



## MP for Mana

Minister of Broadcasting, Communications  
and Digital Media

Minister for Government Digital Services

Minister of Commerce and Consumer Affairs

Associate Minister of Housing (Public Housing)

**03 MAR 2020**

Mark Todd  
Chair  
Financial Markets Authority  
PO Box 1179  
Wellington 6140  
Email: [Mark.Todd@fma.govt.nz](mailto:Mark.Todd@fma.govt.nz)

Dear Mark,

### **Annual Letter of Expectations for 2020/21**

I am writing to convey my portfolio priorities and your role in achieving these priorities, along with my strategic and performance expectations for the Financial Markets Authority (FMA) in relation to the 2020/21 financial year.

The goal of this Government's economic strategy is to improve the well-being and living standards of New Zealanders through sustainable and inclusive growth. This means moving beyond narrow economic indicators and measures of success, and instead puts the well-being of our people and the environment at the centre.

### **Commerce and Consumer Affairs priorities and what this means for the FMA**

My priorities for this year in the financial sector are as follows:

- implementing the new financial advice regime to improve access to high quality financial advice for New Zealanders and establish a level playing field of regulation for all who provide financial advice
- progressing legislation to regulate the conduct of the banking and insurance sectors to protect consumers and enable better financial decision-making
- progressing reforms to New Zealand's insurance contract law to make insurance contracts easier to understand and fairer for consumers
- progressing the review of the KiwiSaver default scheme settings to ensure that KiwiSaver delivers value for those in default funds and help people save for retirement
- exploring how further work on open banking and consumer data rights can increase competition, innovation and consumer welfare consistent with our overall goal of building a broad-based economy.

I expect the FMA to contribute to achieving results against these priorities, as appropriate.

I acknowledge that it continues to be a very busy time for your organisation and I appreciate the hard work that is going into adapting to and implementing the numerous ongoing regulatory changes. I am sure the FMA will continue to meet these challenges as well as carry out its core functions effectively.

This Government's priorities extend beyond agency boundaries. Many will involve you playing an effective role within an integrated and coherent system. I expect you to focus on working together with the range of agencies and parties that have a stake in achieving these priorities in the Financial Markets regulatory system including, but not limited to, the Ministry of Business, Innovation and Employment (**MBIE**), the Reserve Bank of New Zealand, the Treasury, the Commission for Financial Capability and the Commerce Commission.

The following paragraphs set out my specific expectations for the FMA for 2020/21.

### **Specific expectations for FMA**

My particular expectations for the FMA in 2020/21 are:

- ensuring effective implementation of the new regime for financial advice, including ensuring robust processes for monitoring and full licensing of financial advice providers, and providing industry with guidance and support where appropriate
- effectively planning and preparing for the significant organisational transformation challenge with upcoming changes to the FMA's regulatory environment
- promoting the effectiveness and integrity of the KiwiSaver system in conjunction with other agencies and organisations, with a strong focus on provider transparency, value for money, and improving investor engagement and decision-making, particularly around default providers
- continuing to work with MBIE on its review of insurance contract law, the proposed regime regulating the conduct of financial institutions and the review of KiwiSaver Default Provider arrangements
- ensuring effective implementation of the licensing regime for financial benchmark administrators under the FMC Act
- coordinating with MBIE, the Commission for Financial Capability and any other agencies across government where appropriate to build investor capability and confidence, including by encouraging access to information and advice
- proactively monitoring conduct risks, including those affecting vulnerable investors and, where appropriate, vulnerable customers
- anticipating and promoting innovation in financial markets, while also ensuring appropriate safeguards are in place and investors are adequately informed about any risks the innovation may pose
- maintaining focus on promoting confidence in the integrity and sustainable development of fair and efficient capital markets.

### **General expectations and good governance**

As part of your role in governing a high performing FMA, I expect you to:

- maintain an effective board
- be the primary monitor of the entity's performance and maintain effective relationships with my advisors in MBIE
- operate a no surprises policy.

In addition, as a self-review of the board's performance was last undertaken in 2018 I expect the board to carry out a new self-review this year. Further information regarding these expectations, including the self-review, are included in the Annex.

**Strategy and performance information**

All Crown entities must prepare an annual Statement of Performance Expectations (**SPE**) and have a Statement of Intent (**Sol**) in place. The annual SPE should provide a clear performance framework and support excellent reporting to Parliament and the public on results while the Sol should set the strategic direction for the organisation.

As the FMA's Sol has now been in place for three years, I expect the FMA to develop a new Sol for the start of the 2020/21 financial year and for at least the following three financial years. I look forward to seeing a draft of the new Sol and SPE by 30 April 2020.

**Response**

Your advice by 20 March on how you propose to respond to the expectations set out in this letter and its Annex would be appreciated. I would be happy to consider approaches that best achieve our collective aims and work well for the FMA. In the first instance, please discuss your proposed response with MBIE.

I look forward to continuing to develop an effective working relationship with you over the coming year.

Yours sincerely,



Kris Faafoi

**Minister of Commerce and Consumer Affairs**

Copy to: Rob Everett,  
Chief Executive, Financial Markets Authority

James Hartley,  
General Manager, Commerce, Consumers and Communications, MBIE

## **Annex 1: General expectations and good governance**

### *Effective board*

Ensuring the board is, and remains, high-performing is essential and is a critical part of your role as Chair.

The FMA board last undertook a self-review of its performance in 2018. As the board has seen a number of changes since then I expect the board to carry out a new self-review of its performance this year. I expect you to use a robust process, keep both MBIE and I updated on the review's progress and provide a report on the self-review by 30 September 2020.

### *Deliver responsible governance with a broader measure of success*

I ask you to be part of a public sector that builds a New Zealand we can all be proud of; a public sector that recognises the value of every New Zealander and backs all our people. To do this I expect you to think holistically about the impact of your organisation's plans and programmes prioritising interventions that make the biggest difference to lifting the current and future wellbeing of New Zealanders. In particular, I ask to you strengthen your effort to partner with Māori organisations to improve services and outcomes for Māori.

I expect you to actively promote and develop the diversity of your workforce for the long term to encompass a broad spread of experience, culture, perspective and lifestyle of those who live in New Zealand.

### *Effective monitoring of entity performance by boards and relationship with the MBIE*

In addition to setting and driving a strategy that delivers on government priorities, your board is the most important monitor of entity performance. I expect the board to provide me with high quality information and analysis on entity performance against plan, implications for future performance, and risks and opportunities facing the entity.

I expect you to have a constructive working relationship with your monitor within MBIE. This relationship should include active participation and engagement with my officials in the process of setting your organisation's strategic direction and in any review of existing strategies, priorities and plans, and data systems.

I expect you to work with and across government to integrate work of your organisation with the role and work of other agencies, and to support the state sector stewardship of government departments.

### *No surprises*

The Government has a 'no surprises' policy. No surprises means that the Government expects a board to:

- be aware of any possible implications of their decisions and actions for wider government policy issues
- advise the responsible Minister of issues that may be discussed in the public arena or that may require a ministerial response, preferably ahead of time or otherwise as soon as possible
- inform the Minister in advance of any major strategic initiatives.

I also ask you to avoid 'pre-judging' my potential responses to risks and opportunities. I expect to hear about emerging issues and what major actions the board is considering. My reactions will be based on a range of factors, including the benefits of new initiatives and of taking different approaches to achieve our goals.