

Hon Dr Duncan Webb

MP for Christchurch Central

Minister of Commerce and Consumer Affairs

Minister for State Owned Enterprises



29 March 2023

Mark Todd
Chair
Financial Markets Authority
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Wellington 6140
Email: Mark.Todd@fma.govt.nz

Dear Mark,

ANNUAL LETTER OF EXPECTATIONS FOR 2023/24

I am writing to convey my strategic and performance expectations for the Financial Markets Authority (**FMA**) for 2023/24.

I would like to take this opportunity to thank the Board for its work over the previous year to ensure the FMA strives to be a high-performing organisation, especially in light of its additional regulatory functions. I also thank the FMA Board for its work to help mitigate the ongoing impact of the COVID-19 pandemic, as well as the global economic challenges, both of which brings with it significant challenges for our economy, for businesses, and for New Zealanders.

Contributing to Government priorities

The Government's economic plan is for New Zealand to become a high-wage, low-emissions economy that provides economic security in good times and bad. As we move away from the COVID-19 emergency response, the Government's priorities for 2023/24 include helping New Zealanders to face the global cost of living spike and ensuring a resilient economy.

The FMA plays an important role in contributing to the Government's priorities by ensuring the continuity of markets and services in the financial sector in a way that is fair, efficient, and transparent. The FMA's efforts in promoting the confident and informed participation of businesses, investors, and consumers in the financial markets will help to strengthen the integrity of our financial markets, while ensuring they remain resilient and accessible for all New Zealanders.

Priorities in the Commerce and Consumer Affairs portfolio that are relevant to the FMA

The Commerce and Consumer Affairs portfolio plays an important role in supporting a more competitive and productive business environment that delivers for all New Zealanders. My priorities for this year in the financial sector are as follows:

- progressing further work on open banking and a consumer data right framework to increase competition, innovation, and consumer welfare
- progressing reforms to New Zealand's insurance contract law to make insurance contracts easier to understand and fairer for consumers and businesses
- finalising the new regime regulating the conduct of the banking and insurance sectors to ensure the fair treatment of consumers (licensing due to open mid-2023, regime expected to fully commence early 2025)
- managing the ongoing impacts of COVID-19 and other complex global challenges on consumers, investors and the broader financial sector.

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 taking place 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 continue to work 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, Commerce Commission, and Te Ara Ahunga Ora Retirement Commission.

Specific expectations for the FMA

My specific expectations for the FMA in 2023/24 are:

- being an effective regulator who acts promptly and confidently to ensure fair, transparent and effective markets and to promote integrity and compliance
- effectively planning for and adapting to the significant organisational and regulatory challenges with recent and upcoming changes to the FMA's operating environment
- effectively implementing and preparing for your role in monitoring and enforcing the new regime regulating the conduct of financial institutions
- continuing to improve the FMA's approach to operational resilience, including cyber and technology resilience, including enhancing the capability of the FMA, NZX and other licenced entities to effectively respond to cyber risk
- proactively monitoring and mitigating conduct risks, including those affecting vulnerable customers and investors, particularly given the effects on global markets of the current challenging global circumstances

- continuing to work with MBIE on, and effectively preparing for, the reform of insurance contract law
- progressing the climate-related disclosures regime for climate-reporting entities
- promoting the effectiveness and integrity of the KiwiSaver and broader retail fund management 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
- anticipating and promoting innovation in financial markets, while also ensuring appropriate safeguards are in place and investors are adequately informed about relevant risks, including through retail investment platforms
- anticipating and effectively responding to emerging strategic issues across financial markets, including sustainable finance, digital assets, and the digitalisation of financial services
- maintaining focus on promoting confidence in the integrity and sustainable development of fair, efficient, and transparent capital markets.

As co-chair of the Council of Financial Regulators, I also expect the FMA to continue to provide resource and effective leadership on issues that require cross-agency involvement.

General expectations and good governance

I am confident the FMA will work constructively with the Government to help realise these priorities.

In addition, I expect you to follow the Enduring Letter of Expectations from the 2019 Minister of Finance and the Minister of State Services to Statutory Crown Entities, and the Ministry of Business, Innovation and Employment's *Monitoring Arrangements for MBIE-monitored Crown entities*.

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

Further information regarding these expectations is included in the **Annex 1** to this letter. I also expect you to assist in building capacity and diversity in public sector governance, for example, by mentoring emerging talent and including emerging talent in board activities.

Self-review

As a self-review of the board's performance was last undertaken in 2020, I expect the board to carry out a new self-review this year. Further information regarding the self-review is included in the Annex to this letter.

Strategy and performance information

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

The FMA produced an SOI in 2020 and would normally have been due to develop a new SOI for 2023/24. However, I have granted a one-year extension to the FMA under section 139B(1) of the Crown Entities Act 2004 on the basis that the FMA is currently undergoing significant organisational change as a result of its expanding legislative remit.


Response

Your advice by 17 April 2023 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 establishing our effective working relationship over the coming year.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'Duncan Webb', written over a faint, light blue watermark of the New Zealand Coat of Arms.

Hon Dr Duncan Webb
Minister of Commerce and Consumer Affairs

Copy to: Samantha Barrass,
Chief Executive, Financial Markets Authority

Andrew Hume,
General Manager, Small Business, Commerce and Consumer Policy, 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 2020. 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 and keep both me and MBIE updated on the review's progress. I look forward to being informed of the review when completed.

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 to continue to strengthen your efforts to partner with Māori organisations to improve services and outcomes for Māori.

I expect you to continue 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 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.