

# Submission on *Review of Financial Markets Authority Funding and Levy*

## Your name and organisation

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<b>Organisation (if applicable)</b>	Institute of Finance Professionals New Zealand Inc (INFINZ)

## Responses to discussion document questions

### Introduction

1 *Do you have any feedback on the objectives of the review?*

It is in our opinion that the objectives of the review are valid, but the discussion document does not contemplate a wide enough review of the FMA’s funding model and the mechanisms for (i) determining both the appropriate model and the optimal quantum of funding under that model for the relevant funding years (ii) assessing the effectiveness of the FMA on an ongoing basis as one of the elements of that funding model.

The approaches taken in other jurisdictions, including Australia, Canada and the United Kingdom, could usefully be considered as part of a more comprehensive review.

We recognise there is an immediate funding need to address the required near-term activities of the FMA and support this present review for that purpose.

Given however the significant sums involved, which, as the discussion document notes, are likely to further increase on account of the proposed new conduct and insurance regimes, we also consider a more comprehensive review is required. This review should draw on overseas experience and the Productivity Commission’s 2014 Report on Regulatory Institutions and Practices to put in place a more robust, longer term, funding model for the FMA.

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2 *Which of the FMA funding options do you consider to be most appropriate and why?*

We support the FMA being funded to a level where it is able to discharge its duties in monitoring and regulating an increasingly complex market, whilst also meeting the needs and expectations of market participants and New Zealand consumers. In considering the assessment of each option against the criteria set out in the discussion paper , we consider the funding should target the outcomes described in option 3, on the basis this is an interim position until a wider review of the FMA’s funding model and related methodology mechanisms is undertaken.

We are not in a position to express a view as to whether the actual dollar amounts ascribed

to each of the options are the optimum ones, and in particular whether \$60.80M is the appropriate amount to deliver the outcomes set out under option 3.

3 *Are there any areas of FMA expenditure that you think should be expanded or reduced? Why?*

We endorse the comments in the discussion paper about the challenge of recruiting a significant number of new employees, particularly under option 3. A key issue will be recruiting people with requisite experience and judgement given the new roles of the FMA, noting also that the FMA will be competing with other regulators, the trustee companies and the financial institutions themselves for people with the necessary expertise, experience and qualities. INFINZ would be happy to assist FMA in the recruitment process through accessing its networks offshore.

### Funding recovery options

4 *Do you think that the proposed additional funding for the FMA should be wholly levy recovered or should the Crown contribute towards the increase? Why?*

It is our view that a wider review is required benchmarked against various global funding models for regulators. There are examples globally where central government contributes significantly more or less than the levels currently in place for the FMS which in itself can potentially drive different incentives and market outcomes.

It is also critical that market participants are able to at least play a role in setting the future funding priorities of the FMA, as they do in other jurisdictions such as [Australia] . Whilst having input into the strategy is important, there is a key role for industry [and potentially independents], as well as the consumer side, in helping set the funding and levy levels for the FMA and monitoring the FMA's effectiveness. Striking the right balance of independent funding from the Crown whilst also ensuring market participants contribute sufficiently and have broad support for the activities of the FMA will contribute to a better financial system.

5 *What is the appropriate Crown/levy split of the FMA's appropriation and why?*

As per above, we support a wider review being undertaken. Meanwhile, we do not consider that the Crown's portion of the current Crown/levy split should be reduced in proportionate terms.

### Changes to the FMA levy

6 *Do you have any comments on the proposed new levy classes/tiers? Should further classes be considered?*

As per 4, we propose a wider review is undertaken. Broadly however we support a model that is forward looking and reset regularly with industry consultation and where the sectors

that face the highest level of oversight and present the greatest risks to consumers bear a higher proportion of the levy than those that do not.

7 *Do you have any comments on the different tiers in the levy model?*

As per above.

8 *Do you have any feedback on the impacts of the proposed changes to the levies presented in the Annex?*

As per above.

## Other comments

INFINZ with over 1800 individual members from across the financial sector eco-system [www.infinz.com](http://www.infinz.com) would welcome the opportunity to be involved in a wider review of potential funding models, methodology and monitoring mechanisms .