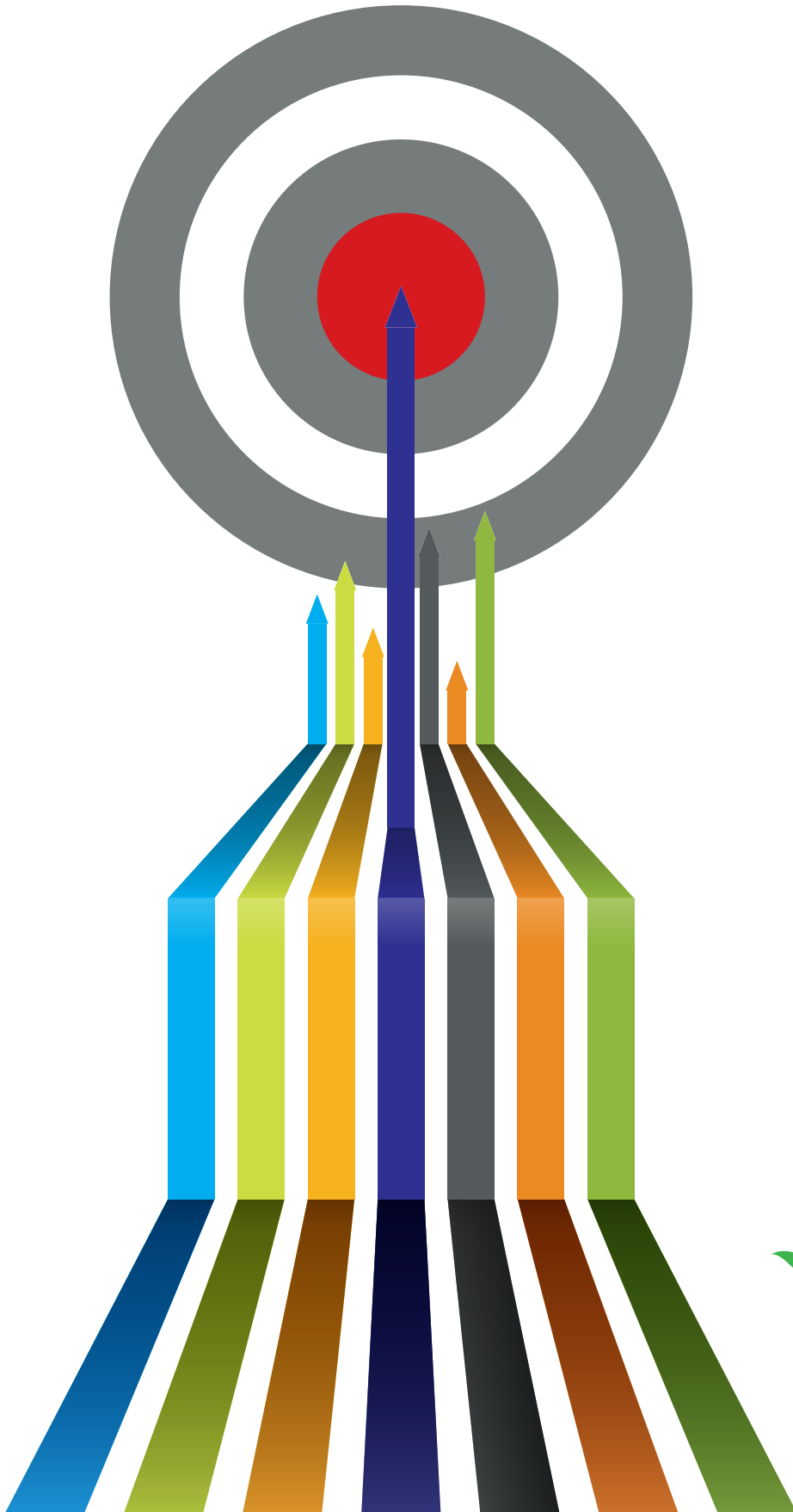

Statement of intent 2017–2020



Statement of responsibility

This Statement of Intent (SOI) is presented to the House of Representatives in accordance with Part 4 of the Crown Entities Act 2004.

