

Submission on 2021 Review of the Financial Markets Authority Funding and Levy

Your name and organisation

Name	Privacy of natural persons
Organisation (if applicable)	KIWI WEALTH LIMITED

Responses to discussion document questions

Introduction

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

No.

The funding options

2 *Do you have any feedback on the criteria for assessing the funding options?*

No.

Funding options – Conduct of Financial Institutions

3 *Do you agree with the analysis of the FMA funding options for CoFI? Which option do you consider to be most appropriate and why?*

NA

4 *How would CoFI Option 1 impact you/your business compared to CoFI Option 2?*

NA

5 *If you were to make material changes to the CoFI options, how would you do so and on what basis?*

NA

Implementation – Conduct of Financial Institutions

6 *Do you have any feedback on the objectives for the implementation of the CoFI regime?*

NA

7 *Do you agree that the CoFI licensing window should begin after financial advice provider transitional licensing window has closed?*

NA

8

Are there other areas of regulatory reform in the financial services sector, where implementation overlaps with the proposed timeframes above, and that you consider it would be preferable to align CoFI implementation with those timeframes from an efficiency perspective? If so, please provide examples.

NA

9

Do you have any feedback on the proposed 18 month window between applications for a conduct licence opening and all the obligations of the CoFI Bill coming into force (including having a conduct licence)?

NA

10

Do you think a phased approach to CoFI licensing would be preferable, compared to a single licensing window for all types of financial institutions? Please provide reasons.

NA

11

If a phased approach to CoFI licensing would be preferable, what factors do you think should be considered in determining the order of phasing?

NA

12

Do you have any other general comments regarding the implementation timing of the CoFI regime?

NA

Funding options – Insurance Contract Law

13

Do you agree with the analysis of the FMA funding options for ICL? Which option do you consider to be most appropriate and why?

NA

14

How would ICL Option 1 impact you/your business compared to ICL Option 2?

NA

15

If you were to make material changes to the ICL options, how would you do so and on what basis?

NA

Funding options – Climate-related Disclosures

16

Do you agree with the analysis of the FMA funding options for CRD? Which option do you consider to be most appropriate and why?

- Agreed.
- Option 1.

- Under option 1 there will be more engagement and ‘facetime’ with the FMA given that specialised and sufficient resources will be allocated to manage CRD. We also welcome the proactive approach to monitoring disclosures and issuing guidance for compliance purposes. The industry can collectively benefit from having more access to the regulator especially during the early stages of the regime.

17 *How would CRD Option 1 impact you/your business compared to CRD Option 2?*

- The downside is option 1 costs more than option 2 for CRD reporting entities. And that such expense is additional to the other reporting related costs such as data, training, assurance, and potential consultation.
- The upside is as stated above in question 16, we will benefit from more active engagement with the FMA and that our investors and customers will benefit from a well-regulated financial market, where climate risk related information are standardised and are comparable among competitors.

18 *If you were to make material changes to the CRD options, how would you do so and on what basis?*

NA.

Funding recovery options

19 *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?*

- The Crown should contribute more towards the levy cost.
- From a cost perspective, the CRD regime introduces many new costs to its reporting entities, such as hiring and training staff, data collection and validation, external consultation, and costs for assurance. Given that the regime is mandatory, entities are unlikely to be able to negotiate the best commercial deal possible for themselves as the choice for pursuing alternative solutions or service providers is limited. To ask the reporting entities to fund 83% of the levy on top of the other mentioned costs can be a regulatory burden to businesses especially when some of the costs cannot be fully passed on.

20 *Do you think that the Crown should contribute relatively more to any of the regimes than others? If so, please explain why.*

- The crown should consider contributing more towards the CRD levy if not all. The cost of successfully implementing the regime can be significant on the reporting entities and there is little room for alternative solutions. As an industry we may be held ‘ransom’ by the data providers, where high service fees may be charged. We would like to explore how the levy cost can be reduced as there will be many other un-negotiable, on-going operational costs facing the reporting entities in the coming future.

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

- Mostly funded by the Crown.
- We acknowledge that we have the responsibility and capability to promote and facilitate behaviour changes in the sectors we invest in. While we are determined to

embed the 'green' mindset into our own strategic planning and our day-to-day operations, this is a private initiative which should not be claimed by the new CRD regime as a benefit that is offered to the private sector.

- The CRD regime appears to be mostly for the benefit of the public as it is to facilitate New Zealand's transition to a low emission economy and contribute to New Zealand's Paris Accord commitment. Hence the Crown should be responsible for a larger portion of the cost.

The current FMA levy model

22 *Do you have any feedback on the objectives underlying the levy model?*

No.

23 *Do you agree that larger entities should pay a relatively larger portion of any levy increase? If not, please explain why.*

Yes.

Proposed changes to the FMA levy

24 *Do you think the proposed levy changes meet the objectives?*

Yes.

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

No.

26 *Do you have any feedback on the impacts of the proposed changes to the levies presented in Annex 1? How would the proposed changes impact your business? Please provide examples.*

No/

27 *Do you think any of the levy classes in Annex 2 should pay an increased levy as a result of these new regimes? If so why?*

No.

Other comments