

# Submission

to the

# Financial Markets Authority

on the

# Consultation paper: Proposed open-ended terms for FMCA licences

21 November 2018

## 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 Financial Markets Authority (**FMA**) on its consultation paper *Proposed open-ended terms for FMCA licences (Consultation Paper)*. NZBA commends the work that has gone into developing the Consultation Paper.
4. If you would like to discuss any aspect of the submission further, please contact:

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## Introduction

5. NZBA considers that the proposal outlined in the Consultation Paper will benefit all market participants, and will result in significant cost and time savings for both FMA and market participants.

## Question one

6. NZBA supports the proposed open-ended term for all FMCA licences as ongoing monitoring is likely to be more efficient for both FMA and market participants. Additionally, FMA has appropriate controls in place to ensure that licensees continue to meet the requisite standard. In our view, requiring licensees to go through a licensing renewal process every five years does not result in benefits over and above those that result from ongoing thematic monitoring, but it does impose an additional compliance burden on both FMA and licensees.

## Question two

7. NZBA considers that this proposal will have a number of benefits, particularly in respect of compliance costs. That is because the time and cost involved in preparing licences is substantial, particularly for large organisations.
8. Given the ongoing licensing obligations under the FMCA we do not see there being any real risk of this change undermining the licensing regime.

## Question three

9. NZBA does not consider that this proposal will be likely to have an impact on investors. Investors' confidence may in fact increase if they are aware of the ongoing licensing obligations.

## Question four

10. NZBA supports FMA's retention of the right to impose a set licence term for some licensees, on a case-by-case basis, based on FMA's due diligence and appraisal of each licensee's application. We think this is an important right to retain because an open-ended licence may not be appropriate for all FMCA licence applicants.
11. NZBA also notes that, if FMA does suspend or cancel a licence, it is important that the market is notified of this. For example, the suspension or cancellation of a licence for a Licensed Managing Intermediary may affect a bank's ability to rely on the FMA class exemption for managing intermediaries (which allows banks to do simplified customer due diligence on customers that are Licensed Managing Intermediaries).