This SOI sets the FMA's strategic direction for the next four financial years – 2017 to 2020, spanning 1 July 2017 to 30 June 2021. It builds on our Strategic Risk Outlook 2017 (SRO) and identifies our high-level responses to the risks and priorities in the SRO. It also details how we will measure the impact of our activities over the four-year period.

Our SOI should be read together with our annual Statement of Performance Expectations (SPE), which outlines our shorter-term activities and performance measures.

We are responsible for preparing our Statement of Intent and Statement of Performance Expectations, which includes the forecast financial statements, the statement of forecast performance and all judgements used within the two documents.



Murray Jack
Chair
Financial Markets Authority
9 May 2017



Mark Todd
Chair
Audit and Risk Committee
9 May 2017

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Foreword from Board Chair and Chief Executive

This Statement of Intent (SOI) is a key component in our first strategic planning cycle under the Financial Markets Conduct Act (FMC Act).

This cycle began with our Strategic Risk Outlook (SRO) published in February 2017. The SRO identifies the most significant risks to fair, efficient and transparent New Zealand financial markets, the strategic priorities arising from those risks, and the regulatory results we want to see after addressing them.

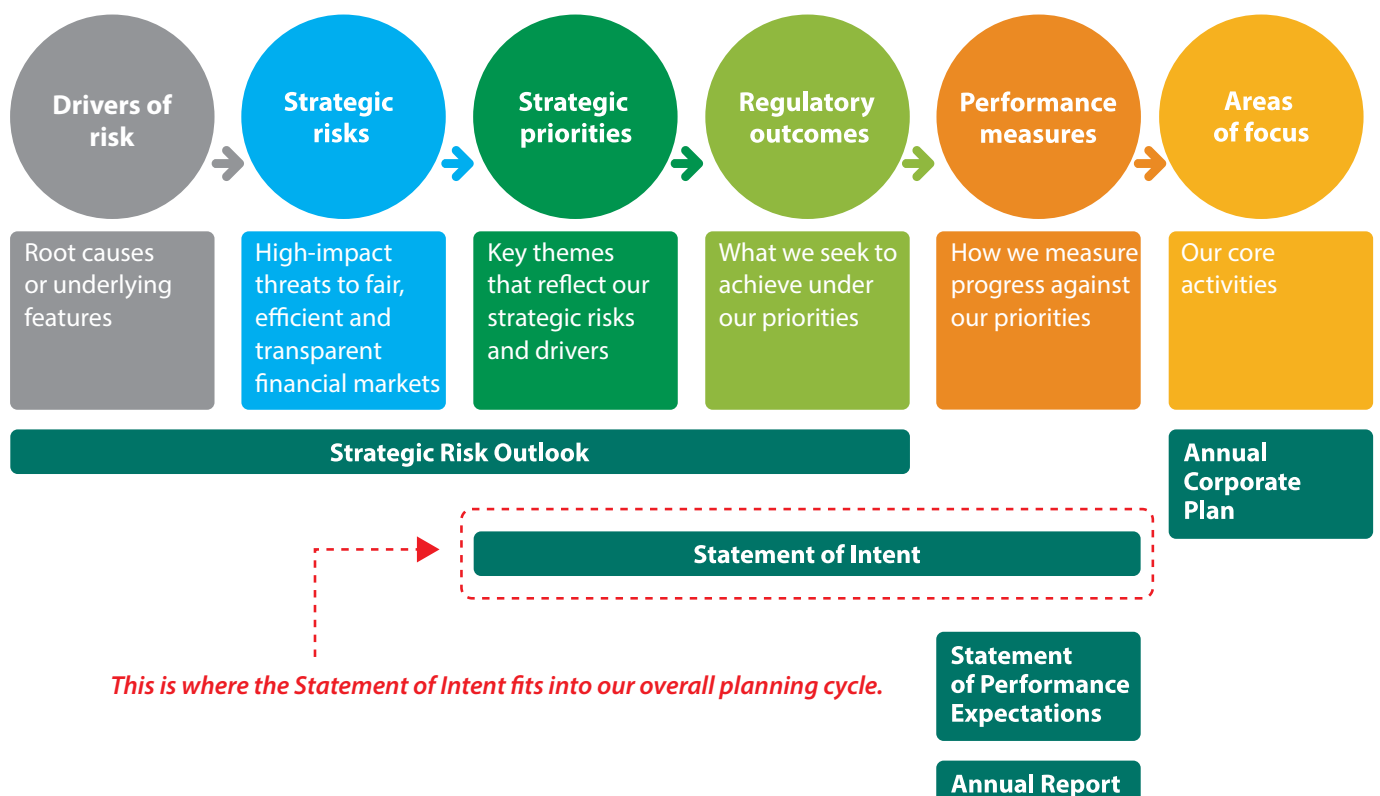
Our SOI has a four-year outlook and follows the SRO by identifying the performance measures we will use to

