

FINANCIAL MARKETS AUTHORITY

STATEMENT OF INTENT

.....
2015-2019



FINANCIAL MARKETS AUTHORITY

TE MANA TATAI HOKOHOKO - NEW ZEALAND

STATEMENT OF RESPONSIBILITY

This *Statement of Intent* further develops our strategic direction for the coming four years from July 2015 to June 2019 and has been prepared in accordance with Part 4 of the Crown Entities Act 2004. It should be read in conjunction with the *Statement of Performance Expectations* for each year.

The Financial Markets Authority (FMA) is responsible for the preparation of this *Statement of Intent* and the *Statement of Performance Expectations*, which includes the forecast financial statements, the statement of forecast service performance and all judgments used in them.

Murray Jack



chair
Financial Markets Authority
4 June, 2015

Rebecca Thomas
(Mrs Rebecca Eele)



chair
Audit and Risk Committee
4 June, 2015

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FMA Statement of Intent 2015-2019

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FOREWORD FROM THE BOARD CHAIR AND CHIEF EXECUTIVE



Murray Jack, chair



Rob Everett, chief executive

This Statement of Intent marks a major shift for the Financial Markets Authority.

It clearly outlines the FMA's seven strategic priorities and explains how we will measure our success against these priorities using a fully overhauled set of performance measures. In doing so, we are providing a clear and robust strategic performance framework for the FMA over the coming four years.

As a risk-based conduct regulator, we focus our resources on conduct that poses the most significant risk to the development of fair, efficient and transparent financial markets. In December 2014, we published our first *Strategic Risk Outlook*, indicating where we see the most significant potential risks and consequently where we have chosen to focus our regulatory efforts.

The risk outlook was informed by an assessment of our operating environment and was largely prompted by the introduction of the Financial Markets Conduct Act 2013 (FMC Act). The FMC Act widens the FMA's regulatory mandate, bringing more businesses under the FMA's umbrella, providing us with new responsibilities and powers, and reforming the way in which financial services businesses respond to investors and consumers.

Our seven strategic priorities will see the FMA focus on governance and culture, conflicted conduct, capital market growth and integrity, sales and advice, investor decision-making, effective frontline regulators, and FMA effectiveness and efficiency.

Our performance measures are aligned to these priorities and will provide a greater level of transparency around what we see as important areas of regulatory focus for the FMA and what behaviour we expect. Ultimately, these measures are designed to ensure that the Government – and the businesses and professionals that we regulate – can recognise the progress we are making towards the strategic priorities we have set.

The measures will also allow us to reflect on our work, year by year. In addition to measuring our progress, they will indicate to us where we may need to adjust, increase or relax our regulatory activity. The targets that we have identified against these measures are, in some cases, stretch targets and we believe they will provide a challenge to the FMA, particularly during the current period when we are implementing significant new legislation.

Overall, we are confident that this *Statement of Intent* will be a major contributor to the FMA's accountability over the medium term, allowing the Government, businesses and investors to hold us to account in implementing the FMC Act and providing effective regulation of New Zealand's financial markets.

A stylized handwritten signature in blue ink, appearing to read 'Murray Jack'.

Murray Jack
chair

A stylized handwritten signature in blue ink, appearing to read 'Rob Everett'.

Rob Everett
chief executive

WHO WE ARE

FMA's role

The Financial Markets Authority is an independent Crown entity. Our key objective is to promote and facilitate the development of fair, efficient and transparent financial markets.

Our role is to strengthen public confidence in New Zealand's financial markets, promote innovation, and support the growth of New Zealand's capital base by providing effective regulation.

The FMA regulates conduct across New Zealand's financial markets and we administer or apply many statutes. The FMC Act is the most extensive of these, and sets the ground rules for financial services and capital markets in New Zealand. Among other things, the FMC Act governs:

