



## 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”; 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](https://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. Submissions close on 26 October 2022.
  - (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. Submissions close on 9 November 2022.
- **Late-2022/early-2023:** FMA expected to release:
  - (i) a licence application guide
  - (ii) guidance on intermediated distribution under CoFI
  - (iii) a Fair Conduct Programme information sheet.
- **Mid-2023:** financial institution licence applications expected to open, ~18 months prior to regime commencement.
- **Early-2025:** regime commences and financial institution licences come into effect.



## Whats happening? FMA Consultation: Proposed guidance for client money or property service providers

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In 2014, the Financial Markets Authority (FMA) published a **guidance note** on broker obligations. Since then, the *Financial Advisers Act 2008*, which set out the obligations for brokers, has been repealed. The equivalent obligations are now contained in the *Financial Markets Conduct Act 2013*, and brokers are now referred to within that legislation as 'client money or property service providers'.

The FMA are proposing to update the 2014 guidance, to align with the new regulatory regime, and incorporate additional information to address issues observed through recent monitoring and misconduct cases. The FMA are also proposing to incorporate additional guidance for custodians, who have specific obligations in addition to those that apply to all client money and property service providers.

## FMA Consultation: Key dates

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The **FMA are requesting feedback on the guidance** and the deadline for submissions is **5pm, Tuesday 1 November 2022**. This consultation is for client money or property service providers (brokers and custodians), as well as users of those services, and other interested parties. Vero will be contributing to ICNZ submissions on this consultation.