mark our progress towards achieving our regulatory objectives.

The SOI also provides a medium-term view of what success will look like for investors, financial services providers, the market and other regulators, by the end of the 2020 financial year.

The diagram below sets out our full planning cycle. It shows how each of our key publications fits into the overall cycle.

We hope this outline of the key stages of our strategic cycle will be helpful to those we regulate, New Zealand investors, and others who are interested in our work.



Refining our performance measures

The performance measures in this document have been reviewed since our SOI 2015-2019 was published. The purpose of this review was to reduce the number of performance measures and make them more meaningful.

We wanted to eliminate duplication from the previous measures. We then worked hard to reframe the measures so they captured the actual impact of our work, rather than just measuring outputs. We aimed to create performance measures that underpin our purpose and are meaningful to our stakeholders.

We have done the same with our short-term performance document, the Statement of Performance Expectations, published at the same time as this SOI.

Annual corporate plan

We will provide a deeper insight into the work prioritised for each financial year in our first annual corporate plan, published later in 2017.

Our annual corporate plan will identify key areas of work and the related performance measures for that work. Where necessary, we will include additional measures to ensure the purpose of our activities remains transparent.

Our purpose

We are an independent Crown agency and one of the two main regulators of New Zealand’s financial markets; the other is the Reserve Bank of New Zealand.

Our statutory purpose is to promote and facilitate the development of fair, efficient and transparent financial markets. We want to:

- Strengthen public confidence in financial markets.
- Promote innovation.
- Support the growth of New Zealand’s capital base.
- Balance costs and benefits.

Market conduct regulation aims to ensure the financial services providers and others who we regulate act with integrity and exhibit customer-focused behaviour.

Our work contributes to the broader governmental aim of creating a more competitive and productive economy.

Who we regulate

This diagram outlines who we regulate and oversee within New Zealand’s financial markets.



FMA Licensed

Product providers	Advisers & discretionary managers	Infrastructure providers	Frontline regulators
<ul style="list-style-type: none"> Licensed derivatives issuers Licensed Managed Investment Scheme managers (including KiwiSaver providers) 	<ul style="list-style-type: none"> Licensed Discretionary Investment Management Service providers Authorised financial advisers (AFAs) Qualifying financial entities (QFEs) 	<ul style="list-style-type: none"> Licensed financial product markets Licensed crowdfunding providers Licensed peer-to-peer lending providers Designated settlement systems 	<ul style="list-style-type: none"> Licensed supervisors Licensed independent trustees NZX (Regulation) Accredited audit bodies

Not FMA licensed

<ul style="list-style-type: none"> Debt issuers Equity issuers Registered audit firms Licensed auditors Registered financial advisers (RFAs) Brokers and custodians 	<ul style="list-style-type: none"> Managed Investment Scheme custodians Registered banks Licensed insurers Wholesale service providers Foreign exchange providers
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These market participants are licensed or registered elsewhere. We oversee them to some extent, but do not licence them.

Our strategic priorities

This diagram sets out our key areas of focus and the regulatory outcomes we want to see from our work in these areas.



