

New Zealand: financial markets: conduct of financial institutions legislation.

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New Zealand: Establishing a Conduct Licencing Regime for New Zealand Banks, Insurers, and Deposit Takers via the Introduction of Financial Markets (Conduct of Institutions) Amendment Act 2022 (Legislative Comment)

Charles Ho Wang Mak

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Financial Markets (Conduct of Institutions) Amendment Act 2022 was passed, bringing in a new conduct regime for Aotearoa New Zealand's banks, insurers, and non-bank deposit takers.

On 29 June 2022, the Financial Markets (Conduct of Institutions) Amendment Act 2022 was passed into law in New Zealand. The Act establishes a new conduct licensing regime for regulating the conduct of financial institutions, which is scheduled to take effect at the start of 2025. This article seeks to examine the key features of the Financial Markets (Conduct of Institutions) Amendment Act 2022.

Background

The Financial Markets (Conduct of Institutions) Amendment Act 2022 amended the Financial Markets Conduct Act 2013 to guarantee that certain financial institutions and their intermediaries adhere to the principle of fair conduct and its duties and regulations. The Financial Markets (Conduct of Institutions) Amendment Act 2022 strives to guarantee that customers are treated fairly by financial institutions. It is intended to safeguard consumers by placing them at the forefront of the institution's actions and decisions.

Once the new regime comes into effect in early 2025, registered banks, licenced insurers, and licenced non-bank deposit takers must operate under a 'financial institution licence' given by the Financial Markets Authority of New Zealand in order to provide services to customers. The standard conditions must be complied with by all licence holders and each of their authorised entities.

Key Features

Following the implementation of the Financial Markets (Conduct of Institutions) Amendment Act 2022 in early 2025, the new regime will:

First, it requires financial institutions (including banks, insurers, and non-bank deposit takers) to be licenced for their general conduct towards customers. The Financial Markets Authority will oversee and enforce the licencing regime.

Second, it requires financial institutions to create, execute, and maintain effective, fair conduct programmes throughout their organisations to guarantee compliance with the need to treat consumers fairly.

Third, it requires financial institutions to adhere to their code of conduct.

Forth, it requires financial institutions and intermediates in the distribution chain to adhere to laws governing incentives. These regulations will prohibit sales incentives based on volume or value objectives, such as soft commissions like overseas trips, bonuses for selling a particular amount of financial products, and leader boards.

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Comments on the Financial Markets (Conduct of Institutions) Amendment Act 2022

Because New Zealand has been a worldwide anomaly in its lack of conduct regulation for banking and insurance services, this new regime introduced by the Financial Markets (Conduct of Institutions) Amendment Act 2022 will address that vacuum and place the customer at the centre. It will guarantee that New Zealanders are confident that the financial services and products they buy suit their situation and fulfil their needs. In conclusion, the Financial Markets (Conduct of Institutions) Amendment Act 2022 promotes New Zealand's financial stability.