



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.
- Fair consumer treatment is a shared responsibility between financial institutions and intermediaries.
- Find out more about CoFI here: **Conduct of Financial Institutions (CoFI) legislation | Financial Markets Authority** (fma.govt.nz)

With the new Prime Minister, Chris Hipkins indicating significant policy changes from his government, we may see changes to regulatory priorities in the coming months which may impact the insurance industry. We will monitor these developments and keep you updated.



Conduct licensing regime: Key dates

- **June 2022:** The Financial Markets (Conduct of Institutions) Amendment Act 2022 was passed into law.
- **July – September 2022:** FMA forums on General insurance intermediated distribution – representatives from insurers including Vero, brokers including IBANZ and intermediaries.
- **July 2022:** Consultation on the proposed standard conditions for financial institution licences.
- **October/November 2022:**
 - (i) consultation on proposed licensing fees for financial institutions under CoFI.
 - (ii) draft regulations relating to the prohibition of sales incentives based on volume and value targets. In addition to financial institutions the prohibition will apply to brokers and other intermediaries so they should be considered carefully.
- **November 2022:** The FMA published the following guidance documents:
 - (i) FCP Information Sheet – a resource to help a Financial Institution prepare its FCP;
 - (i) a guide to financial institution licence requirements; and
 - (iii) final standard conditions for Financial Institution licences.
- **Early 2023:** FMA expected to release:
 - (i) consultation on proposed guidance on intermediated distribution under CoFI.
 - (ii) final incentives regulations.
- **25 July 2023:** financial institution licence applications open for submission.
- **Early-2025:** regime commences and financial institution licences come into effect.

Vero contributes to ICNZ submissions on all CoFI consultations.