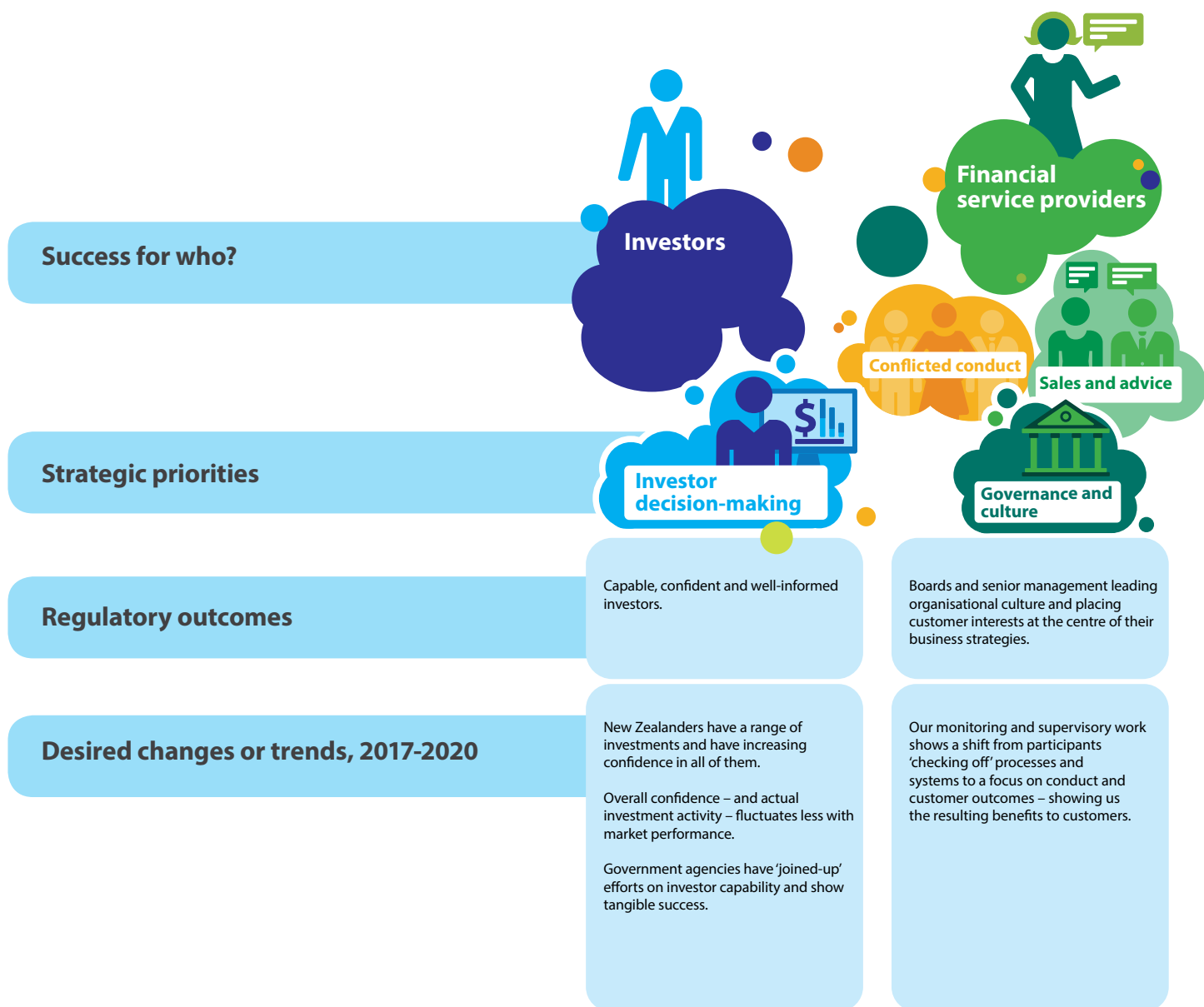
- | | | | | | | |
|--|--|--|---|---|--|--|
|  <p>Investor decision-making</p> |  <p>Governance and culture</p> |  <p>Conflicted conduct</p> |  <p>Capital market growth and integrity</p> |  <p>Sales and advice</p> |  <p>Frontline regulators</p> |  <p>FMA effectiveness and efficiency</p> |
| <p>We want to see:
Capable, confident and well-informed investors.</p> | <p>We want to see:
Boards and senior management leading organisational culture and placing customer interests at the centre of their business strategies.</p> | <p>We want to see:
Conflict-management procedures designed to put customer interests first.</p> | <p>We want to see:
Resilient and dynamic capital markets with broad investor participation and sound infrastructure.</p> | <p>We want to see:
Sales and advice practices designed to meet the needs of customers.</p> | <p>We want to see:
Frontline regulators who contribute to well-regulated financial markets.</p> | <p>We want to see:
The FMA as an efficient and effective intelligence-led regulator.</p> |

