



MARCH 2025

# Summary of key themes

**Summary of feedback received as part of the FMA's consultation on the proposed regulatory return for licensed financial institutions**

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# Executive summary

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The Financial Markets Authority – Te Mana Tātai Hokohoko (FMA) would like to thank all submitters for their feedback on the [consultation for the proposed regulatory return for financial institutions](#) (FIs). We received 11 written submissions from a range of stakeholders including industry bodies, banks, insurers and non-bank deposit takers. We appreciate the points raised and the effort put into each submission.

This document contains a summary of key themes raised in those submissions and how we have responded to that feedback, along with a collation of the written submissions. This may withhold some information in accordance with the Official Information Act 1982 and the Privacy Act 2020.

For a discussion of the costs and benefits associated with the regulatory return see the [Regulatory Impact Statement: Regulatory reporting requirements for licensed financial institutions](#).

# Key themes

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The purpose of this document is to outline the key themes raised in submissions, i.e. points raised by multiple submitters or in relation to multiple sections of the proposed question set. We outline how we have responded to that feedback, but we have not commented on all aspects of feedback received.

## Reporting period

In our consultation, we proposed an annual reporting period for FI regulatory returns, but we also sought feedback on an initial reporting period of nine months (1 October 2025 to 30 June 2026) to allow FIs more time to prepare for the first return.

Most submitters commented that they would prefer the first reporting period to be nine months. Feedback was provided that nine months would allow more time to prepare systems and processes for data collection.

Some feedback was provided that a nine-month return could result in some FIs not being able to positively attest to meeting their obligations within the reporting period (for example, if a requirement had been completed in the last year, but the date of completion fell outside the nine-month period). Submitters also highlighted that the FMA may face challenges in future when comparing data from the initial nine-month period with future twelve-month periods, particularly where the data relates to the volume of an activity completed in the period.

## FMA response

Our ability to effectively monitor the licensed population and emerging risks in the sector relies on the quality and depth of information available to us, including the information obtained through regulatory returns. The information supplied in regulatory returns supports our risk-based approach to monitoring FIs' adherence to the requirements of their licence.

We considered the feedback on the effort required by FIs to prepare their systems and processes for regulatory returns, including the burden in terms of both cost and time. We acknowledge the comments on potentially receiving misleading answers if we proceed with a nine-month initial return.

We have decided to proceed with a twelve-month return period from the outset. This will align with the regulatory return periods for other licence types, and enable us to more easily compare data year-on-year. The first FI regulatory return will be for the period from 1 July 2025 to 30 June 2026. We have narrowed the question set so it is shorter and more focused on the nature, size and complexity of FIs' businesses and their core obligations, which will help to balance the shorter timeframe to prepare for the first reporting period.

## Deferring commencement of regulatory returns for FIs

Many submitters proposed that the FMA consider delaying the first return entirely until the legislative changes proposed as part of the 'Fit for purpose' financial services reforms<sup>1</sup> are implemented, as these could result in changes to the regulatory return questions within a short period.

Submitters suggested the FMA consider focusing on the proposed single conduct licence (which is part of the financial service reforms). Specifically, their feedback was that focusing on a single regulatory return as part of the single conduct licence would reduce duplication of questions proposed that are already provided as part of other regulatory returns. Compliance costs were raised as a concern if the proposed question set was only going to be in place for a few years until a single regulatory return is implemented as part of the move to a single conduct licence.

### FMA response

The FMA is intelligence-led and uses data to inform our regulatory decision-making, including identifying where our resources are most needed. As mentioned above, our ability to effectively monitor the licensed population and emerging risks in the sector relies on the quality and depth of information available to us. We collect data from a variety of sources to build our sector- and entity-specific risk assessments. However, without a regulatory return to provide a consistent and regular picture of FIs, we will need to supervise the population more closely. Information collected on the profile and business activities of licensed FIs will allow us to understand the risks to our statutory objectives and improve our ability to focus our resources where they are most needed.

Therefore, we will not be delaying commencement of regulatory returns for FIs or postponing them entirely in anticipation of a single conduct licence. That work is at an early stage, and it will take some time to implement the single licence and a new regulatory return to accompany it.

However, we have reviewed the proposed question set and either removed or adjusted the wording of those questions that may no longer be applicable as a result of the proposed changes to the CoFI regime. For example, we have amended the questions relating to the FI's fair conduct programme (**FCP**) to focus on maintenance, rather than review, of the FCP, given that the legislative requirement for review of the FCP (in section 446J(1)(k)) of the FMC Act) is proposed to be repealed under the financial service reforms.

