



Office of Hon Paul Goldsmith

Minister of Commerce and Consumer Affairs

Associate Minister for ACC

18 FEB 2016

Mr Murray Jack
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Financial Markets Authority
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Dear Murray

ANNUAL LETTER OF EXPECTATIONS FOR 2016/17

As Minister of Commerce and Consumer Affairs, I am writing to convey my strategic and performance expectations for the Financial Markets Authority (FMA) in relation to the 2016/17 financial year. My expectations supplement the expectations expressed by the Minister of Finance and Minister of State Services in the July 2012 Enduring Letter of Expectations.

Contributing to Government Priorities

The Government's four priorities are to:

- responsibly manage the government's finances
- build a more competitive and productive economy
- deliver better public services
- rebuild Christchurch.

These priorities are reflected in the Ministry of Business, Innovation and Employment's (the Ministry) strategic intentions, together with increasing investment in affordable housing and placing a stronger focus on regional and Māori economic development, while responsibly managing the government's resources. I expect the FMA will align its objectives with these themes and contribute to these priorities.

Further, I expect you to consider how you can continue to contribute to the Government's Business Growth Agenda (BGA). The BGA aims to build a more effective and productive economy for New Zealand by supporting businesses to be more competitive and productive. The Ministry's website holds a range of resources setting out how government agencies and businesses can make further progress (<http://www.mbie.govt.nz/info-services/business/business-growth-agenda/bga-resources>).

The following paragraphs set out my specific expectations for the FMA, followed by general expectations for all entities across the Commerce and Consumer Affairs' portfolio.

Implementing FMA-specific priorities

- Focus on the successful transition to the Financial Markets Conduct Act, including by:
 - providing clear communication to market participants about the expectations under the new regime; and
 - coordinating with the Ministry over the transition period to address any implementation issues.
- Actively identify areas of priority and develop strategies for the FMA to have a strong profile as an effective regulator in those areas;
- Coordinate with the Ministry and the Commission for Financial Capability to build the financial capability of New Zealanders, including through the Cross-Government Financial Capability Network;
- Maintain the efficiency and integrity of the KiwiSaver system by improving the comparability of KiwiSaver funds and continue to focus on the conduct of providers;
- Work with the Ministry to ensure the FMA has the necessary financial resources to deliver on its core outcomes;
- Promote certainty and reduce costs to businesses and consumers;
- Promote investor confidence by working with frontline regulators in monitoring and taking enforcement action where required.

General expectations for all entities

Performance improvement

The board is the primary monitor of organisational performance and I expect you to use the best tools and mechanisms to constructively raise organisational performance. These tools include Performance Improvement Framework (PIF) reviews; self-review; or an equivalent organisational improvement model if there is good reason to use an alternative.

Delivery of better public services and value adding

The Ministry is leading *Better Public Services Result 9: Better for Business*, which focuses on increasing public service efficiency and reducing compliance costs for business.

Progress has been positive as the latest survey results showed a 16 per cent drop in reported effort by businesses when dealing with government since 2012. This is well

over halfway towards our target of reducing effort by 25 per cent by 2017. We must maintain our momentum of making it easier for businesses and the public to interact with the government online.

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 Ministry officials to ensure that it is incorporated into the understanding of costs and benefits of current and future regulatory interventions.

New Zealand Business Number (NZBN)

As you may be aware, last year the Ministry consulted on a proposed set of whole of government directions in relation to implementation of the New Zealand Business Number (NZBN). Cabinet decisions are expected on this in early 2016. If approved by Cabinet, reporting on progress will be required to be included in your Annual Report starting from the 2015/16 financial year. The implementation of the NZBN is a priority for the Government and I encourage you to consider how the FMA can incorporate it into your business-facing systems.

Working with other agencies

I encourage you to look at working with other agencies or sector stakeholders to share ideas on how government services can operate more effectively and efficiently and consider options on syndicated procurement where appropriate, especially where this is needed to deliver results.

Transparency of performance

I encourage you to enhance transparency and openness wherever appropriate, including the publishing of non-sensitive performance information on your website.

Strategy and performance information

All Crown entities have an obligation to produce a Statement of Performance Expectations (SPE) and Statement of Intent (SoI). The annual SPE and SoI should provide a clear performance framework and support improved reporting to Parliament and the public on results.

Under the Crown Entities Act, an SoI can endure for a period of up to three years. Under the Act, I may ask an entity to produce a new SOI when I see it as being necessary or desirable.

I confirm I do not see it necessary for the FMA to produce a new SOI this year.

You will, of course, need to produce an SPE and I trust you are consulting with the Ministry during the drafting of this document. Draft SPEs must be provided to me by **1 May 2016**.

Operate under a “no surprises” policy

I expect the FMA to maintain the “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.

In undertaking your governance role, I expect the FMA to constructively work with Ministry officials through regular meetings and discussions.

New Zealand Government to Government Commercial Partnerships (G2G)

I expect you to support the G2G initiative where possible. As part of the BGA, the Government has set the target to dramatically increase the ratio of New Zealand’s exports to gross domestic product. In 2013, the Government commenced a pilot scheme where specific public sector knowledge (intellectual property) was supplied to foreign governments on a commercial basis. While Crown entities need to give priority to domestic operational responsibilities, there is potential to generate export revenue for government and New Zealand if there is strong market interest in the FMA’s capabilities.

Contribute to quality regulation

I expect all entities to continue contributing 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).

Finally, I thank your board, management and staff for your efforts and I look forward to working with you again this year.

Yours sincerely



Hon Paul Goldsmith
Minister of Commerce and Consumer Affairs

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