



Office of Hon Craig Foss

28 JAN 2014

MP for Tukituki
Minister of Commerce
Minister of Consumer Affairs

Minister of Broadcasting
Associate Minister for ACC

Simon Allen
Chairman
Financial Markets Authority
PO Box 106 672
Auckland 1143

Dear Mr Allen

ANNUAL LETTER OF EXPECTATIONS 2014/15

As Minister of Commerce I am responsible to the House of Representatives for the performance of the Financial Markets Authority (FMA). I am writing to convey my expectations for the next financial year and the next three years as you start developing the FMA 2014/15 Statement of Intent. My expectations supplement the expectations expressed in the July 2012 enduring letter of expectations from the Minister of Finance and the Minister of State Services and provided to all Crown Entities Chairs.

Contributing to government priorities

The Government's four priorities for this term are: building a more productive and competitive economy, managing the Government's finances, delivering better public services within tight financial constraints, and rebuilding Christchurch. I expect FMA will continue considering ways to contribute to these priorities.

Further, I expect FMA to consider how it can contribute to the Government's Business Growth Agenda (BGA) and, to the extent relevant, assist to achieve real job growth. The BGA aims to build a more effective and productive economy for New Zealand by supporting businesses to be more productive and competitive. It focuses on six key input areas: export markets, capital markets, innovation, skilled and safe workplaces, natural resources, and infrastructure.

Implementing entity specific agreed strategy and priorities

I expect FMA to focus on successfully implementing the Financial Markets Conduct Act 2013, including:

- Developing guidance for market participants, including educating investors about the new regime and the changes;
- Effectively using FMA's enforcement tools to support the new regime; and
- Ensuring that FMA has an efficient and effective internal structure to support successful implementation.

FMA should continue to strengthen its public profile as an effective regulator to build investor confidence.

I expect FMA to enhance its working relationships with other government agencies. This should include updating the Memorandum of Understanding between FMA and the Serious Fraud Office.

A performance review of FMA will be undertaken in 2015 and I expect FMA to work with officials to prepare for the review. This will include developing terms of reference, governance arrangements and work programme.

Delivering better services and better value

Results matter, not processes or unquestioned continuation of an existing programme. I expect you to focus on the things that matter to New Zealanders, including providing high quality, cost effective and customer-focused frontline services. This includes ensuring that your services are modern, responsive, business like, and provide good value for money. Ideally the public will not be able to differentiate between the services they receive from government agencies compared to those they receive from the private sector.

I would expect FMA to contribute, through the Better Public Services programme, to the Government's goal of delivering faster, online and better integrated services, specifically designed for business.

You also need to ensure that your entity is constantly looking for ways to improve how it does business and delivers value against the taxpayers' investment. Your entity should be using either the formal Performance Improvement Framework (PIF), PIF self review methodology or some other continuous improvement process. I expect the Board to continue to be vigilant in identifying cost savings and focus on those areas where the organisation can deliver most value. I encourage you to consider shared service options with other agencies and syndicated procurement, where appropriate.

Improving strategy and performance information

I expect FMA will be aware of recent changes to the Public Finance Act 1989 and Crown Entities Act 2004 which include streamlined and improved planning and reporting provisions.

I expect the Statement of Intent (SOI) to be a genuinely strategic document covering at least four years, setting out the agreed strategic direction for FMA. The SOI and annual statement of performance expectations should provide a clear performance framework and support improved reporting to Parliament and the public on results. There is now an option for the SOI to endure for up to three years. You should discuss with monitoring officials if you are considering this option for the 2014/18 SOI. For 2014, the draft SOI needs to be

provided to me by 1 May 2014 (two months before the beginning of the new financial year), however, discussion with monitoring officials should occur before this date.

I expect FMA to address any issues identified in recent reviews of organisational performance and to make on-going improvements to its performance measurement framework and, in particular, how it measures and assesses progress towards outcomes.

Working openly and collaboratively to achieve results

No entity can expect to make a difference working alone.

I expect FMA to take responsibility for achieving sector results – collaborating with other relevant organisations, the business community, international agencies and, where possible, with Māori and other communities.

As your Responsible Minister, I expect the ‘no surprises’ policy will continue and that I will be informed, well in advance, of any material or significant events, transactions, and other issues that could be considered contentious or attract wide public interest. A similar approach should be adopted with Ministry of Business, Innovation and Employment officials.

I expect FMA to continue the constructive working relationship with Ministry of Business, Innovation and Employment’s monitoring officials through regular meetings and discussions.

Finally, I thank the FMA Board for your efforts over 2012/13 and I look forward to working with you in the coming year.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'Craig Foss', written in a cursive style.

Hon Craig Foss
Minister of Commerce