

30 May 2025

Hon Scott Simpson  
Minister of Commerce and Consumer Affairs  
Parliament Buildings  
WELLINGTON

Dear Minister,

## **FMA RESPONSE TO YOUR 2024/25 LETTER OF EXPECTATIONS**

I am writing in response to your 2024/25 Letter of Expectations for the Financial Markets Authority (FMA).

The following provides an overview of how the FMA Board and Executive intend to respond to your specific and general expectations of the FMA, including an expectation of good governance.

The FMA will be an effective regulator that recognises our role in delivering a vibrant and trusted financial sector. The FMA is taking an innovation and economic growth focus, and is continuing with the work programme, outlined by the Minister and the Minister's predecessor. We are supportive of removing unnecessary regulatory burden, reducing barriers to market entry, and continue work to implement a single conduct licencing regime for financial entities.

We will continue to prioritise work that builds confidence and integrity in the market and reduces harm to investors and consumers. Good conduct builds confidence in our markets. Investigating misconduct and providing clear, practical guidance continues to underpin our work.

To effectively implement an outcomes-focused approach, we will continue to expand our dialogue with industry and stakeholders. Our recent work with Financial Advice New Zealand, where we jointly considered a market review into access to financial advice, offers insights into a way forward. As we integrate the new credit function and the Conduct of Financial Institutions (CoFI) regime, we will expand our engagement with consumer groups to ensure their voice is heard throughout our work.

The FMA will continue to work constructively with relevant agencies to deliver the specific areas outlined in your letter. We maintain a close working relationship with the Reserve Bank of New Zealand (RBNZ) and continue to collaborate on capital market changes and the Council of Financial Regulators (CoFR).

In line with Government expectations for the public sector, we will continue to look for efficiencies and deliver our work in a fiscally responsible way. As co-chairs for CoFR, we have initiated a review to evaluate its effectiveness and to identify its future in enabling the better regulation of the financial system.

Work continues with the Commerce Commission and MBIE to ensure a smooth and effective transfer of Credit Contracts and Consumer Finance Act 2003 (CCCFA) responsibilities. This will streamline financial markets regulation and reduce duplication. We will continue to engage with your office to understand the legislative timetable for this transfer and the operational implications of this work.

Successfully implementing the CoFI regime is essential for the FMA. It came into force in March 2025 and regulates the conduct of banks and insurers, ensuring consumers are treated fairly. Supervision and monitoring work for this regime is underway.

Capital Markets are an important enabler in our financial system. We will continue to support policy changes to Capital Markets settings to reduce any unnecessary regulatory burden and maintain strong engagement with industry to continue to understand the challenges they are facing.

Stronger relationships with the fintech sector has enabled the FMA to evolve our regulatory approach to accommodate more businesses with innovative products, services, or business models. Our regulatory sandbox pilot allows select businesses, who are facing regulatory barriers, to safely test their offerings with appropriate safeguards in place.

Investment in better tools and capability continues to help the FMA respond to growing issues such as scams and cyber threats. The FMA remains vigilant to emerging threats and opportunities in our perimeter, and continues to engage with your office about your choice of agency to lead operational work on scams.

### **Specific expectations of the FMA in 2024/25**

The FMA Board undertakes an annual review of mid-term strategic objectives and annual organisational priorities, which are then refined and incorporated into the Executive's business planning process. These plans are in development and include a range of proposed activities that will respond to your expectations set out for each specific area below.

