets, while also ensuring appropriate safeguards are in place and investors are adequately informed about any risks the innovation may pose
- maintaining focus on promoting confidence in the integrity and sustainable development of fair, efficient and transparent financial markets.

### **General expectations and good governance**

I am confident the FMA will work constructively with the Government to help realise these priorities. In doing so, please work closely with officials to share information on the impacts of COVID-19 to ensure policy settings give the best chance for delivering a revitalised New Zealand economy. In addition, we expect you to follow the updated *Enduring Letter of Expectations* from the Minister of Finance and Minister of State Services to Statutory Crown Entities in 2019 and the Ministry of Business, Innovation and Employment's *Monitoring Arrangements for MBIE-monitored Crown entities*.

As part of your role in governing a high performing FMA, I expect you to:

- maintain an effective board
- be the primary monitor of the entity's performance and maintain effective relationships with my advisors in MBIE
- operate a no surprises policy.

In addition, as the last self-review of the board's performance was undertaken in 2020 I do not expect another self-review at this stage, and will advise you in the future when one is required.

Further information regarding these expectations is included in **Annex 1**.

### **Strategy and performance information**

All Crown entities must prepare an annual Statement of Performance Expectations (SPE) and have a Statement of Intent (SOI) in place. The annual SPE should provide a clear performance framework and support excellent reporting to Parliament and the public on results while the SOI should set the strategic direction for the organisation.

As the FMA produced a new SOI in 2020, I do not expect the FMA to develop a new SOI for the 2021/22 financial year.

### **Response**

Your advice by **30 March 2021** on how you propose to respond to the expectations set out in this letter and its Annex would be appreciated. I would be happy to consider approaches that best achieve our collective aims and work well for the FMA. In the first instance, please discuss your proposed response with MBIE.

I look forward to continuing to developing an effective working relationship with you over the coming year.

Yours sincerely



Hon Dr David Clark

**Minister of Commerce and Consumer Affairs**

Copy to: Rob Everett,  
Chief Executive, Financial Markets Authority

James Hartley,  
General Manager, Commerce, Consumers and Communications, MBIE

## **Annex 1: General expectations and good governance**

### *Effective board*

Ensuring the board is, and remains, high-performing is essential and is a critical part of your role as Chair.

The FMA board last undertook a self-review of its performance in 2020. I do not expect another self-review at this stage, and will advise you in the future when one is required.

### *Deliver responsible governance with a broader measure of success*

I ask you to be part of a public sector that builds a New Zealand we can all be proud of; a public sector that recognises the value of every New Zealander and backs all our people. To do this I expect you to think holistically about the impact of your organisation's plans and programmes prioritising interventions that make the biggest difference to lifting the current and future wellbeing of New Zealanders. In particular, I ask to you strengthen your effort to partner with Māori organisations to improve services and outcomes for Māori.

I expect you to actively promote and develop the diversity of your workforce for the long term to encompass a broad spread of experience, culture, perspective and lifestyle of those who live in New Zealand.

### *Effective monitoring of entity performance by boards and relationship with the MBIE*

In addition to setting and driving a strategy that delivers on government priorities, your board is the most important monitor of entity performance. I expect the board to provide me with high quality information and analysis on entity performance against plan, implications for future performance, and risks and opportunities facing the entity.

I expect you to have a constructive working relationship with your monitor within MBIE. This relationship should include active participation and engagement with my officials in the process of setting your organisation's strategic direction and in any review of existing strategies, priorities and plans, and data systems.

I expect you to work with and across government to integrate work of your organisation with the role and work of other agencies, and to support the state sector stewardship of government departments.

### *No surprises*

The Government has a 'no surprises' policy. No surprises means that the Government expects a board to:

- be aware of any possible implications of their decisions and actions for wider government policy issues
- advise the responsible Minister of issues that may be discussed in the public arena or that may require a ministerial response, preferably ahead of time or otherwise as soon as possible

- inform the Minister in advance of any major strategic initiatives.

I expect to hear about emerging issues and what major actions the board is considering. My reactions will be based on a range of factors, including the benefits of new initiatives and of taking different approaches to achieve our goals.