

MARCH 2025

# Outcomes-focused regulation

# Introduction from the Chair and Chief Executive

The Financial Markets Authority – Te Mana Tātai Hokohoko (FMA) must make choices about where to focus our limited resources to best fulfil our statutory objective to promote and facilitate the development of fair, efficient, and transparent financial markets. We need to focus on what will have the greatest impact for New Zealand businesses, consumers and investors. This is an outcomes-focused approach.

This document sets out the approach we are going to take to our work as the conduct regulator for New Zealand’s financial services. Aspects of this are not new, but some elements are and our approach will evolve over the next three to four years, aligned with our [2024-2028 Statement of Intent](#).

In our public consultation last year, we sought to test what fair outcomes are for consumers and markets. In this document we have reframed the outcomes in response to the feedback we received, to clarify them and to better show how they link to the FMA’s main statutory objective and the purposes of our legislation.

Our goal is to approach our work from the perspective of New Zealand consumers and businesses and use all of our efforts to improve outcomes for both. This approach brings three key advantages:

- Our efforts will be applied to understanding and addressing the most significant risks and supporting the most significant opportunities for New Zealand businesses, investors, and consumers.
- It will reduce unnecessary regulatory burden on industry and ensure our regulatory efforts are well-targeted and proportionate.
- It will give financial service providers greater flexibility to determine how best to meet regulatory obligations.

This approach requires us to develop a deeper understanding of the sectors and business models of the firms we regulate, and we will need to build and maintain the capability to do this. We have already seen the benefits of this approach over the past 12 months in the following areas:

- Our [Financial Advice Provider Monitoring Insights Report](#), where we shared examples of how good practices are not always about following the letter of the law, but about shifting the dial on how regulation positively impacts the value of advice and the level of consumer trust and confidence to seek financial advice.
- Our [Liquidity risk management guidance](#), designed to support equitable treatment of fund investors, and orderly and stable markets, was deliberately principles-based and capable of application to all funds.
- The launch of a pilot “[regulatory sandbox](#)”<sup>1</sup> to allow businesses to test innovative financial products, services or business models. This will give us the chance to gain greater insights into the benefits and risks of financial innovation and new technologies.
- Our fair dealing enforcement cases against firms that have not delivered on promises about products and services.

We look forward to engaging more on this and welcome ongoing feedback as our approach evolves.



**Craig Stobo**  
FMA Chair



**Samantha Barrass**  
FMA Chief Executive

<sup>1</sup> A regulatory sandbox allows firms to test innovative products, services or business models in a controlled environment.



# An outcomes-focused approach

An outcomes-focused approach means we focus on the end results that regulation is aiming to achieve for consumers and financial markets.

The FMA's main statutory objective is to promote and facilitate the development of fair, efficient, and transparent financial markets. The main purpose of our financial markets legislation is to achieve this, and to promote the confident and informed participation in financial markets by New Zealand businesses, investors, and consumers.

The key outcomes we are seeking to support are aligned with our main statutory objective and the purposes of the legislation under which we regulate. These outcomes are:

## Fair services

Financial products and services deliver what is promised, expected benefits reflect risk, and providers do not improperly take advantage of information or power asymmetries.

## Quality ongoing service

Where financial products and services create an ongoing relationship with a provider, the interests of the investor or consumer are considered throughout the relationship, e.g. in complaints handling, claims assessment, management of investment funds.

## Improved access to products and services

Our financial markets deliver services and products that meet New Zealanders' needs. This promotes confident participation in financial markets.

## Resilient markets and providers

Businesses, investors and consumers have confidence in the resilience of infrastructure, markets and providers to safeguard their assets, money and data.

## Market innovation and growth

Innovation and flexibility are promoted while market integrity and investor and consumer interests are preserved, and market efficiency and investor and consumer choice are improved.

## Well-informed investors and consumers

Investors and consumers receive accurate, timely and useful information that enables them to make well-informed decisions, helps improve their financial capability, and empowers them to take responsibility for their financial decisions.

## Market integrity and transparency

New Zealand's financial markets have a strong reputation for market integrity and honesty, which promotes their ongoing development and attracts investment from New Zealand and overseas. Financial crime such as market manipulation, insider trading, and frauds and scams are not tolerated.

# Outcomes-focused regulation in practice

Our focus on better outcomes began with the publication of our **2017 guide to the FMA's view of conduct**. Our intention, over the term of our 2024-28 Statement of Intent, is to integrate this across our regulatory functions, including policy and guidance, strategy development, and data analysis, research and risk assessments.

Industry participants will experience this evolving approach in their engagement with our licensing, supervision, exemptions, and response and enforcement functions.

## Financial Conduct Report

To implement an outcomes-focused approach we need better dialogue with our stakeholders about the most important risks to the outcomes we seek for New Zealanders and our markets. Part of this is ensuring we are transparent about the risks we see and our priorities for addressing these.