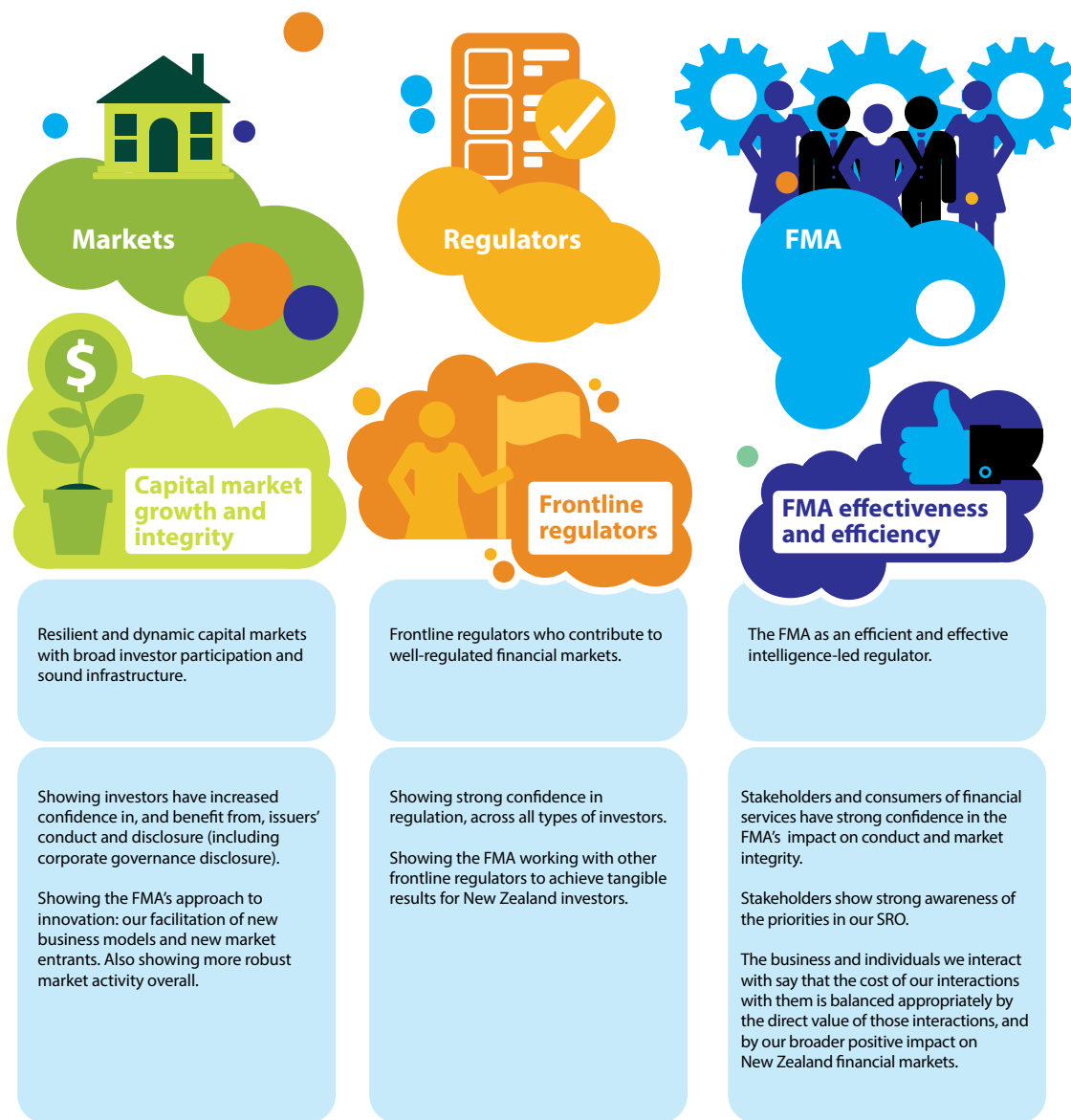
Our strategic direction

The SOI outlines our performance measures for the next four financial years (2017-2020). We aim to show a sense of the changes we want to see for investors, financial services providers, and New Zealand markets, over the four years.

This graphic summarises, at a high level, the changes and trends we want to see in the metrics we report on for each of the next four financial years. On pages 10-15 we map these priorities to the relevant performance measures.

What will success look like 2017-2020







SOI performance metrics 2017-2020



The table below shows how the performance measures map to our strategic priorities, and the regulatory outcome(s) we want to see. It also identifies the source of information for each measure. Our annual reports will detail key developments for each year, and overall progress against the 2020 targets.

Some measures are new; others update previous measures. Each measure includes information to explain what it covers.


We will apply a consistent standard to how each measure will be reported against, and provide a description of this. By having fewer performance measures we can show greater detail about how we will report on each measure.


FMA statutory purpose (Overarching measure)	Regulatory outcome (from SRO)	Performance metric and explanation	Source of information	2020 target	Baseline (year)
Fair, efficient and transparent markets.	Investor confidence in New Zealand financial markets has increased.	<p>1. Investors are confident in New Zealand’s financial markets.