



## Office of Hon Craig Foss

**MP for Tukituki**

Minister of Commerce  
Minister of Consumer Affairs

Minister of Broadcasting  
Associate Minister for ACC

18 FEB 2013

Simon Allen  
Chairperson  
Financial Markets Authority  
PO Box 1179  
Wellington 6140

Dear Mr Allen

### **ANNUAL LETTER OF EXPECTATIONS**

As Minister of Commerce I am the Minister responsible for oversight of the Financial Markets Authority (FMA). I am writing to convey my expectations for the next financial year and the following two years. As you develop FMA's Statement of Intent (Sol) for the 2013-16 medium term strategic cycle, I would ask that you take into account my expectations.

My expectations complement the enduring letter of expectations from the Minister of Finance and the Minister of State Services which was sent to you on 31 July 2012.

The Government has four priorities: responsibly manage the Government's finances; build a more competitive and productive economy; deliver better public services to New Zealanders, within the tight budget the Government is operating under; and rebuild Christchurch, our second-biggest city. The Government expects FMA, as the regulator of New Zealand's financial markets, to contribute to these priorities.

I expect your Sol to provide a framework on FMA's strategic direction for the next three years. The content of the Sol should comply with the list of requirements as set out in section 141 of the Crown Entities Act 2004. Please ensure that the scope of outcomes or objectives reflects Cabinet or my decisions, and that any changes to the scope or scale of the outcomes or objectives are appropriately mandated. I expect the final Sol will be ready for presentation to the House of Representatives on the day after Budget day.

I appreciate FMA's continuing level of performance in the delivery of its work programme and its contributions to the national priorities. The following sets out my general expectations for the coming year and two years beyond that.

## Portfolio Expectations

The Financial Markets Conduct Bill is the next major change for New Zealand's financial markets regulatory regime. I expect FMA to continue to work closely with officials on the Bill and associated regulations, ensure that appropriate systems and processes are in place when the legislation comes into force, and work with market participants to raise awareness and prepare for implementation.

I expect FMA to continue to strengthen its brand as an effective regulator. This will require FMA to continue to actively engage with stakeholders, raise awareness of participants' obligations and ensure visible and appropriate enforcement action.

Improving investor literacy will help to rebuild confidence in New Zealand's financial markets. In the next financial year I expect investors to see that FMA has made clear progress on improving investor education. While FMA's responsibility is separate from and more focused than the Retirement Commissioner's financial literacy role, I expect both Crown entities to work closely to enhance the effectiveness of government initiatives where possible. The upcoming appointment of a new Retirement Commissioner provides an ideal opportunity to strengthen the relationships between FMA and the Commission for Financial Literacy and Retirement Income.

I also expect FMA to enhance its working relationships with other government agencies, including the Serious Fraud Office and Registrar of Companies for enforcement.

## General Expectations

### Fiscal Prudence

In line with the current fiscal context, I expect FMA to operate within its budget and to be financially sustainable. I expect the Board to ensure that FMA is always in compliance with the Public Finance Act 1989.

### Better Public Service for New Zealanders

I recognise that FMA may not be in a position to directly contribute to all of the Government's priorities described above. However, I encourage the Board to be proactive in identifying areas where it's operations can make a contribution.

In March 2012 the Prime Minister launched the Better Public Services programme which sets out 10 results for the public sector to achieve over the next five years. Two of these results set out how government agencies can improve interaction between the public and government:

- Result 9: New Zealand Businesses will have a one-stop online shop for all government advice and support they need to run and grow their businesses; and
- Result 10: New Zealanders can complete their transactions with the Government easily in a digital environment.



The Ministry of Business Innovation and Employment is the lead agency for achieving Result 9.

The Better Public Services programme is about finding new and better ways of working for individuals and businesses. I expect the Board to focus on the things that matter to New Zealanders, including providing a high quality, cost effective and customer focused frontline service. The services should be modern, responsive, business like, and provide good value for money.

As part of the Better Public Services programme, the target by 2017 is to cut the cost of dealing with government by 25 per cent by reducing the effort required to work with an agency. I expect the Board to consider its longer term planning and, if it is applicable, how it can contribute to this initiative.

#### Real Job Growth

I would like to see FMA, to the extent that it is relevant, be mindful as it develops its work programme on the need for real job creation/growth.

#### Relationship Management

I appreciate the collaborative and collegial relationship that exists between you and my monitoring department. As part of a constructive working relationship I expect FMA and my officials to meet on a regular basis.

To ensure that the Board works at its full potential I expect FMA to provide my officials an assessment of the Board's performance and its membership succession plan over the next five years.

#### "No Surprises" Policy

As your responsible Minister, I expect you to maintain the established "no surprises" policy and to inform me well in advance of any material or significant events, transactions and other issues that could be considered contentious or attract wide public interest, whether positive or negative.

I would like to take this opportunity to thank you and the other members for your continuing service and I look forward to working with you in the year ahead.

Yours sincerely



Hon Craig Foss  
**Minister of Commerce**