

17 April 2020

Dear CEO

Conduct expectations in response to COVID-19

The FMA and other members of the Council of Financial Regulators (CoFR) are continuing to closely monitor the impact of COVID-19 on New Zealand's financial system.

The Government will be making a decision next week about when to move to Alert Level 3. This will mean some expansion of the activities that financial services firms can undertake, subject to guidance on operating safely, which will be available via the [covid19.govt.nz](https://www.covid19.govt.nz) website.

We acknowledge COVID-19 has resulted in enormous pressure being felt by the wider financial services sector and that you have taken steps to support customers during these unprecedented times. We also acknowledge the work of the industry associations at this time, reinforcing existing codes of conduct and the issuance of further guidance for their sectors and clients.

The wide-ranging regulatory relief we have offered is all aimed at allowing you to continue to focus on serving the needs of your customers. Our expectation remains that you should be treating your customers fairly in all interactions. Specifically at this time, we expect you to focus on the following areas and we will be looking for evidence that you are doing so when we have conversations with individual firms in the coming months.

Addressing the changed circumstances of your customers

We expect you to be carefully considering potentially changed circumstances among your customer base and to be responsive to those changes. This includes the increasing number of customers, who due to a number of factors, have become financially vulnerable.

We view addressing the needs of vulnerable customers as fundamental to good customer outcomes and expect service providers to implement clear plans addressing how the needs of vulnerable customers can be met. Possible considerations include lowering fees or removing barriers to exiting/switching products or services where appropriate.

We are proactively monitoring the risk of customers being taken in by scams or other unauthorised or fraudulent schemes linked to COVID-19 and expect you to be doing the same.

Proactive and regular communications

We also expect you to be communicating more regularly with your customers during this time.

Examples may include proactive approaches to customers with specific needs, additional staffing to call centres, and training for staff handling distressed customers.

We acknowledge the significant role that advisers play in providing reassurance and support to customers, which should be their priority at this time. We expect firms to support advisers in this and to provide appropriate guidance and support to advisers or intermediaries you may use.

Ongoing monitoring of operational resilience and conduct risk management

We anticipate you will have implemented your business continuity plans and know many firms have experienced an increase in customer queries and activities at the same time. We expect firms to be monitoring their operational resilience and conduct risk management, including services that are provided by an outsourced provider.

The impact of COVID-19 will be felt by the sector and our customers for some time and it will require continual emphasis on good customer outcomes. To this end, we will be reviewing our conduct guidance and will be communicating this process in due course.

Our focus is on maintaining market confidence and integrity, including taking swift action against misconduct that seeks to take advantage of the current COVID-19 crisis. This includes enforcing the fair dealing provisions of the Financial Markets Conduct Act 2013 relating to misleading and deceptive conduct.

We note that the situation is constantly evolving, with the need for speedy decisions and actions. We thank you for your engagement with us to date and encourage you to continue to keep us informed and raise any areas of potential concern.

Yours sincerely



Rob Everett
Chief Executive