</p> <p>While this is largely a measure of market sentiment, the survey used to measure this metric contains quality and detailed information. This means we can report on whether confidence levels differ from one type of financial product to another. For example, whether investors in managed funds are more confident than investors in domestic housing.</p>	External survey	70-75%	61% (2014)

Strategic priority	Regulatory outcome (from SRO)	Performance metric and explanation	Source of information	2020 target	Baseline (year)
 <p>Governance and culture</p>	<p>Boards and senior management leading organisational culture and placing customer interests at the centre of their business strategies.</p>	<p>2. Licensed market participants show how they achieve good customer outcomes.</p> <p>This replaces previous measures about boards receiving information on customer outcomes and having relevant risk and compliance frameworks in place.</p> <p>This measure now evaluates that what boards and senior management have in place puts customers' interests at the centre of their business. This could include how they receive information about customers, their risk frameworks and culture.</p>	<p>FMA data</p>	<p>Achieved</p>	<p>New measure</p>
 <p>Conflicted conduct</p>	<p>Conflict management procedures designed to put customer interests first.</p>	<p>3. Conflict management procedures are designed to support customer interests.</p> <p>This replaces a previous measure about conflict management procedures addressing conflicts relevant to a participant's business. This measure takes it a step further by requiring participants to demonstrate, not only that procedures address relevant conflicts, but are designed with customers in mind.</p>	<p>FMA data</p>	<p>Achieved</p>	<p>Revised measure</p>