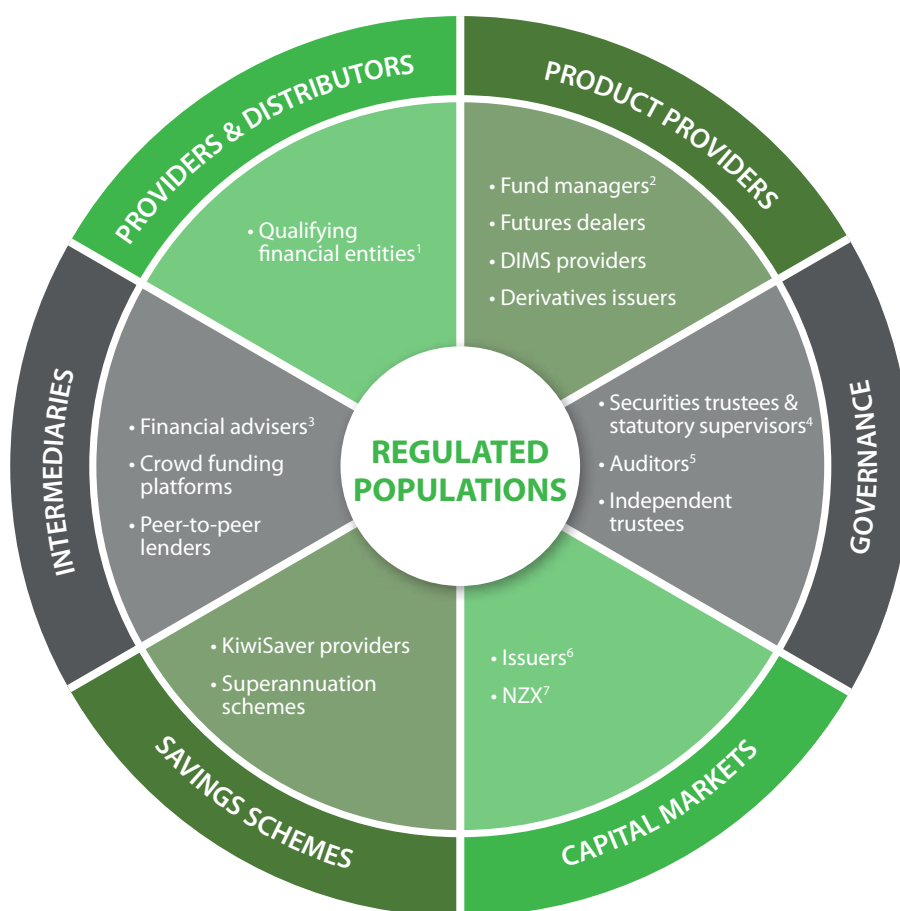
- offers of financial products (equity and debt offers, derivatives, and managed investments)
- directors' responsibilities in making public offers for financial products
- mandatory disclosure to investors for offers of financial products
- on-market dealing, including on the public exchange
- financial reporting
- licensing of firms and professionals.

The FMC Act also provides the FMA with tools to support market activity and protect market integrity.

The businesses we regulate are illustrated overleaf.

Businesses, professionals and markets regulated by the FMA

The number of businesses, professionals and markets regulated by the FMA has grown under the FMC Act. Our regulated populations are detailed below.



1. QFEs are firms or groups providing financial advice on their own account and they take responsibility for financial advice provided by their employees and contractors. See www.fma.govt.nz for the full list of QFEs.

2. Recognised in the FMC Act as managers of registered schemes.

3. Including authorised financial advisers (AFAs); registered financial advisers (RFAs); and advisers in qualifying financial entities (QFEs).

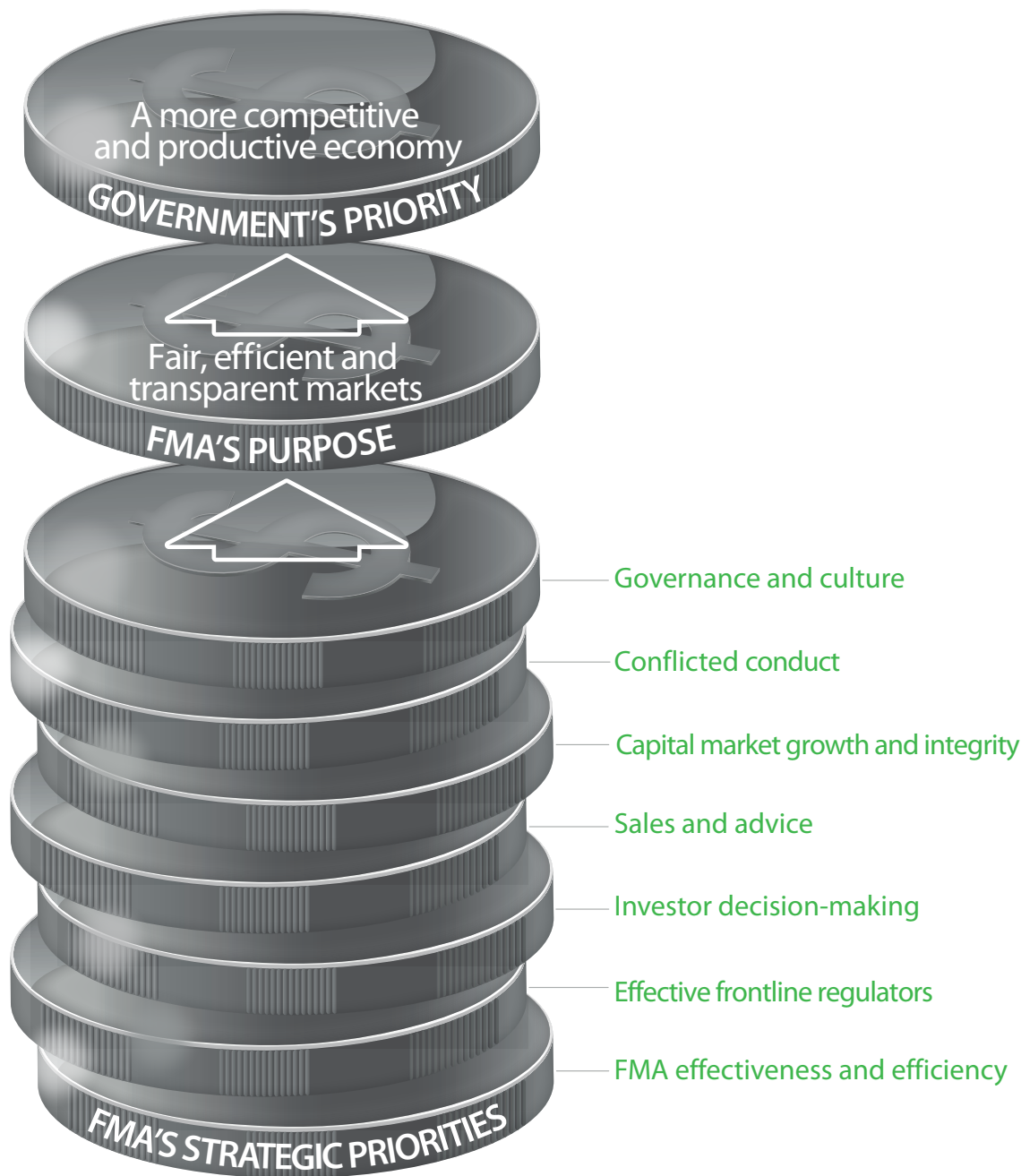
4. Including debt securities trustees; trustees of unit trusts; KiwiSaver Trustees; and supervisors of other investment schemes.

