Submission

to the

Ministry of Business, Innovation and Employment

on the

Discussion paper: Financial advice provider licensing fees and changes to the FMA levy

22 February 2019

NEW ZEALAND BANKERS ASSOCIATION
Level 15, 80 The Terrace, PO Box 3043, Wellington 6140, New Zealand
TELEPHONE +64 4 802 3358 EMAIL nzba@nzba.org.nz WEB www.nzba.org.nz

About NZBA

1. NZBA works on behalf of the New Zealand banking industry in conjunction with its member banks. NZBA develops and promotes policy outcomes that contribute to a strong and stable banking system that benefits New Zealanders and the New Zealand economy.

2. The following seventeen registered banks in New Zealand are members of NZBA:

- ANZ Bank New Zealand Limited
- ASB Bank Limited
- Bank of China (NZ) Limited
- Bank of New Zealand
- MUFG Bank, Ltd
- China Construction Bank
- Citibank, N.A.
- The Co-operative Bank Limited
- Heartland Bank Limited
- The Hongkong and Shanghai Banking Corporation Limited
- Industrial and Commercial Bank of China (New Zealand) Limited
- JPMorgan Chase Bank, N.A.
- Kiwibank Limited
- Rabobank New Zealand Limited
- SBS Bank
- TSB Bank Limited
- Westpac New Zealand Limited

Background

3. NZBA welcomes the opportunity to provide feedback to the Ministry of Business, Innovation and Employment (**MBIE**) on its discussion paper: *Financial advice provider licensing fees and changes to FMA levy* (**Discussion Paper**). NZBA commends the work that has gone into developing the Discussion Paper.

4. If you would like to discuss any aspect of the submission further, please contact:

Antony Buick-Constable
Deputy Chief Executive & General Counsel
04 802 3351 / 021 255 4043
antony.buick-constable@nzba.org.nz

Olivia Bouchier
Associate Director – Policy and Legal Counsel
04 802 3353 / 021 876 916
olivia.bouchier@nzba.org.nz

Introduction

5. NZBA generally supports the proposals set out in the Discussion Paper, subject to the following comments.

Comments on proposed licensing fees

6. NZBA considers that the objectives for setting licensing fees for financial advice providers are reasonable and that the proposals set out in the Discussion Paper will be likely to meet those objectives.

7. NZBA would welcome further clarity on the licensing fee assessment. In particular, with respect to the likely total amount of the fees where an application exceeds the allotted time (consistent with the objective at paragraph 11(c) of the Discussion Paper).

Comments on proposed changes to the levy

8. NZBA agrees that consumer protection must be a central objective of the levy. However, the levy should also be proportionate, and take into account other levies operating over market participants. Accordingly, we consider that the proposed objective at paragraph 30(a) of the Discussion Paper should be expanded as follows:

   > *the cost of the levy for market participants is* ***proportionate and*** *consistent with the benefits they receive from a well-regulated financial market.*

   We consider that amending the objective in this way will ensure the growth and sustainability of all market participants, which in turn benefits customers.

9. We note that the levy for nominated representatives at annual confirmation is new (compared to the QFE regime). We consider that the introduction of an annual levy per nominated representative may have unintended consequences on financial markets. For example:

   (a) The focus on a monetary amount paid per individual nominated representative may shift business models to support information only, or limit access to a range of financial advice options for consumers, due to the compliance cost, scalability and simplicity of some business models.

   (b) There appears to be no allowance for pro-rata nominated representatives. That could impact on the diversity and flexibility of the workforce for financial advisers. For example, it could result in more limited frontline advice models, in turn restricting the availability, serviceability and timeliness of financial advice.

   As noted by the Financial Markets Authority and Reserve Bank of New Zealand in their 'Survey of Bank Customers' (undertaken as part of the Bank Conduct and Culture Review), the highest customer engagement with the industry was face-to-face, by email and telephone enquiries, supporting the ongoing need for interpersonal customer advice options.

10. Rather, we would welcome tiered annual levies for nominated representatives with the top tier being capped at $80,000 (as proposed).

11. Additionally, we suggest that the cap include any payments made by a financial advice provider on behalf of any financial advisers in respect of their levies. Otherwise, financial advice providers may be disincentivised from engaging financial advisers or qualifying nominated representatives as financial advisers.

12. Finally, we query the assumption at paragraph 49(a) of the Discussion Paper – that financial advice providers will engage a mixture of financial advisers and nominated representatives. Many financial advice providers may engage only (or largely) nominated representatives. Accordingly, the annual cost is likely to be a significant increase for those providers.