

FMA's approach to supervision and key themes from recent monitoring activities

Risk NZ 7th National Biennial Conference, 23 October 2014
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Agenda

- FMA's objective and our harms-based approach to supervision
- Growing market confidence
- How we supervise
- Monitoring reports: key themes from monitoring
- Spotlight on QFE monitoring
- FMC Act licensing approach



FMA's main objective

Willing compliance

**Sound investment
advice**

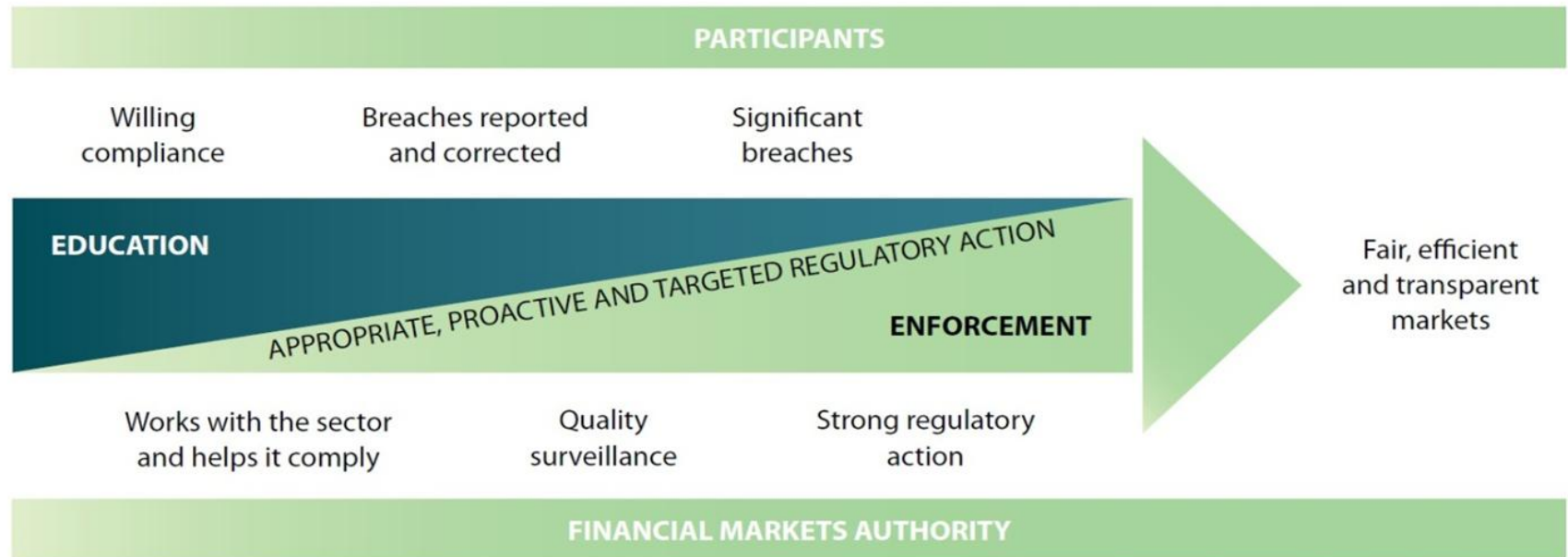
**Informed and
confident investors**

**Competent risk
management**

**Working
together**

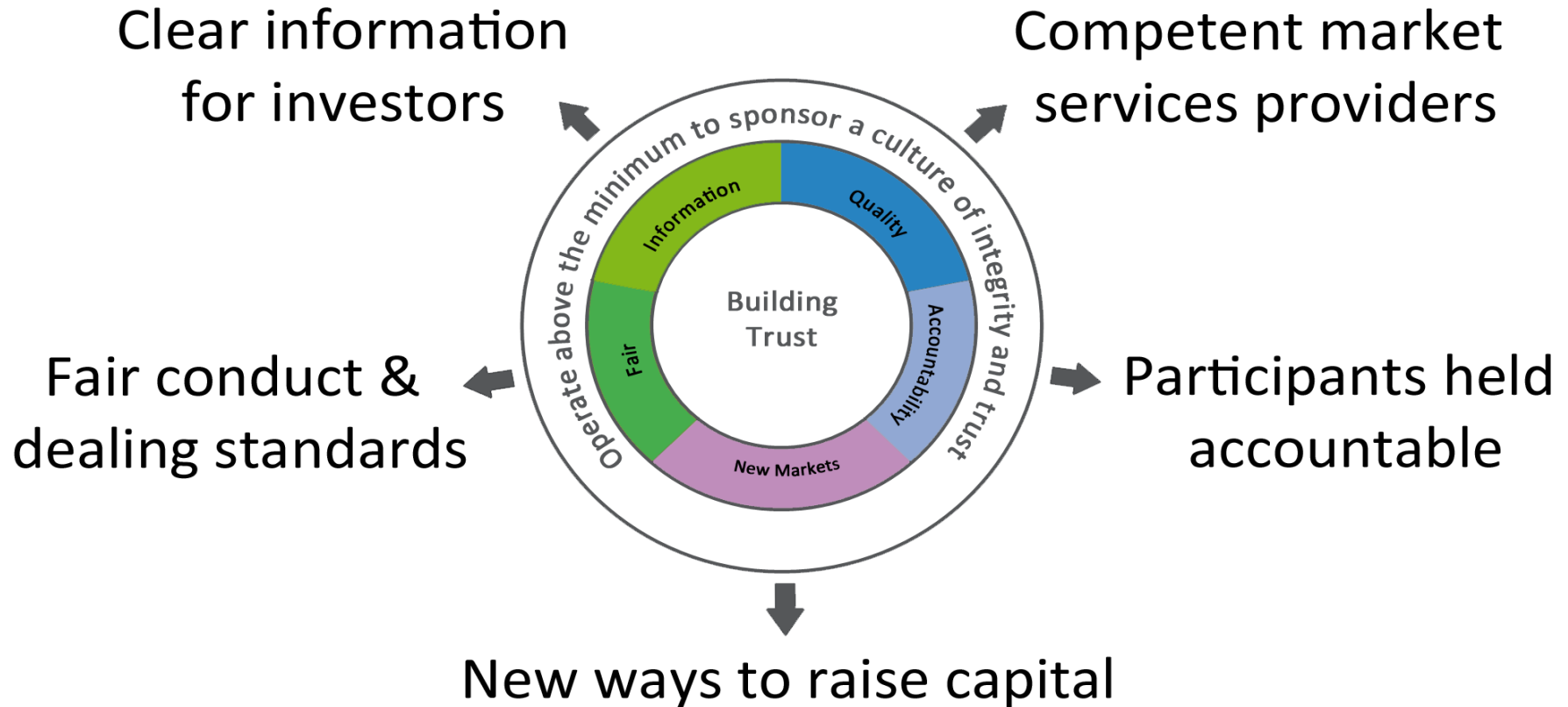
**Growing NZ's
financial markets**

Harms-based approach to regulation



Growing market confidence...

through fair, efficient and transparent financial markets
built on...



How we supervise

- Why supervise?
- Who do we monitor?
- Financial markets legislation we monitor
- Licensing assessment and supervising licensees
- Monitoring activities
 - Risk-based and intelligence led
 - Onsites, desk-based reviews
 - Enquiries into complaints, tip offs etc



Key themes from monitoring

- Guidance Note: Broker conduct obligations (Feb 14)
- QFE Monitoring Report (Sept 14)
- AFA Monitoring Report (Sep 14)
- AML/CFT Monitoring Report (Oct 14)



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QFE Monitoring – key recommendations

Supervision

- Must be formalised
- Give assurance
- Oversight of record keeping



Management Reporting

- Comprehensive oversight
- Give positive assurance



Breach Reporting

- Proactive compliance reporting
- Putting customer interests first



Record keeping

- Comprehensive and consistently recorded
- Supports 'suitability' of advice given
- FSPR details



New licensing requirements

- Integrity is crucial to building trust
- Providers need to have the right level of skill, competency and capability
- Licensing sets the bar
- Who needs a licence?



FMC Act Licencing approach

Fit and Proper

- Directors and Managers are fit and proper

Capability

- applicants are capable of performing the service

Operational Infrastructure

- adequate risk management and compliance systems and processes

Governance

- well governed, with a culture that promotes client interests

Financial Resources

- Sufficient to effectively perform the service

Summary

- We want to work with willing compliers
- Our supervision targets harm – not tick-box compliance
- Culture of compliance is key
- Monitoring feedback aims to improve practices
- Licensing sets the bar
- Bringing NZ's financial markets up to global standards