5. Including accredited bodies; licensed New Zealand auditors; registered audit firms; and licensed overseas auditors. FMA's auditor regulation applies only to audits of issuers.

6. Including equity securities; debt securities; investment life insurance; managed funds; superannuation; and contributory mortgage brokers. Includes financial reporting requirements to which issuers are subject under Part 7 of the FMC Act.

7. NZX (registered exchange), including: NZSX (main board); NZAX (alternative market); NZDX (debt market); FSM (Fonterra shareholders' market); and NZCX (derivatives market).

How we contribute to the Government's priorities



The FMA's strategic direction is directly aligned with the Government's goal of building a more competitive and productive economy.

The Government is committed to New Zealanders enjoying greater prosperity and security through an increasingly competitive and productive economy. This requires well-functioning financial markets that support sustainable business growth and job creation. A reflection of well-functioning financial markets is an environment where risk is understood, innovation flourishes, integrity prevails, and investors are confident and active participants.

The FMA works with the Ministry of Business, Innovation and Employment (MBIE), co-regulators and other government agencies to contribute to the development of fair, efficient and transparent financial markets. We recognise that external factors and organisations will influence this outcome. We will particularly focus on the following indicators in monitoring progress towards fair, efficient and transparent financial markets.

Indicators of fair, efficient & transparent financial markets



Measure: Investor confidence in New Zealand financial markets has increased.

Explanation: Investors will continue to participate in our financial markets if they have confidence in the integrity, health and regulation of those markets. We will survey investors to understand whether they are more confident in New Zealand's financial markets.

Measure: IMF assessment of New Zealand against the IOSCO objectives and principles of securities regulation.

Explanation: The IMF's Financial Sector Assessment Programme (FSAP) is a comprehensive and in-depth analysis of a country's financial sector. A key aspect of an FSAP is the examination of a country's implementation of the IOSCO principles of securities regulation. This examination goes to the quality and efficiency of the country's regulatory framework and oversight regime.

OUR STRATEGIC PRIORITIES

We have identified seven strategic priorities that will guide our operations over the next three years.

These priorities were published in our medium-term *Strategic Risk Outlook* (December 2014) and reflect the most significant risks and drivers of risk to the fair, efficient and transparent operation of our financial markets.

Within each of our priorities we have identified specific areas where we think we can most effectively minimise

conduct risks, improve behaviour within our markets, benefit participants and investors, and help strengthen New Zealand's economy.

In choosing these areas, we have taken into account our role and resources. We have also decided not to focus our regulatory resources on other areas.



Governance and culture

Good governance plays a critical role in contributing to markets that are fair, efficient and transparent. It also contributes to better outcomes for investors, shareholders and the economy. There has been an increased focus on good governance in recent years, particularly in light of the finance company collapses in New Zealand and the contribution governance failures made to those collapses. While the fundamental expectations of directors have not changed, directors are seeking clarification of their responsibilities and the FMA's expectations of boards and directors.

In the financial services sector, we see many organisations that are new to conduct regulation and a regulatory relationship with the FMA. We expect boards and directors of financial service providers, both big and small, to set a strong 'tone at the top', and to ensure that customer interests are central to organisational strategy, culture and conduct. This includes:

- paying attention to the outcomes delivered to customers and ensuring those outcomes match the board's aspirations and claims
- acting in a way that is designed to protect and serve shareholders and customers, and
- driving corporate culture and setting the 'tone at the top' through good leadership and by demonstrating the values and goals the board cares about.

Conflicted conduct

Conflicts of interest are at the core of many conduct-related risks. They can be embedded in certain business models and can be exacerbated by poor culture. Conflicts of interest can be more prevalent in small markets like New Zealand, where there is a high degree of concentration and connectedness amongst businesses and professionals, and across sectors.

The FMA expects firms to manage conflicts, both actual and potential, to mitigate the risk of conflicted conduct. Such risks may be embedded in vertically integrated distribution models, particularly in cases where profits are put ahead of investors' interests. Remuneration and fee arrangements, for staff or salespeople, may also exacerbate this risk. We have identified distribution models and remuneration arrangements, as well as custody of client money and property, as key areas of regulatory focus.