<b><i>Expectation</i></b>	<b><i>FMA response</i></b>
Ensure the smooth transfer of Credit Contract and Consumer Finance Act functions from the Commerce Commission to the FMA	While still subject to legislative change, a project is underway to manage the transfer of people and data from the Commerce Commission to the FMA. Respective agency leaders engage regularly to ensure disruption is minimised and the anticipated changes in our operational functions are well supported.
Engage with industry at appropriately senior levels in developing and fostering uptake of any guidance and to support them in establishing their new responsibilities under the CoFI regime, including setting proportionate expectations for smaller institutions under CoFI.	The FMA Board and executive have a regular cadence of engagements across industry boards, and at executive and operational levels, to ensure we continue to support industry uptake of CoFI. Our engagement spans small and large financial entities, that helps build our understanding of industry challenges and guidance requirements related to meeting responsibilities under the CoFI. The Annual Ease of Doing Business survey will continue to help the FMA enhance our engagement activity and refine our focus on continuous improvement.

Engage with industry for the smooth commencement of the Contracts of Insurance Act 2024	The FMA will engage with financial entities at both strategic (boards) and operational levels (CE and below) to better understand their needs ahead of the implementation of the Act. The FMA will develop and respond to feedback on what guidance is needed, and keep the sector informed of our approach to the implementation of the regime.
Continue to proactively engage across government and industry to address the issue of scams and fraud.	The FMA will continue to publish warnings about investment frauds and scams on its website and remain focused on maintaining connections with other international regulators. We will continue to support targeted regulation, continue to support inter-agency collaboration on scams, and keep across government and industry developments. We continue to work with your office to understand the Government's choice of lead agency for scams and fraud work.
Work to support efforts to strengthen New Zealand's capital markets, given their key role to support investment, innovation and growth of New Zealand businesses	Supporting efforts to strengthen growth and innovation in New Zealand's capital markets is crucial for the FMA. We are collaborating with MBIE to consider and implement the capital markets reform agenda to remove unnecessary regulatory burden. We continue to support this by maintaining strong engagement with the capital markets sector as we progress work towards introducing a single conduct licence. We are also considering appropriate offer disclosure settings, seeking to balance the cost to issuers with the utility to retail investors.
Anticipate and effectively respond to emerging strategic issues across the financial markets conduct regulatory system, including scams, sustainable finance, the digitalisation of financial services, and digital assets (including cryptocurrencies).	The FMA will continue to monitor emerging trends and developments (including the specifically referenced issues) both internationally and domestically. This enables us to deepen our understanding and identify the impacts on our regulatory approach, priorities and broader work programme. The FMA continues to raise issues around cryptocurrency regulation and supports work that promotes more oversight of digital asset service providers.
Be an active regulator by utilising its regulatory toolkit to achieve real impacts across the financial markets regulatory landscape.	The FMA is an active regulator committed to deepening our engagement with the sector and using our full regulatory toolkit. Our perimeter and response team leads work to address misconduct by using tools including stop orders, direction orders, and warnings, ensuring proportionality and timeliness. The FMA will also engage with the market both formally and informally following the use of regulatory tools to explain its decision making and its approach to a case to ensure the lessons are broadly understood and adopted. The FMA will also use its full range of engagement tools including bilateral engagement, sector roundtables, speeches, conference panels and written guidance to seek to prevent misconduct or issues arising.
The FMA works to lift the level of governance and risk management in the financial sector	The FMA promotes effective governance and risk management in the financial sector. As high-growth sectors such as AI and machine learning transform the

	market, the FMA is engaging internationally to understand international governance and risk management practices. We are laying the groundwork with our CoFR partners and the Institute of Directors to enhance our guidance to sector boards and senior executives, to set clear regulatory expectations around roles, responsibilities, and policies related to governance and risk. This is key to maintaining integrity, confidence and resilience in the markets.
The FMA fully utilises the CoFI regime, that comes into effect on 31 March 2025, to support the development of fair, efficient and transparent markets, and positive consumer outcomes.	The CoFI regime is essential for the FMA. The licensing process is complete for most providers and supervision and monitoring work is underway. In April the FMA wrote to all relevant industry chief executives setting out the FMA's CoFI expectations and focus areas for 2025/26. The FMA's focus is on addressing risks identified during the licensing period and focusing on financial institutions who have not previously self-reported issues regarding fair treatment of customers. A broader consumer focus is planned for 2026.
Boldly enforce breaches of financial markets regulation to prevent consumer harm and promote confident participation in financial markets	The FMA will boldly enforce breaches of financial markets regulation, subject to the constraints of the level of litigation funding, to prevent consumer harm and foster confident participation in financial markets. The Annual Consumer Confidence survey will continue to be used to enhance the FMA's understanding on what matters to consumers.
The FMA demonstrates strict fiscal management and value for money across all appropriations through identifying cost efficiencies in operational and litigation funds	The FMA will identify cost efficiencies in both its operational and litigation spending.