## Duplication

Several concerns were raised by submitters that the proposed question set results in duplication of information collected by the FMA and therefore will require additional effort by FIs to complete the return. This includes:

- requesting information that the FMA collected from FIs at licensing
- requesting information that the FMA collects in other regulatory returns, such as those completed by Financial Advice Providers (**FAPs**)
- requesting information that could be collected directly from the Financial Service Providers Register (**FSPR**)

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<sup>1</sup> Fit for purpose financial services conduct regulation



- requirement to report material changes both in the regulatory return and separately at the time they occur in order to comply with Standard Condition 2 (notification of material changes).

To address these concerns, submitters made the following suggestions in relation to various parts of the proposed question set:

- The regulatory return form could be pre-populated with information that the FI supplied at licensing or in the last regulatory return, with the FI asked to confirm any changes to the information.
- Information from the FSPR could be displayed in the return for confirmation, to avoid needing to manually enter the data.

## FMA response

The purpose of the regulatory return is to obtain a regular and up-to-date profile of each FI's business, to support our supervision of the sector. It will not be sufficient to rely on information supplied at licensing, which may have been provided up to eighteen months prior to the commencement of the CoFI regime, to inform our ongoing supervision decisions. This is one of the reasons we require regulatory returns to be completed annually.

We acknowledge that some of the questions asked in the FI regulatory return will be the same as, or similar to, questions asked in other regulatory returns, such as those completed by FAPs. Entities that currently hold two or more licences need to complete a return for each licence. While there may be some similarity, the questions in each return are specific to the type of licence. The FI service has a much wider scope than just the provision of financial advice, therefore we are unable to rely on the information in FAP regulatory returns to form a view about an FI's business. Additionally, many FIs are not FAPs and therefore do not complete FAP regulatory returns. In future when a single conduct licence is introduced as part of the financial service reforms (as outlined above), we anticipate streamlining the regulatory returns to achieve greater consistency and reduce burden.

We explored extracting information, such as the relevant services that the FI is registered to provide, from the FSPR to display in the regulatory return. Information extracted from the FSPR would be as at the date the FI is completing the regulatory return. This would not work well for questions that ask about actions that occurred during or as at the end of the reporting period. For example, if an FI ceased providing a relevant service during the period, this information would not show in the return based on the current registered services in the FSPR.

We also explored amending the regulatory return form to display answers provided at licensing or in previous regulatory returns, in order to reduce the amount of information that needs to be entered. FIs would still need to collect and validate the data in this situation, but the effort involved in data entry may be reduced. At the current time, limitations in the structure and privacy settings of the form and the FMA's online portal mean this is not a feasible option. Therefore, FIs will need to enter their answers in each year's return.

We will continue to evaluate the functionality available to utilise information from the FSPR and the FMA's systems, and where possible, we will make updates to the regulatory returns form to make it easier to complete.

We proposed asking questions about material changes to FIs' FCPs. We cannot rely on changes notified to the FMA throughout the year under Standard Condition 2 (notification of material changes) because that condition relates to the notification of material changes to the nature of the FI service, such as changing the form of business from a licensed non-bank deposit taker to a registered bank, or an insurer moving its

entire business into run-off. However, there may be other material changes to the FCP that are not related to changes in the nature of the FI service, such as a material change in how the FI is approaching its CoFI obligations. Therefore, we have retained the questions that ask about material changes to the FCP.

## Improved clarity and guidance

Most submitters asked for further guidance around the intention of some questions, and clarity on what the data would be used for, to assist them with answering questions accurately.

Definitions and materiality thresholds were requested for several questions, with submitters remarking that without these, FIs' different interpretations of the questions could result in significant differences. This could lead to the data not being consistent and/or meaningful, which could result in misinterpretation and flawed conclusions informing regulatory decision-making. Feedback also suggested that materiality thresholds would help to reduce compliance costs for FIs.

Some felt that questions were either too broad, too prescriptive or implied new requirements. Overall, the feedback was to keep guidance and questions clear and aligned with legislative and licensing requirements.