Capital market growth and integrity

An important part of our mandate is to promote the development of our capital markets. Capital growth depends upon investors having confidence in the markets. A growing and vibrant market, with confident investors and participants, is a sign of success for our regulatory regime. While we are seeing increased confidence in our markets with new innovative business models emerging, we also know from past experience that this confidence can be fragile. We aim to reassure investors and firms that the markets are well-regulated, that the rules are being obeyed, and that these rules are enforced where necessary.

We will focus on timely and visible action against misconduct to protect the integrity and reputation of our markets. In particular, we will work with NZX to achieve effective and timely responses to possible market misconduct, such as allegations of market manipulation and insider trading. We will also use the tools available to us to act against misconduct at the regulatory perimeter. We will use our new powers under the FMC Act to tailor regulation, alleviate compliance costs and reduce unnecessary regulatory burdens. Where possible, we will use new avenues under the FMC Act to support businesses to raise capital without incurring high regulatory costs.

Sales and advice

When investors and consumers buy financial products – whether subject to advice or not – they expect to be treated fairly. We expect market participants to put investor interests at the heart of their sales processes and advisory services and will focus our regulatory activity on processes that are likely to result in poor outcomes for investors and consumers. We are particularly focused on addressing the mis-selling of financial products and will also prioritise reports of misconduct by registered financial advisers (RFAs). RFAs number about 6,500 professionals and serve a substantial base of retail consumers and investors.

The review of the Financial Advisers Act 2008 in 2015-16 will also be a key focus for the FMA in the medium term.

Investor decision-making

Over the medium term, we will increase our focus on initiatives to help improve investor capability. In particular, our focus will be on ensuring investors have access to resources that help them make informed investment decisions. We will co-ordinate with other Government agencies and market participants to ensure our initiatives maximise resources and efforts in this area.

We will continue to focus on ensuring timely, clear, concise and effective disclosure that can help to engage investors and help them to make better-informed financial decisions. We will undertake risk-based reviews of disclosures and financial reports. We're also prioritising improved advice from firms and professional advisers, especially to people who are about to retire.

Effective frontline regulators

Frontline regulators play a crucial role in New Zealand's financial markets. They are responsible for overseeing the conduct of a range of businesses and professionals including fund managers, KiwiSaver providers, listed issuers, and auditors. Strong financial markets depend on effective frontline regulators who consider not only the policies, processes and procedures that a market participant has in place, but also the participant's culture, conduct and activities, and how these reflect the best interests of their customers.

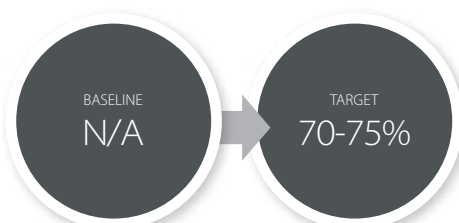
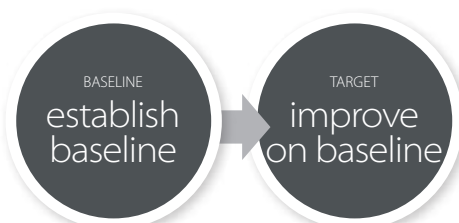
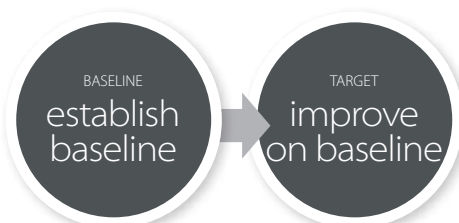
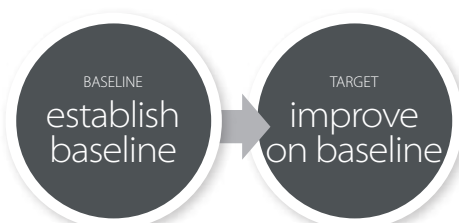
Frontline regulators include the NZX, which has immediate responsibility for regulation on the registered exchange, and is subject to oversight by the FMA. Other professionals with frontline regulatory duties are supervisors¹, and the accredited bodies for auditors in New Zealand. The FMA has prioritised maintaining and improving the effectiveness of frontline regulators.

FMA effectiveness and efficiency

As a regulator, we need to maintain our own effectiveness to ensure our actions support highly functioning, respected capital markets that attract investment and contribute to a more productive New Zealand economy. As a relatively new regulator, we are defining our regulatory approach in detail, so our overall approach and the way we put that approach into practice is well understood. Further, we are ensuring we co-ordinate with our regulatory peers in New Zealand (including the Reserve Bank and the Commerce Commission, as well as the Ministry of Business, Innovation and Employment), to maximise the value of government spending, and to ensure regulated firms are not subject to unnecessary compliance costs or regulatory duplication. We also co-ordinate with the relevant regulators in Australia, given the close two-way trans-Tasman business relationship, especially in financial services and capital markets.

¹Supervisors are required for managed investment schemes (MIS), which includes KiwiSaver schemes, unit trusts, and non-restricted superannuation schemes. They are also required for retirement villages, and debt issuers.

HOW WE WILL MEASURE OUR SUCCESS



Aim: Boards and directors lead their organisation's strategy, culture and values

Why this is a priority for 2015-19

Through our monitoring of organisations and market engagement, we aim to encourage high-quality corporate governance in New Zealand. We expect boards and directors to lead their organisation's strategy, culture and values and to act in a way that serves the interests of shareholders and customers.