## General expectations

Expectation	FMA response
Work with the Reserve Bank of New Zealand to coordinate and collaborate on matters of interest to both regulators where appropriate, including working together in a coherent way to reduce duplication in reporting requirements.	The FMA is actively working alongside RBNZ to reduce regulatory burden by streamlining reporting requirements and holding joint meetings with dual-regulated entities, including pre- and post-meeting sessions to ensure a unified approach. The introduction of a joint notification form simplifies the process for reporting incidents to both regulators. We also jointly participate in cyber simulations at domestic and Trans-Tasman levels, including cross-agency intelligence sharing to enhance industry-wide preparedness
Continue to provide resource and effective leadership on issues that require cross-agency involvement as	The FMA continues to provide resource and effective leadership as the Co-Chair of the Council of Financial Regulators. This includes:

Co-Chair of the Council of Financial Regulators.	<ul style="list-style-type: none"> <li>• Chairing the CoFR Insurance Forum, membership to CoFR Banking Forum, and working as co-secretariat for CoFR.</li> <li>• Completing an external review into CoFR to ensure it is contributing to maximising New Zealand's sustainable, economic wellbeing, and that agencies are being purposeful about what they spend their time on.</li> </ul>
Avoid unnecessary compliance costs including by taking a proportionate and risk-based approach to regulation.	The FMA continues to focus resources on understanding and addressing the most significant risks for businesses, investors and consumers. The Outcomes Focused Regulation publication outlines the regulatory approach that considers the perspective of consumers and businesses. This clearly highlights how we can help reduce unnecessary regulatory burden on industry and how regulatory efforts will be well-targeted and proportionate. A new supervisory approach being deployed so firms have the flexibility to determine how best to meet regulatory obligations in the context of their own business.
Avoid unnecessary compliance costs including by ensuring that market participants have a clear understanding of their legal obligations, and the distinction between legal obligations and guidance, and that regulatory expectations set by the FMA are properly founded in the law	The FMA will focus its resources to achieve the end results that regulation is aiming to achieve for consumers and financial markets. We will support this by publishing guidance to support entities to understand our expectations, as well as being clear how we approach enforcement work and what the priority focus areas are. The forthcoming Financial Conduct Report sets out the FMA's regulatory priorities for the coming year, providing information on the conduct that we see through our work, and highlights key risks and opportunities for better outcomes for consumers and markets.
Avoid unnecessary compliance costs including by streamlining the FMA's conduct licensing requirements, including standard conditions, application processes and regulatory returns, to reduce complexity and duplication	The Financial Markets Conduct Amendment Bill will combine licences into a single conduct licence. This is being supported by work to streamline standard conditions to reduce duplication and ensure the conditions remain fit-for-purpose. Industry feedback on the current conditions is being sought this year, and we are proposing to consult on revised standard conditions in 2026. Work to streamline licence application forms and regulatory returns will also be progressed in 2026, to better align these across the various market services. For example, we will standardise how we receive licence applications so that all are made through our online portal, meaning the end of paper-based licence applications. Regulatory returns will be combined so that licensees offering multiple services will complete a single return. These will progressively take effect after the enactment of the Bill.
Promote innovation and flexibility in financial markets including by actively supporting the development of financial	The FMA continues to support MBIE and the RBNZ around capital markets reform and to monitor New Zealand's capital markets with a focus on emerging risks and