Strategic priority	Regulatory outcome (from SRO)	Performance metric and explanation	Source of information	2020 target	Baseline (year)
 <p>Capital market growth and integrity</p>	<p>Resilient and dynamic capital markets with broad investor participation and sound infrastructure.</p> <p>This will include addressing unregulated conduct on the perimeter of our financial markets. We will take a targeted approach, which focuses on activities that:</p> <ul style="list-style-type: none"> • could harm New Zealand investors or consumers, and • threaten confidence in the integrity and reputation of New Zealand's financial services. 	<p>4. The FMA stakeholders and consumers of New Zealand financial services believe that FMA's actions help raise standards of market conduct and integrity.</p> <p>This measure combines the results of two surveys:</p> <ul style="list-style-type: none"> • consumers' experiences of financial services conduct, • FMA stakeholders' views of the FMA's impact on market conduct. <p>Both surveys will provide good levels of detail detail will be available, so it will be possible to split the views of conduct by type of investor (KiwiSaver, property, etc).</p> <p>5. Issuers use new lower-cost opportunities to raise capital in New Zealand.</p> <p>This will measure the amount of equity and debt capital raised through use of exemptions, same-class offers, etc. Reporting will include discussion of which opportunities are being used, and which are not and the reason for that, such as market conditions or perhaps issuers are unaware of what is available.</p>	<p>Two external surveys</p> <p>FMA data</p>	<p>Conduct 65-70%</p> <p>Integrity 80-85%</p> <p>Achieved</p>	<p>New measure</p> <p>73% (2014)</p> <p>Achieved</p>
 <p>Sales and advice</p>	<p>Sales and advice practices designed to meet customers' needs.</p>	<p>6. Market participants can demonstrate alignment of sales and advice processes resulting in good customer outcomes.</p> <p>This measure replaces a previous measure about participants taking action to improve sales and advice processes where shortcomings are identified. The rewording of the measure takes the additional step of requiring an explanation of how a sales and advice process demonstrates alignment with good customer outcomes - (whether the FMA has provided feedback or not).</p>	<p>FMA data</p>	<p>Achieved</p>	<p>Achieved</p>

Strategic priority	Regulatory outcome (from SRO)	Performance metric and explanation	Source of information	2020 target	Baseline (year)
 Investor decision-making	Capable, confident and well-informed investors.	<p>7. Investors believe that financial product information given to them helped them to make an informed decision.</p> <p>This measure is measured, largely, by market sentiment. However, there is a lot of detailed information contained in the <i>Attitudes towards New Zealand's financial markets</i> survey. This means we will be able to report whether there are different responses based on the type of financial product, which can provide prompts for regulatory work. For example, if investors in KiwiSaver are more satisfied with their financial product information than investors in bonds, we would look to see if disclosure could be improved.</p>	External survey	65-70%	56% (2014)
		<p>8. The FMA works with Government agencies and market participants to promote information and materials to improve investor capability.</p> <p>Assisting investors to be better informed and more confident is a priority for a number of Government agencies. This measure will show how the FMA avoids duplicating other agencies work in this area. It will also measure the impact of cross-Government efforts.</p>	FMA data	Achieved	Achieved
 Frontline regulators	Frontline regulators contribute to well-regulated financial markets.	<p>9. Investors believe that frontline regulators contribute to well-regulated New Zealand financial markets.</p> <p>The survey makes clear that the FMA shares regulatory responsibility with the NZX, accredited bodies and the trustees and supervisors of investment managers for this measure.</p>	External survey	70-75%	49% (2014)

Strategic priority	Regulatory outcome (from SRO)	Performance metric and explanation	Source of information	2020 target	Baseline (year)
 <p>FMA effectiveness and efficiency</p>	<p>The FMA is an efficient and effective intelligence-led regulator.</p> <p>As part of our assessment of our performance against the metrics in this section, we want to show evidence of taking an intelligence-led approach and the benefits of that approach. For example, using complaints data to form or modify our strategic risks.</p>	<p>10. FMA stakeholders are aware of and agree that the FMA’s activities target the appropriate strategic risks.</p> <p>This replaces previous measures about annual review and publication of the SRO. It now evaluates whether stakeholders are aware of our strategic priorities, and seeks endorsement of how we have selected and prioritised them.</p>	External survey	70-75%	49% (2014)
		<p>11. The FMA uses a range of regulatory tools to alleviate regulatory burden.</p> <p>This will discuss and evaluate which regulatory tool we used, why it was used, and the impact of its use.</p>	External survey	Achieved	Achieved
		<p>12. Stakeholders agree that the regulatory burden of the FMA is proportionate to the value of the FMA’s interactions, and to its broader impact on New Zealand’s financial markets.</p> <p>This measure recognises that stakeholders have a view on the value of their direct interactions with us; and of our broader impact on New Zealand’s financial markets.</p> <p>We will be able to provide detail on the specific value gained by stakeholders – or not – from their interactions with us. For example, stakeholders better understand our requirements, or if they learnt something they will use in their own practices.</p>	External	Achieved	Achieved

