



## Office of Hon Paul Goldsmith

Minister of Commerce and Consumer Affairs  
Associate Minister for ACC



Mr Murray Jack  
Chair  
Financial Markets Authority  
PO Box 1179  
Wellington 6140

Dear Murray

### **ANNUAL LETTER OF EXPECTATIONS 2015/16**

As Minister of Commerce and Consumer Affairs, 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. 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 entity chairs.

#### **Contributing to government priorities**

The Government's priorities 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 the FMA will continue to consider ways to contribute to these priorities.

The Business Growth Agenda (BGA) is the vehicle the Government is using to build a more productive and competitive economy. The BGA is focused on lifting business confidence by addressing the issues that matter most to firms. The BGA Future Direction 2014 report (<http://www.mbie.govt.nz/what-we-do/business-growth-agenda/business-growth-agenda-future-direction-2014>) released in June 2014 outlined progress made across the BGA and set out the future approach. The report focuses on the six key inputs businesses need to succeed and grow: export markets, capital markets, innovation, skilled and safe workplaces, natural resources and infrastructure.

The Government is focused on continuing the momentum and addressing the issues that matter most to firms, with further initiatives to be added over this term of Parliament. I note the FMA's contributions to the BGA are included in the following expectations.

### **Implementing entity-specific agreed strategy and priorities**

In addition to the FMA delivering on current regulatory objectives:

- increasing levels of compliance of market participants and frontline regulators
- investors having access to resources to help them make better-informed decisions
- the FMA's regulatory and enforcement actions supporting market activity

my expectations for the Financial Markets Authority are to continue:

- focusing on successfully implementing the Financial Markets Conduct Act, including:
  - providing clear communication to market participants about the FMA's expectations
  - coordinating with the Ministry of Business, Innovation and Employment (MBIE) over the transition period to address any implementation issues
  - continuing to refine the FMA's internal structure as the need arises
- actively identifying areas of priorities and developing strategies for the FMA to have a strong profile as an effective regulator in those areas
- coordinating with MBIE and the Commission for Financial Literacy and Retirement Income to build financial capabilities of New Zealanders
- building sustainability for the FMA's future, including its human and financial resources
- promoting certainty and reducing costs to business and consumers.

### **General expectations for all entities**

In addition to the specific expectations above, I have the following general expectations for all entities within the Commerce and Consumer Affairs portfolio:

#### *Contribute to quality regulation*

I expect all entities to contribute to the effective and efficient implementation of regulation. For the FMA, this means implementing and enforcing regulation in a way which is:

- predictable and transparent
- timely (processes and communication to regulated entities)
- rational (enforcement is prioritised to the areas of greatest risk, with a clear process for gauging risk).

### *Focus on achieving results*

I expect you to focus on achieving results for New Zealanders, now and in the future. Entities should be able to demonstrate what difference they are making for customers and the wider community, and shift resources as needed to improve delivery. Results matter, not processes or unquestioned continuation of existing programmes.

Services need to be 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 the FMA and other agencies to consider how they engage with business and the public and deliver faster and better integrated services.

### *Working collaboratively to achieve results*

No entity can expect to make a difference working alone.

I expect the FMA to work with other agencies where this is needed to deliver results, and this expectation has been reinforced in recent legislative changes. Entities should be clear how they are working with other agencies, owning the sector results, and putting the client, not agency boundaries, first in service design.

### *Performance improvement*

I expect you to be constantly looking for ways to improve how business is done and deliver value for taxpayers' investment in the entity. Entities should use the Performance Improvement Framework formal or self-review methodology, or some other performance or continuous improvement process.

I expect the FMA to make all endeavours to understand the direct and indirect costs of its actions on businesses and the wider economy. This knowledge should be shared with MBIE officials to ensure that it is incorporated into the understanding of costs and benefits of current and future regulatory interventions.

The Board should 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*

Recent reviews have identified the opportunity for earlier engagement on the direction of the entity and for more collaborative and integrated development of strategy with partner agencies. The aim is to have a clear intervention logic showing why the organisation exists and how it is contributing to results for New Zealand.

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 the FMA. There is an option for the SOI to endure for up to three years. You should discuss with Ministry of Business, Innovation and Employment officials if you are considering this option for the 2015/16 SOI.

I expect the board to take responsibility for the setting and achievement of key performance indicators, for the monitoring of entity performance, and for high quality performance and risk



reporting. 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.

Openness and transparency apply wherever appropriate, including publishing non-sensitive performance information on websites.

*It takes three to make the Crown entity system work*

The Crown entity system relies on Ministers, entities and monitoring departments working well together to effectively deliver the services that New Zealanders deserve. I recently wrote to you outlining my expectations on making the system work.

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 MBIE officials and other regulators.

I expect the FMA to continue the constructive working relationship with MBIE officials through regular meetings and discussions.

Finally, I thank the FMA Board for your efforts over 2014/15 and I look forward to working with you in the coming year.

Yours sincerely



Hon Paul Goldsmith  
**Minister of Commerce and Consumer Affairs**

Copy to:

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