How we will measure our success

1. Measure: Market participants adequately demonstrate how they meet the recommendations outlined in the FMA's *Corporate Governance: Principles and Guidelines in NZ*.

Explanation: These principles and guidelines are expected to contribute to higher standards of corporate governance in New Zealand. We will monitor financial service providers and listed issuers and report on how many of those reviewed have adopted the guidelines and adequately demonstrated how they meet them.

2. Measure: Boards of licensed market participants receive information on customer outcomes.

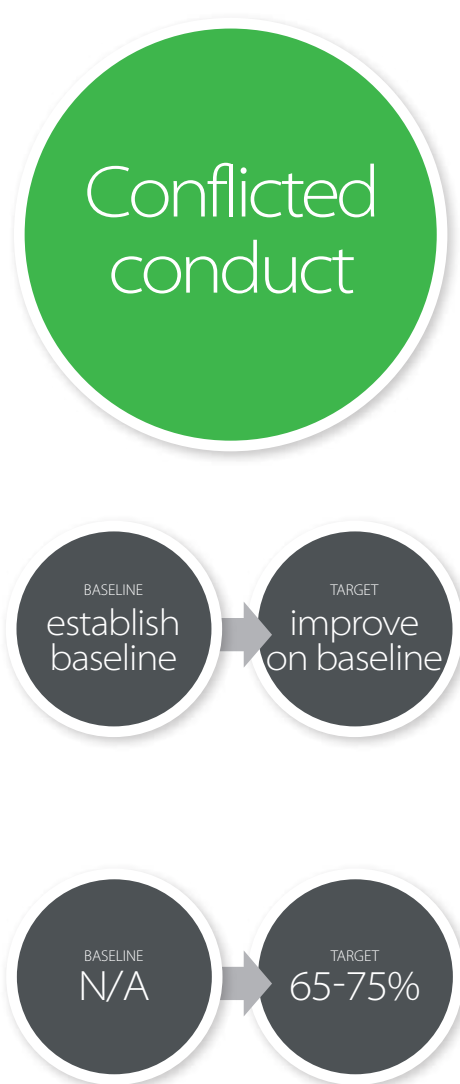
Explanation: We expect boards with high standards of corporate governance to regularly receive and review a range of management information to ensure that customers are being treated fairly. Through our monitoring of organisations, we will report on the proportion of boards reviewed that regularly receive information on customer outcomes such as complaints data, remuneration structures, criteria for promotion and rewards, and sales and performance data.

3. Measure: Licensed market participants have risk and compliance frameworks in place that are relevant to their business activities.

Explanation: We expect licensed market participants to have in place risk and compliance frameworks that support effective governance. These processes should ensure the timely flow of critical information and enable effective board decisions. We will report on the proportion of participants reviewed that have frameworks in place that are relevant to their business activities.

4. Measure: Institutional investors have confidence in the standard of corporate governance in New Zealand.

Explanation: Large shareholders, in particular, can play an important part in encouraging good governance within NZ organisations. We will survey institutional investors to understand whether they are confident in the standard of corporate governance in New Zealand.



Aim: Market participants effectively manage conflicts of interest.

Why this is a priority for 2015-19

For businesses and investors to continue to participate in our financial markets, they need to have confidence in the standard of market conduct. Through our monitoring of organisations, we aim to improve this conduct. We expect market participants to ensure they have in place conflict management policies and other appropriate safeguards to prevent conflicted conduct.

How we will measure our success

5. Measure: Conflict management procedures address conflicts relevant to a licensed market participant's business.

Explanation: We expect that market participants with effective conflict management processes in place, relevant to their particular business model, will be in a better position to prevent conflicted conduct. We will report on the proportion of conflict management procedures reviewed by us that are relevant to the market participant's business. We will particularly focus on conflict management procedures relating to remuneration structures, criteria for promotion and rewards, and fee structures.

6. Measure: Stakeholders believe that FMA actions help raise standards of market conduct.

Explanation: We will survey stakeholders to understand whether they believe FMA actions have helped to raise standards of conduct in New Zealand's financial markets.



Aim: Regulatory activities encourage capital market growth and support market integrity

Why this is a priority for 2015-19

The FMA continues to use new avenues to promote the development and growth of our capital markets. We will also focus on maintaining business and investor confidence in the markets and in our regulatory settings.

How we will measure our success

7. Measure: Stakeholders agree that FMA enforcement action targets the right issues.

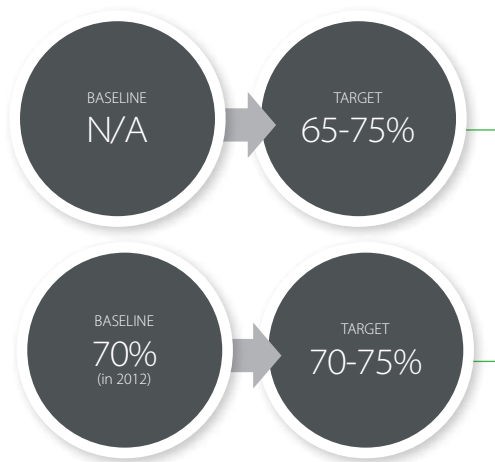
Explanation: Businesses and investors will continue to participate in our financial markets if they have confidence in the regulator, and its priorities and enforcement actions. We will survey stakeholders to understand whether they believe the FMA targets the right issues.

