



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)

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;
 - (ii) a guide to financial institution licence requirements; and
 - (iii) final standard conditions for Financial Institution licences.
- **February 2023:** FMA consultation on its draft guidance for the intermediated distribution of financial products under CoFI. Submissions close on 14 April. The draft guidance has been developed in consultation with industry through the FMA forums held in July-September 2022.

At a high-level, the guidance provides clarity on the FMA's expectations relating to distribution methods under CoFI that can be applied across different sectors and distribution models.

The FMA's view is that CoFI and the financial advice regimes are complementary with the intention that the dual regimes create a shared responsibility between financial institutions and FAPs who should work together to ensure consumers are treated fairly.

- **June 2023:** final incentives regulations expected to be published.
- **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.

FENZ levy increase

FENZ consulted on a 12.8% increase to levies for the 2024/25 and 2025/26 financial years, taking effect from 1 July 2024. The increase is said to be needed to fund FENZ's additional operating costs. If the increase proceeds, the level of work required to implement this is expected to be substantial for all Insurers and Brokers. This proposed increase is a transitional change and separate to the levy changes that are expected to come into effect in July 2026.