

23 November 2018

Financial Markets Authority

consultation@fma.govt.nz

Response to the consultation on proposed open-ended term for FMCA licences

This submission is from the Financial Services Council of New Zealand Incorporated (**FSC**) on the Financial Market Authority's (**FMA's**) consultation on the proposed open-ended term for FMCA licences.

The FSC represents New Zealand's financial services industry having 35 members at 31 October 2018. Companies represented in the FSC include the major insurers in life, disability, income, and trauma insurance, and some fund managers and KiwiSaver providers plus law firms, audit firms, and other providers to the financial services sector.

Our submission has been developed through consultation with FSC members, and represents the views of our members and our industry. We acknowledge the time and input of our members in contributing to this submission.

The FSC's guiding vision is to be the voice of New Zealand's financial services industry and we strongly support initiatives that are designed to deliver:

- Strong and sustainable consumer outcomes;
- Sustainability of the financial services sector; and
- Increasing professionalism and trust of the industry.

Overall, we support the proposal to remove the expiry dates for all current FMCA licences and apply an open-ended term. Our responses to the specific questions in the consultation paper follow.

1. Do you support the proposed open-ended term for all FMCA licences? Please give reasons for your view.

Yes. This would significantly reduce compliance costs and expended resources by both the licensees and the FMA. Given the FMA's estimated number of Financial Advice Provider licences, this additional future capacity will be very important.

2. What impact would this proposal have on the licensees? We are particularly interested in any benefits, risks, and cost savings or costs imposed.

The impact is largely that there would be compliance cost savings.

The benefits are in relation to savings on resource and cost, with some FSC members advising that the time and employee cost involved in preparing licenses is substantial. As an example, one FSC member advises that several weeks were spent renewing their QFE licence in 2016. Specific benefits are the time involved in preparing, and signing-off, licence re-applications. This freed-up capacity within FSC member organisations may assist in licensees focussing on good conduct throughout the licensing period.

Given the ongoing licensing obligations under the FMCA we believe there is no real risk of this change undermining the licensing regime.

3. What impact would this proposal have on investors, if any?

None directly as most investors will be unaware of the licensing status of entities.

Indirectly we expect the impact will be low, although investors may benefit from the FMA's increased targeted monitoring and supervision activities due to the freed-up capacity within the FMA.

4. Do you have any other comments on our proposal?

We encourage continued and further emphasis on a risk-based approach to monitoring and supervision, investigations and enforcement, policy and guidance, and education and information as opposed to an even allocation of FMA resources to all licence types. This risk-based approach may mean:

- a. developing principles for where licence re-application is considered necessary; and
- b. considering a different approach for those, likely smaller, licensees who may not be subject to ongoing FMCA review.

I can be contacted on 021 0233 5414 or richard.klipin@fsc.org.nz to discuss any element of our submission.

Yours sincerely

Richard Klipin

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