8. Measure: Businesses use new lower-cost opportunities to raise capital in New Zealand.

Explanation: New Zealand's regulatory regime allows firms to take advantage of new low-cost opportunities to raise capital. FMA regulatory action supports the use of these new opportunities to support market growth while maintaining market integrity. We will report on use of new capital-raising opportunities, taking into account a range of factors including the number of firms successfully raising finance from new outlets, the amount of finance raised, and the number of same-class debt or equity offers.

9. Measure: The FMA uses tools to alleviate regulatory burden.

Explanation: The FMA can use tools to alleviate regulatory burden and support capital market growth in appropriate circumstances. We will report on our use of tools to alleviate unnecessary regulatory burden where an FMA regulatory impact statement demonstrates that the costs of compliance outweigh the benefits.



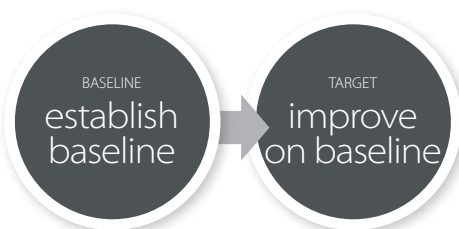
10. Measure: Stakeholders agree that the level of regulatory burden is proportionate, in relation to FMA's strategic priorities.

Explanation: The FMA's strategic priorities identify areas where we think we can most effectively minimise conduct risks, improve behaviour within our markets, benefit participants and investors, and help strengthen New Zealand's economy. This measure aims to assess whether the regulatory burden imposed by our strategic priorities is proportionate.

11. Measure: Stakeholders agree that FMA actions support market integrity.

Explanation: We will survey stakeholders to understand whether they believe FMA actions support market integrity.

Indicators: The following indicators are useful in establishing the extent of growth or activity in New Zealand's capital markets. While positive movement in this data is not directly attributable to FMA activity, we expect that our regulatory actions and settings can contribute to them and to overall growth and development of the capital markets of New Zealand: equity value traded in IPOs; equity value traded on licensed secondary markets; market liquidity; debt market activity; cost of capital for IPOs; bond market activity; amount of managed fund investment against net household financial assets.



Aim: Sales processes and advisory services reflect the best interests of investors and consumers.

Why this is a priority for 2015-19

Through our monitoring of organisations, we aim to lift the quality of financial advice and sales processes. We expect businesses and professionals to treat their customers fairly, with their sales processes and advisory services reflecting the best interests of investors and consumers.

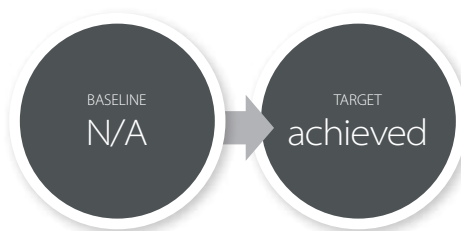
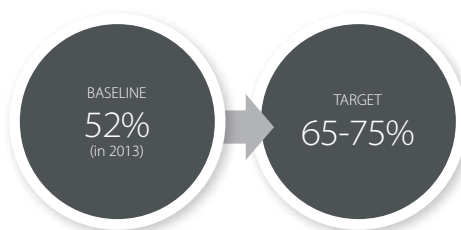
How we will measure our success

12. Measure: Market participants take action to improve their sales and advice processes, where shortcomings are identified.

Explanation: Through our monitoring of organisations, we will review the sales and advice processes of financial market participants, starting with KiwiSaver sales, to ensure they reflect the best interests of investors and consumers and therefore encourage confidence in the integrity of those services. We will report on the percentage of market participants reviewed by the FMA who were requested to take corrective action to improve their sales and advice processes, and the percentage of those participants who took corrective action as requested by the FMA. Market participants who focus on improving sales and advice processes are more likely to ensure better outcomes for their customers.

13. Measure: FMA monitoring of sales and advice processes is informed by the intelligence derived from complaints.

Explanation: Complaints and misconduct reports are a useful source of intelligence for conduct regulators, as they can help identify potential issues and unacceptable conduct. The FMA will use the intelligence derived from complaints to direct our monitoring and regulatory policy priorities towards specific issues that might improve the quality of sales and advice processes and outcomes for investors and consumers.



Aim: Investors have access to resources that help them make informed financial decisions

Why this is a priority for 2015-19

Confident and informed investors are crucial to highly functioning financial markets. We aim to contribute to higher levels of investor capability by ensuring investors have access to resources that help them make informed financial decisions. We expect market participants to consider the needs of investors and provide clear, concise and effective disclosure, and comparable and reliable product information.

How we will measure our success

14. Measure: Investors believe that financial product offer information given to them helped them to make an informed decision.

Explanation: Over time, we expect to see an increase in the proportion of investors who find that offer information helps them to understand the financial product and make an informed decision. We will survey investors to understand whether financial product information has helped them.

15. Measure: The FMA works with government agencies and market participants to promote information and materials intended to improve investor capability.

