

# Regulatory Radar

August/September 2023



**over**  
AND ABOVE

## What's happening?

### A new conduct licensing regime

- The new **Financial Markets (Conduct of Institutions) Amendment Act 2022** (CoFI) is designed to protect consumers and requires registered banks, licenced insurers and licenced non-bank deposit takers (financial institutions) to:
  - be licensed by the Financial Markets Authority (FMA) in respect of their conduct towards consumers; and
  - comply with a "fair conduct principle" to treat consumers fairly, establish, maintain, implement and comply with their "fair conduct programme (FCP)"; and
  - comply with regulations that will ban target-based sales incentives e.g. profit share arrangements. The regulations relating to incentives will also apply to our brokers and intermediaries.
- Find out more about CoFI here: **Conduct of Financial Institutions (CoFI) legislation | Financial Markets Authority** ([fma.govt.nz](https://fma.govt.nz)).

### Conduct licensing regime: Key dates

- **November 2022:** The FMA published the following guidance documents:
  - (i) FCP Information Sheet – a resource to help a Financial Institution prepare its FCP;
  - (ii) a guide to financial institution licence requirements; and
  - (iii) final standard conditions for Financial Institution licences.
- **February 2023:** FMA consultation on the first draft guidance for the intermediated distribution of financial products under CoFI.
- **June 2023:** Incentive regulations published by MBIE: <https://www.legislation.govt.nz/regulation/public/2023/0123/latest/whole.html>. Under the incentive regulations financial institutions and intermediaries will be prohibited from offering sales incentives based on volume or value targets to any customer-facing employees and their immediate managers, and to their agents and intermediaries. Licensing fee regulations for financial institutions applying for a market services licence under the regime was published: <https://www.legislation.govt.nz/regulation/public/2023/0124/latest/LMS829791.html>.

The FMA published final guidance for the intermediated distribution of financial products. The guidance outlines the FMA's expectations for intermediated distribution under CoFI at a high level, so it can be applied across different sectors and distribution models. The FMA does not prescribe what financial institutions must do to comply with CoFI or set out a list of steps or rules that financial institutions must take to satisfy the legislative requirements. There is no 'one-size-fits-all' approach.

A commencement order has also been made, which will bring the regime into effect from 31 March 2025. Financial institutions will be able to apply for a licence from the FMA from 25 July 2023 and must be licensed by **31 March 2025** to continue providing relevant services to consumers. The FMA has advised that by submitting an application as early as possible, applicants will give themselves the best chance of ensuring their licence is processed before 31 March 2025. The commencement order can be found at the following link: <https://www.legislation.govt.nz/regulation/public/2023/0122/latest/LMS830584.html>

- **Early-2025:** regime commences and financial institution licences come into effect.

Vero contributes to ICNZ submissions on all CoFI consultations.

### FENZ levy increase

The FENZ levy will increase by 12.8% from 1 July 2024. This is separate to the levy changes that are expected to come into effect July 2026.

#### More information can be found here

<https://www.fireandemergency.nz/about-us/about-the-levy/levy-rate/>.

### IFSO changes

From 1 September 2023 the Insurance and Financial Services Ombudsman will be able to investigate complaints about insurance claims, credit and other financial services/ products up to \$350,000+gst, or \$2,625+gst per week for regular payments. Complaints go firstly to the insurer and then through to IFSO. These limits were previously \$200,000+gst and \$1,500+gst.

#### Links to further information

[IFSO | More consumers can now get access to free dispute resolution](#)

[IFSO | Constitution and Terms of Reference changes](#)



© 2023 Copyright Vero Insurance New Zealand Limited ("Vero"). The information provided is general in nature, and does not replace technical specialist advice in respect of a person's individual circumstances. Vero and its related companies do not accept any responsibility or liability in connection with your use of or reliance on this document. You must not copy, reproduce, sell, modify or distribute this document, electronically or otherwise, in any way except with the express written consent of Vero.