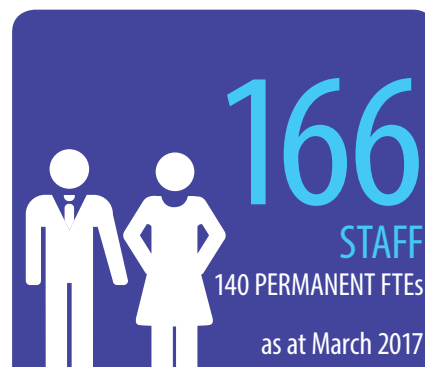
Strategic priority	Regulatory outcome (from SRO)	Performance metric and explanation	Source of information	2020 target	Baseline (year)
 <p data-bbox="148 913 285 949">FMA effectiveness and efficiency</p>	<p data-bbox="352 752 512 898">The FMA is an efficient and effective intelligence-led regulator.</p>	<p data-bbox="584 752 999 808">13. The FMA delivers its outputs within its appropriation.</p> <p data-bbox="584 824 951 880">A core financial measure of the FMA's efficiency.</p> <p data-bbox="584 943 983 1111">14. The FMA works with other regulatory and government agencies to have a positive combined impact on New Zealand financial markets, to reduce regulatory overlap, minimise gaps and increase efficiencies.</p> <p data-bbox="584 1133 999 1335">This measure will evaluate how effectively the FMA works with other agencies to have a positive impact. This will include how the FMA and other agencies identify and address areas of overlap. It will also evaluate the effectiveness of working in co-operation with other agencies.</p>	<p data-bbox="1034 752 1134 775">FMA data</p> <p data-bbox="1034 943 1134 965">FMA data</p>	<p data-bbox="1189 752 1289 775">Achieved</p> <p data-bbox="1189 943 1289 965">Achieved</p>	<p data-bbox="1342 752 1442 775">Achieved</p> <p data-bbox="1342 943 1442 965">Achieved</p>

How we will manage our capabilities

We cannot consider our medium-term strategy without also considering the capabilities we need to deliver it.

This includes a mix of hiring, growing and seconding the talent we need.

We intend to do this by:



Recruitment, development and retention

Determining and retaining the skills, experience and capabilities we need to be a credible conduct regulator which requires:

- Recruiting, developing and retaining people with extensive experience and expertise in financial services. Particularly in financial services regulation, which is not a core skill set in New Zealand.
- Identifying and building the capabilities we require now and in future, to ensure we are an effective risk-based regulator and meet our medium-term initiatives. We do this by:
 - Building understanding of decision-making drivers.
 - Using analytical and investigative skills.
 - Identifying and responding to risks on our regulatory perimeter.
 - Gaining more expertise in the insurance sector and wholesale markets.
- Investing in our people and through continued learning opportunities, coaching and formal training programmes, with a focus on leadership development.
- Having a constructive culture where our people feel empowered and valued. We have spent time defining our employment value proposition and use this to attract and retain people. We continue to focus on the seven key elements of being a good employer, defined by the Human Rights Commission. We focus on employing and retaining people from diverse backgrounds and having an inclusive culture, where everyone can reach their potential. We use diversity data to ensure we meet our objectives.

Stakeholder engagement

We want to have ongoing, improved engagement with:

- the businesses and individuals we regulate
- New Zealand investors and the wider public
- our co-regulators
- the government agencies we work with.

This helps build awareness of our mandate and how we implement it. It also helps us manage the risks we see to fair, efficient and transparent markets.

We continue to learn from:

- the businesses and individuals we regulate
- international financial regulators
- other relevant organisations.

Intelligence-led approach

We want to build our culture, systems and processes to support an intelligence-led approach to our work. This is influenced by our behaviour: by evolving the way we work and our approach to managing our information. We will support behavioural change by putting in place the necessary training, tools and processes.



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