Explanation: We are one of several agencies working to improve investor capability in NZ. It is therefore important that we work closely with other agencies, including the Commission for Financial Capability, to promote information and materials aimed at improving investor capability. Where possible, we will also work with market participants on similar initiatives.

16. Measure: FMA thematic reports on initial, periodic and ongoing disclosures lead to improvements in the areas identified.

Explanation: We undertake regular thematic regulatory reviews of initial, periodic and ongoing disclosures. We will report on our findings and will follow up to check that improvements are made.

Indicators: We will pay close attention to the findings of the CFFC Financial Behaviour Index and the CFFC-ANZ Financial Knowledge and Behaviour Survey as part of our work on this priority.

Effective frontline regulators

BASELINE
N/A

TARGET
achieved

BASELINE
achieved

TARGET
achieved

BASELINE
N/A

TARGET
60-70%

Aim: Frontline regulators are effective in their role.

Why this is a priority for 2015-19

Frontline regulators – including securities trustees and statutory supervisors, accredited bodies and licensed market operators – play a crucial role in NZ's financial markets, by overseeing the conduct of certain market participants. Through our monitoring of, and engagement with, frontline regulators, we aim to improve the quality of frontline supervision. We expect frontline regulators to have strong processes in place to oversee conduct.

How we will measure our success

17. Measure: Frontline regulators take action to address issues raised by the FMA relevant to those they supervise.

Explanation: We work closely with frontline regulators to ensure they have effective supervisory arrangements in place, and to ensure their supervisory efforts are focused on issues that need addressing within supervised populations.

18. Measure: Licensed market operators have adequate arrangements in place to comply with their statutory obligations.

Explanation: A licensed market operator must, to the extent practicable, ensure that each of its markets is a fair, orderly and transparent market, and have adequate arrangements for operating its markets. NZX Limited is currently NZ's only licensed market operator. Through the *NZX General Obligations Review*, we will each year test the adequacy of the arrangements NZX has in place to comply with its statutory obligations.

19. Measure: Stakeholders agree that frontline regulators are effective in their role.

Explanation: We will survey stakeholders, including those who are supervised, about their understanding of the role of frontline regulators and their effectiveness.



Aim: The FMA is an effective and efficient conduct regulator.

Why this is a priority for 2015-19

We need to maintain our own effectiveness to ensure our actions support highly functioning, respected capital markets that attract investment and contribute to a more productive New Zealand economy.

How we will measure our success

20. Measure: Stakeholders believe the FMA does a good job in regulating NZ's financial markets.

Explanation: Businesses and investors will continue to participate in our financial markets if they believe the regulator is doing a good job. We will survey stakeholders to understand whether they believe we are doing a good job in regulating NZ's financial markets.

21. Measure: The FMA delivers its outputs within budget.

Explanation: The Government expects us to deliver quality regulation within budget, and this is an important gauge of our effectiveness.

22. Measure: Stakeholders agree it is easy to do business with us.

Explanation: We interact with market participants and investors in many ways, including through licensing, monitoring, the collection of regulatory data, and the handling of public enquiries and complaints. We want stakeholders to find these interactions easy and cost-effective. This means having clear, simple and user-friendly technology systems and communications. We will survey stakeholders to understand whether they find it easy to do business with us.

23. Measure: The FMA works with other government agencies to reduce regulatory overlap and increase efficiencies.

Explanation: We are one of several financial market regulators in NZ. It is important that we work with other government agencies to reduce regulatory burden and overlap where possible, while also ensuring effective regulation.

24. Measure: FMA participation in all-of-government contracts and initiatives achieves efficiency gains.

Explanation: Where possible, we seek to minimise costs and increase efficiencies by participating in all-of-government contracts and initiatives.

HOW WE WILL MANAGE ORGANISATIONAL HEALTH

The FMA's own effectiveness and efficiency is one of our seven strategic priorities. As a relatively new regulator, we are establishing and improving internal systems and processes, and working to ensure that we have the skills and experience we need among our people.

We continue to focus attention on the following factors to further support the FMA's effectiveness and efficiency. They are:

1. Ensuring we continue to recruit and retain people with highly developed skills in regulation, including in areas such as supervision, licensing, enforcement, and market operations.

In many of these areas, the FMA competes with regulated businesses, such as banks and fund managers, for people with these skills and experience.

2. Building our information and communications technology (ICT) capability, so that it supports the FMA's regulatory needs and makes it easy for stakeholders to do business with us.

That includes the ability to collect intelligence and information that supports regulation, and to collect and retain data and provide access to it, for the purposes of regulation. Over the medium term, we will focus on improving our ICT to support FMA effectiveness and efficiency. This will allow us to apply information, and tactical and strategic intelligence, to our work so we better understand those we regulate, and analyse change and respond to those we regulate, as well as market conduct. Improved ICT will also help lower transaction costs for businesses that deal with us, notably in licensing and supervision.

3. Maintaining engagement with the businesses and people we regulate, the investors whose interests we regulate for, and the government agencies we work alongside.

Many of the businesses and professionals that are regulated by the FMA were previously regulated in a different way, or were largely unregulated. We will continue to engage with existing and new regulated populations to better tailor our regulatory actions and help market participants to understand our expectations of them. As identified in our strategic priorities, we will increase our emphasis on engagement with investors and with our co-regulators and relevant government agencies.

