



COVERSHEET

Minister	Hon Dr David Clark	Portfolio	Commerce and Consumer Affairs
Title of Cabinet paper	Financial Markets Authority levy regulations: Policy approvals	Date to be published	19 May 2022 <u>after Budget 2022 announcement</u>

List of documents that have been proactively released

Date	Title	Author
April 2022	Financial Markets Authority levy regulations: Policy approvals	Office of the Minister of Commerce and Consumer Affairs
13 April 2022	DEV-22-MIN-0088 Minute	Cabinet Office
6 April 2022	Regulatory Impact Assessment: 2021 Review of the Financial Markets Authority funding and levy	MBIE

Information redacted

NO

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.



Cabinet Economic Development Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Financial Markets Authority Levy Regulations: Proposed Amendments

Portfolio Commerce and Consumer Affairs

On 13 April 2022, the Cabinet Economic Development Committee (DEV):

- 1 **noted** that on 29 September 2021, DEV agreed to the release of a consultation document seeking feedback on the Financial Market Authority's (FMA) funding requirements, adjustments to the FMA levy, and implementation of the new conduct of financial institutions, insurance contract legislation, and climate-related disclosures regimes [DEV-21-MIN-0196];
- 2 **noted** that as part of the Budget 2022 process, Cabinet will be considering whether to increase the FMA's appropriation:
 - 2.1 by \$15.610 million to \$76.415 million (including a one-off capital expenditure of \$0.014 million for the conduct of financial institutions regime) in 2025/26; and
 - 2.2 by \$15.596 million per annum to a total of \$76.401 million in 2026/27 and outyears;
- 3 **noted** that as part of the Budget 2022 process, Cabinet will also be considering whether:
 - 3.1 to increase the Crown's contribution to the FMA's operational funding by \$0.406 million in 2022/23, \$0.774 million in 2023/24, \$1.338 million in 2024/25 and \$1.626 million per annum in 2025/26 and outyears;
 - 3.2 \$6.408 million in 2022/23, \$8.093 million in 2023/24, \$10.860 million in 2024/25 and \$13.970 million in 2025/26 and outyears will be recovered from levy payers (non-tax revenue); and
 - 3.3 to fully Crown fund the capital funding for the conduct of financial institutions and climate-related disclosure regimes;
- 4 **noted** that as part of the Budget 2022 process and subject to decisions on changes to the FMA appropriation, Cabinet will be considering the phasing of any increase to the FMA's total appropriations (operational and capital funding) by \$8.027 million in 2022/23, \$9.743 million in 2023/24, \$12.212 million in 2024/25, \$15.610 million in 2025/26, and \$15.596 million per annum in 2026/27 and outyears;
- 5 **noted** that to recover the levy amounts referred to in paragraph 3.2 above, the FMA levy paid by relevant financial market participants must be updated;

- 6 **agreed**, subject to Cabinet's decisions in relation to paragraphs 2, 3 and 4 above, to amend the Financial Markets Authority (Levies) Regulations 2012 to make the following changes to the FMA levies, as set out in Annex One of the paper under DEV-22-SUB-0088:
- 6.1 add two new classes to capture, and increase levies, for entities within the scope of the conduct of financial institutions regime;
- 6.2 add a new class and set levies for entities within the scope of the climate-related disclosures regime;
- 6.3 amend the name of two existing classes for banks, non-bank deposit takers and insurers to distinguish between the new classes that will be created to capture entities within the scope of the conduct of financial institutions regime;
- 7 **noted** that the Minister of Commerce and Consumer Affairs intends to seek Cabinet approval of the FMA's funding needs in relation to the insurance contract law regime at a later date and closer to when the Insurance Contracts Bill will be passed by Parliament;
- 8 **noted** that there is a possible risk of an under-recovery of levies by the Crown in 2022/23 only in relation to the collection of levies for the conduct of financial institutions regime as a result of these levies being expected to commence on 1 September 2022;
- 9 **authorised** the Minister of Commerce and Consumer Affairs to issue drafting instructions to the Parliamentary Counsel Office to draft regulations to give effect to the above paragraphs;
- 10 **authorised** the Minister of Commerce and Consumer Affairs to make minor or technical changes to the FMA levy model and regulations consistent with the above policy decisions.

Janine Harvey
Committee Secretary

Present:

Hon Grant Robertson (Chair)
Hon Dr Megan Woods
Hon David Parker
Hon Poto Williams
Hon Damien O'Connor
Hon Stuart Nash
Hon Kris Faafoi
Hon Michael Wood
Hon Dr David Clark
Hon Phil Twyford
Rino Tirikatene, MP
Dr Deborah Russell, MP

Officials present from:

Office of the Prime Minister
Officials Committee for DEV