## FMA response

We acknowledge this feedback and have provided further guidance in the question set to clarify what we are asking of FIs when completing the return. In some cases, we have also amended the wording of the question so it is easier to answer. For example:

- We amended the question about how many consumers are provided with each of the FI's associated products, so that it asks about the number of consumers at the end of the return period rather than the number during the return period. We recognise that it may be challenging to determine the number of consumers who held a product for a short time within the return period or cancelled a product during the period. We have also included additional guidance to assist FIs with consistently calculating the number of consumers.
- We amended questions that asked about reviews (for example, of distribution methods and business continuity plans) to acknowledge that these can be complex, and all instances of a method or plan may not be reviewed at the same time.
- We amended guidance in the complaints section of the question set to clarify that complaints should be recorded that relate to both the FI's relevant services and associated products, and about the service customers received from a FI.

Feedback suggested that the FMA needs to consider the diverse size, nature and complexity of FIs when analysing the returns data. Specifically, proportionality needs to be considered when drawing conclusions from the data and using these to inform our risk-based, intelligence-led approach. This is something that we will bear in mind when analysing return data and using it to support decisions about supervision.

## Scope and relevance

Submitters raised concerns about the scope of the questions proposed and the relevance of some of the information that will be collected by the FMA. For example:



- Some submitters felt that questions about consumer care and handling of conflicts would not provide the full context of the situation, such as whether policies, processes, systems and controls were being reviewed.
- Questions about conduct risk management were considered by some to be too detailed, requiring new systems to be established to report on the requested data.
- Some submitters felt the information requested about complaints was complex, particularly noting the categorisation of complaints would be onerous.
- Questions about employees and agents were perceived to be ambiguous, subjective and redundant by some submitters. For the question relating to training of employees, it could be overly complex to calculate answers for the percentage ranges provided.
- One submitter suggested that the question about activation of their business continuity plan was inappropriate, as this would be reported to FMA under other obligations.
- Most submitters provided feedback that the purpose of the record keeping question about updating consumers' contact information was unclear.

## FMA response

We have provided additional guidance in some instances and have amended or removed some questions. For example, we have removed some or all of the questions relating to the following areas:

- Deficiencies in how distribution methods have been operating
- Consumer care and handling conflicts
- Categorisation of complaints
- Remediation of issues relating to the FI service
- Employees and agents
- Activation of business continuity arrangements
- Operational resilience of technology systems
- Record keeping

## Compliance costs and regulatory burden

Some submitters raised concerns about the compliance costs associated with answering the proposed questions, including potential systems changes that may need to be implemented to capture the requested information. Submitters found it difficult to quantify the extent of costs but suggested that should the consulted question set remain the same this would lead to unnecessary costs in resourcing, technology/system uplift, and an overall increase in burden to supply the required information.

Other submitters did not consider major changes to systems would be required and indicated that they did not anticipate incurring major costs.

## FMA response

Some level of compliance costs, both initial and ongoing, is likely unavoidable due to the varying nature of the FI population completing the return. However, we consider the reduced question set and narrower scope will assist with keeping compliance costs to the minimum possible.

Additional guidance to accompany the question set will also help clarify the scope of the information required to support FIs to collect and report the information requested, noting that we also anticipate that a future transition to a single licence may provide opportunities for streamlining the approach to regulatory returns.

Overall, we consider that some compliance costs associated with completing the regulatory return are necessary in light of the risk to FMA's ability to carry out our risk-based regulatory approach, and the knock-on effect this can have to consumer confidence and ensuring good customer outcomes.

## Aggregate reports generated from data collection

Most submitters commented they did not see the benefit of the FMA using the data collected through the annual regulatory return to create aggregate reports to share with industry. Comments mentioned that this was not something to disregard completely, however, at present with the question set consulted on they could not draw conclusions around what insights could come from such reports.

## FMA response

We will not rule out the idea of creating aggregate reporting following analysis of returns data. We will assess the data we receive and whether there are meaningful insights we wish to bring to the attention of industry. Any reports we publish will be in line with our strategic objectives and current priority areas, so may change year to year.

# Submissions

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1. AIA New Zealand Limited
2. ASB
3. Bank of New Zealand
4. Booster Assurance Limited
5. Financial Services Council of New Zealand
6. Financial Services Federation
7. Gold Band Finance Ltd
8. Insurance Council of New Zealand / Te Kāhui Inihua o Aotearoa
9. New Zealand Banking Association – Te Rangapū Pēke
10. Unity Credit Union
11. Wairarapa Building Society