Recruiting and retaining staff

Staff numbers stand at approximately 170 full-time equivalents (FTE) in mid-2015. That number has risen slowly over the last two years, as the demands of implementing the FMC Act have become apparent.

More important than numbers is the skills that the FMA must retain among its people. These are skills geared towards our role as a regulator, and include people with advanced qualifications in finance, accounting, law, business, and public policy.

To date, the FMA has benefitted from the strong net inflow of skilled professionals, including New Zealanders returning from the United Kingdom and Australia. That has contributed to keeping down salary costs and providing high-quality candidates.

Over the immediate future, the FMA is likely to be able to recruit as it requires. But one of the challenges we may face is an improving global market for the type of people we want to hire. The possibility of pressure on salary costs, if the balance of supply in the labour market shifts, will have an impact on our ability to recruit and retain people with the right skills and experience.

Ensuring we are a good employer

Over the next year, we intend to conduct a thorough review of our policies and strategies as an employer to ensure we are doing all we can to retain our best staff. We will particularly focus on embedding our values and championing career development. We intend to implement a new plan covering areas such as recruitment, selection and development. We will continue our leadership development programme, and review our existing policies on the extra value that we offer employees.

Our medium-term strategy is to continue and extend this work. To help ensure we are meeting the seven key elements for being a good employer, as defined by the Human Rights Commission, we will use the data we have begun collecting on diversity and demographics to review our policies. Our membership of the EEO Trust will also help us focus on this.

Building ICT capability

At 30 June 2014, the FMA had \$1.4 million of capital commitments in ICT. We anticipate continuing our effort in building ICT capability over the medium term. This is a major undertaking. But we anticipate the pay-offs in productivity and the quality of regulation will be considerable. Over the long-run, the investment will also reduce transaction costs, for firms and other regulators, in doing business with the FMA.

Maintaining engagement with those we regulate, investors and other Government agencies

In the past two years, the FMA has managed an intense programme of engagement as we transitioned to the FMC Act. This has included a programme of seminars for businesses, publishing extensive guidance on new or revised aspects of regulation, and improving the quality of our public reporting.

The FMA is committed to continuing to support businesses and professionals in meeting their regulatory obligations, and to continuing to engage with financial markets participants to improve the delivery of our

regulatory services. In the short to medium term, this engagement will be vital for those participants who are still becoming familiar with the FMA's regulatory approach, and in areas subject to further regulatory development. For instance, the review of the Financial Advisers Act 2008 may lead to statutory change for this regulated group.

The FMA's statutory mandate also includes providing information and resources to support investors making decisions about investment products or services.

We are planning a targeted approach, geared around identified products and services or demographic groups, and where information is likely to produce recognisable improvements in investor capability.

We will also increase our co-ordination with other Government agencies that already provide or have an interest in financial capability, to ensure the overall approach is efficient and effective. We will consider forming partnerships with market participants on targeted initiatives and to improve the information they provide to their customers.

There are several government agencies who play important roles in the financial markets, and whose work contributes to the outcomes that we aim to achieve. It is vital for the success of our financial markets legislation that all the regulatory agencies, as well as private sector co-regulators, have high levels of communication and co-operation, both to avoid gaps in coverage and to reduce duplication of effort and cost for those we regulate. The FMA has established memorandums of understanding with several regulatory agencies and has established co-ordination groups such as the Council of Financial Regulators. We intend to maintain our focus on using these tools to improve regulatory co-ordination.

GLOSSARY

CFFC	Commission for Financial Capability	An autonomous Crown entity which aims to build financial capability to equip the retirees of today and tomorrow.
EEO Trust	Equal Employment Opportunities Trust	A not-for-profit organisation tasked with providing equal employment opportunities information and tools to employers and raising awareness of diversity issues in New Zealand workplaces.
Financial markets participant	Industry term	A person who is, or is required to be, registered, licensed, appointed or authorised under any financial markets legislation.
FMA	Financial Markets Authority	New Zealand's Government agency tasked with upholding high standards of conduct within New Zealand's financial markets.
FMC Act	Financial Markets Conduct Act 2013	The Financial Markets Conduct Act 2013 aims to promote and facilitate the development of fair, efficient, and transparent financial markets and to support the confident and informed participation of businesses, investors and consumers in the financial markets.
Frontline regulator	Industry term	A financial markets participant who has statutory obligations to ensure regulatory and professional standards of practice are met by other market participants.
IMF	International Monetary Fund	The International Monetary Fund is an organisation of 188 countries, working to foster global monetary co-operation, secure financial stability, encourage international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.
IOSCO	International Organisation of Securities Commissions	The international body that brings together the world's securities regulators and is recognised as the global standard-setter for the securities sector.
IPO	Initial Public Offering	A type of public offering where shares of stock in a company are sold to the general public, on a securities exchange, for the first time.
NZX	New Zealand Exchange	Information, markets and infrastructure company that operates securities, derivatives and wholesale energy markets in New Zealand.
RFA	Registered Financial Advisers	Registered advisers can provide advice on category 2 investments such as bank deposits and insurance products, provided there is no investment component.