markets to promote growth and enabling innovative new businesses to grow	opportunities for growth and innovation. Our current workplan looks to improve the attractiveness of public markets, through reduced regulatory burden and improved international comparison. We are also holding a capital markets roundtable, which will bring together key representatives of the sector together to provide feedback and input into the FMA's forward looking capital markets agenda. In particular, we are looking to explore the risks and opportunities that arise with a shift to increased private markets, how that impacts opportunities for retail investors, including their ability for wealth creation. FMA's sandbox supports development of innovative new businesses, and we are also considering several exemptions that aim to reduce unnecessary regulatory burden on industry.
Promote innovation and flexibility in financial markets including by supporting innovative entry into markets with approaches like regulatory sandboxes.	The FMA continues to focus on fostering responsible innovation, which reduces barriers to market entry. Our Regulatory Sandbox pilot was launched with six firms selected to participate. Work is underway to design, implement and resource the sandbox to ensure the FMA can deploy regulatory tools at pace to support the firms to as they launch new financial products and services.
Work with MBIE to strengthen the strategic governance of the financial markets conduct regulatory system.	The FMA will engage with MBIE to develop a shared understanding about how to strengthen strategic governance of the regulatory system to better meet the needs of market participants and consumers. We maintain a strong focus on regulatory stewardship work, with collaborative work underway with CoFR agencies to streamline compliance and licencing. This is being done in preparation for the upcoming International Monetary Fund's Financial Sector Assessment Program assessment.
Maintain a strong organisational capability with a focus on delivery	The FMA will maintain a strong organisational capability, with a focus on the delivery of the Board's priorities and meeting the Minister's expectations, as well as responding to emerging issues. To achieve this, we will promote a culture of continuous improvement, align our governance, and invest in our systems and people to deliver on our regulatory outcomes.
Works to ensure that new regulatory functions are well established within the organisation with clear direction and appropriate resourcing.	The FMA will ensure that new regulatory functions are well established, by providing adequate resourcing to support the new functions, support staff to upskill to possess the necessary skills and knowledge where needed and develop robust processes and procedures. The FMA aims to ensure the functions are fully operational and effective to enable us to protect consumers and maintain market integrity.

## **Preparation of accountability documents and performance measures**

The FMA Board maintains close oversight of the organisation against its strategic performance measures and expectations. In April 2025, the FMA has provided your office a copy of the Statement of Performance Expectations for 2025/26.

The FMA will continue to provide you with a half-year report on its performance for the period July-December. The period of January to June will be covered by the FMA's Annual Report.

## **General expectations and good governance**

The FMA Board and Executive acknowledge the general expectations required as an Independent Crown Entity. The Board is committed to ensuring effective and high-performance governance of the FMA. This includes reviewing our Board's way of working in the light of our enhanced focus on outcomes and our expanding mandate.

Maintaining a strong and effective working relationship with MBIE is a priority. We will ensure active engagement with MBIE as part of our strategy setting process and preparation of key documents to ensure effective accountability. We will also continue to provide technical input into proposed changes to policy settings.

I also note the Government's expectation of a 'no surprises' policy. Through the regular meetings with you, and ongoing contact with your office and MBIE, we can assure you of our commitment to fulfil this expectation.

## **Concluding response**

The FMA is able to work towards our strategic objectives due to the dedication and commitment of our staff, and with the support of the Government, to deliver confidence in our financial markets and better outcomes for New Zealand.

Together with my fellow board members and the executive leadership team we are committed to working with you and your office to support an effective working relationship. I look forward to continuing to meet you regularly to brief you fully on the FMA's ongoing work. If you have any questions about this response, please don't hesitate to get in touch.

The FMA will publicly release both your Letter of Expectations and this response on its website as part of the FMA's commitment to transparency.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Craig Stobo', with a stylized flourish underneath.

Craig Stobo  
Chair