To help achieve this, we will publish an annual Financial Conduct Report that will:

- set out our regulatory priorities for the year ahead
- inform market participants about the key risks to outcomes that we have identified, at both a market-wide and sector level
- explain how these risks have informed our regulatory priorities for the year
- provide insights for our stakeholders from our supervisory and response work – highlighting practices that support better outcomes as well as areas where attention is needed.

We will also continue to publish research and other reports to provide insights on key market developments and issues, to explore how these might impact – positively or negatively – the outcomes we seek.

We want these publications to stimulate discussions with and among industry and stakeholders that help them and the FMA to further identify and respond to emerging risks. We want to engage more with industry, dispute resolution schemes, and consumer groups to enhance our understanding of risks. We encourage industry to raise risks and issues with us to support better outcomes.

## Supervisory approach

We will be rolling out a new supervisory approach from 2025. Key features of this include:

- Aligning our supervisory approach with the regulatory priorities as outlined in the Financial Conduct Report and with our assessment of sector and firm risks, using the data we gather from firms, e.g. regulatory returns, and intelligence from supervisory and response work.
- More forward-looking supervision, to improve our knowledge of firms and their business models, and understand and influence how firms manage risks to the outcomes we have identified.
- Supervisory processes that will involve the following:
  - » The nature, frequency and intensity of supervisory interactions will be guided by the impact firms have on the market. Entities that have activities across different sectors will be supervised on a group basis.
  - » For larger firms, more of our supervisory interactions will be with boards and senior management.
  - » Continued use of on-site, in-person, and desk-based supervision, as well as thematic reviews to provide deeper insights into specific issues or sectors.
- Ongoing engagement with firms and industry groups to support good practice and reduce the risk of poor outcomes, including:

- » Feedback focused on issues that are important for better outcomes, not on minor, non-systemic compliance issues.
- » Publishing guidance to support compliance and clarify legal obligations.
- » More use of informal tools to support and influence firms' conduct, such as industry roundtables, roadshows and webinars, meetings with boards and senior management, and "Dear CEO" letters where we are concerned about emerging or growing risks.
- » Publication of detailed sector insights reports to share the findings of our supervisory work.

Our intention is to understand and influence how firms manage the main risks to consumer and market outcomes, through their governance, product design, distribution models, resourcing, complaints-handling, and systems, controls and processes. We want firms to have the flexibility to determine how best to meet regulatory obligations in the context of their own business.

It will continue to be an important part of our supervisory work to assess compliance failures that have contributed to poor outcomes, to oversee remediation where required, and to take action, formal or informal, to address or mitigate these. We will also engage with firms on other conduct that detracts from good outcomes, including where we think firms may be taking an overly conservative view of legal obligations.

## Response and enforcement

We have a broad range of tools available to respond to harm, from informal feedback, to use of administrative tools such as warnings and stop orders, to civil and criminal proceedings and removal of market access. We will use these to ensure our responses are timely and proportionate to the harm, or potential harm, that is posed to consumer and market outcomes. We will aim to collect information we need from firms as efficiently as possible. Where we take formal action, we will clearly explain our rationale.

We will prioritise action against conduct we believe is likely to produce poor outcomes, for consumers or for market integrity.

A particular area of focus for us is the regulatory “perimeter” – i.e. products and services that are not subject to licensing and formal supervision. This includes wholesale products and services, custody, funds administration and crypto-asset services. These areas account for many of the complaints we receive.

We will look at perimeter conduct through the same lens we apply to our supervised entities, seeking to understand where conduct may pose risks to consumer and market outcomes. We will use informal tools to influence perimeter conduct where this is feasible. We will also take action under our fair dealing powers where we see misleading or deceptive conduct. We will continue to raise issues for potential law reform or consider use of our designation (call-in) powers where conduct poses significant risks to consumer or market outcomes.

## Market access

We will use licensing to gain an initial understanding of firms and their business models. Where appropriate, we will add conditions to licences (for example, by limiting the products or services that can be provided) for firms that would otherwise not be able to access the market.

Exemptions also facilitate market access by allowing us to tailor legal obligations so that these are fit for purpose and cost-effective. Conditions on exemptions provide alternative means for firms to support the outcomes that regulation seeks.

Our “regulatory sandbox” pilot will facilitate market development and innovation. It will allow firms to test new products and services in a controlled environment and to bring products to market more quickly than would otherwise be the case, while minimising risks of poor outcomes. Innovation brings opportunities for consumers in terms of access to and experience of financial services and products. This may include new technologies and new business models designed for groups who have lower participation in our markets.

## Assessing our progress

Focusing on the end results that regulation is aiming to achieve for consumers and markets will allow us to better evaluate the efficiency and impact of our efforts, and to better assess the costs and benefits of regulation of financial services, products, and markets.

We welcome constructive feedback on our evolving outcomes-focused approach. Providing transparency on our regulatory priorities, the risks that we are concerned about, and our view of how conduct is supporting better outcomes will provide a basis for continued dialogue with firms and other stakeholders. This will mean we can better identify and respond to risks, and together support New Zealanders to get better outcomes from our financial markets.