



FINANCIAL SERVICES FEDERATION

25 October 2024

Financial Markets Authority  
PO Box 1473  
Wellington 6140

[consultation@fma.govt.nz](mailto:consultation@fma.govt.nz)

Dear Madam/Sir,

### **Re: Regulatory Returns for Financial Institution Licensees**

The Financial Services Federation (“FSF”) is grateful to the Financial Markets Authority (“FMA”) for the opportunity to respond on behalf of our members to the consultation on regulatory returns for financial institution licensees (“the Consultation”).

By way of background, the FSF is the industry body representing the responsible and ethical finance, leasing, and credit-related insurance providers of New Zealand. We have over 90 members and affiliates providing these products to more than 1.7 million New Zealand consumers and businesses. Our affiliate members include internationally recognised legal and consulting partners. A list of our members is attached as Appendix A. Data relating to the extent to which FSF members (excluding Affiliate members) contribute to New Zealand consumers, society, and business is attached as Appendix B.

Our non-bank deposit taking (NBDT) and credit related insurance members will both be captured under this consultation and be required to provide returns.

### **Introductory Comments**

We would like to begin by stating that we acknowledge the importance of the regulatory returns in ensuring transparency and accountability within the financial sector. We would also like to stress that the FMA needs to ensure that the final question set of the returns avoids duplication and is as straightforward as possible. However, we have several suggestions to enhance the practicality and efficiency of the proposed requirements.

We would also like to state that we wish to see reporting retirements across regulators harmonised as much as possible. We also understand that this is a particular area of insecurity for non-deposit taking lenders due to the move of credit regulation to the FMA from the Commerce Commission. We submit that the FMA needs to explicitly state whether non-deposit taking lenders will be caught under this requirement when credit is captured under a market services license.

## Specific Points

We believe that certain information that has been asked for in the draft question set is duplicative of information already provided in the CoFI licensing application (all FSF members who will be required to file returns are captured under CoFI licensing). The specific parts of the return which we believe duplicate the information the FMA already holds unnecessarily are listed below:

- section **2(a)** and **(b)**
- Section **4(a)**
- Section **5(a)** and **(b)**

Other instances where the FMA already holds the information, or we have a specific point:

- Section **1(a)**, for example if an institution is an insurer and they decide to become a creditor under a credit contract, then that is a material change which requires notification to the FMA within 10 working days. Changes to the FSP register would also be required.
- Section **4(b)** should specify that it is subject to **4(a)** (such as 2(a) and 2(b))
- Section **4(c)** members have notified us that this could be difficult to quantify especially if they have a lot of legacy products. We are unsure what value this is adding to FMA.
- Section **6(a)** the definitions provided are too detailed and have led to some confusion.
- Section **9(a)** to **9(g)** has a lot of detailed questions. It will involve institutions setting up new processes in order to have this information available at return time.
- Section **10(a)** to **10(e)** this is a lot of information, what does the FMA plan to do with it?
- Section **11** is not a realistic question to include. Regardless of whether an institution is adequately resourced they're going to select yes. It is a very subjective question that could be construed as leading.
- Section **14(b)** likely to be a no for the first return due to the short time frame between when its due and the licensing process. The FMA should proactively acknowledge this.
- Section **17**, why does the FMA want access to this information?

## Consultation Questions

### 1. Appropriateness and Clarity:

- Do you believe the requested information is appropriate and sufficiently well defined?
- Is there any information we shouldn't be asking for, or any clarifications we should make?

See above.

### 2. Additional Information:

- Is there any other information we should ask for?

No, we do not believe there is any additional information which the FMA should ask for. As stated elsewhere in this submission we believe that the volume of information already requested will be overly onerous for captured members.

**3. Costs and System Changes:**

- Does providing the suggested information involve any systems changes or major costs for your organisation?

Yes, the fair conduct plan and conduct of financial institutions licensing process has already been the cause of huge system changes and implementation of new processes. In order to mitigate further costs, it is necessary to have this guidance finalised well before March 2025 to avoid implementing new processes that aren't necessary.

**4. Aggregate Reports:**

- We want the market to benefit from this information too.
- Are there any aggregate reports that could be generated from the data that would be useful for the industry (while maintaining the confidentiality of commercially sensitive data)?

Potentially complaints could be aggregated but that information is already available from the DRS Scheme providers so it would be a duplication of information. We also submit that we do not believe that the market would be particularly interested in any of this data.

**5. Submission Timeframe:**

- Do you have any concerns about the proposed three-month timeframe for submitting regulatory returns at the end of each return period?

We do not have any concerns on this point.

**6. First Reporting Period:**

- Do you have any concerns regarding capturing information for the first reporting period commencing 1 July 2025 if the final question set is published in March 2025?

Some members identify that there is so much happening with CoFI that expecting an institution to capture info from 1 July is unrealistic. April, May, June is a busy time for institutions with annual reporting, financial account auditing, climate related disclosures etc, that adding another compliance burden is unrealistic.

**7. Preferred Reporting Period:**

- Do you prefer the proposed alternative reporting period of 9 months (which would start 1 October 2025) for the first regulatory return and subsequent proposed annual frequency?

We have had mixed responses to this question from our members. We believe that institutions should be given the option to choose between the options for the first return period.

**8. Regulatory Burden:**

- Do you have any concerns about regulatory burden in relation to preparing and completing the FI regulatory returns (e.g., completing multiple regulatory returns if you hold more than one licence issued by the FMA)?  
See above answers to questions 6 and 7. In addition to this return there are AML returns, Commerce Commission Annual Reporting and Climate reporting requirements to the FMA as well.

**9. Other Comments:**

- Do you have any other comments on the proposed regulatory returns?

We assume that the return will be implemented as a portal which members can log into and enter their answers. We suggest that allowing the questions to drop down by subsections instead of having all the questions lined up will ensure it is not unnecessarily complicated. This is likely to be quite a comprehensive exercise so we would like to see the ability to save the return and come back to it so that it does not have to be completed in one session.

Please do not hesitate to reach out if you wish for us to speak further on any of the points made in this submission.

Yours sincerely,



Katie Rawlinson  
Legal and Policy Manager  
Financial Services Federation

## Appendix A



### FSF Membership List as at August 2024

Non-Bank Deposit Takers, Specialist Housing/Property Lenders, Credit-related Insurance Providers	Vehicle Lenders Finance Companies/Diversified Lenders	Finance Companies/ Diversified Lenders contd.	Finance Companies/ Diversified Lenders, Insurance Premium Funders	Affiliate Members	Affiliate Members contd., Leasing Providers and Social Impact Lenders
Finance Direct Limited ➤ Lending Crowd General Finance (BB) Gold Band Finance (B+) ➤ Loan Co Mutual Credit Finance (B) <u>Credit Unions/Building Societies</u> First Credit Union (BB) Nelson Building Society (BB+) Police and Families Credit Union (BB+) <u>Specialist Housing/Property Lenders</u> Basecorp Finance Limited First Mortgage Managers Ltd. Liberty Financial Limited Pepper NZ Limited Resimac NZ Limited <u>Credit-related Insurance Providers</u> Protecta Insurance Provident Insurance Corporation Ltd	Auto Finance Direct Limited BMW Financial Services ➤ Mini ➤ Alphera Financial Services Community Financial Services Go Car Finance Ltd Honda Financial Services Kubota New Zealand Ltd Mercedes-Benz Financial Motor Trade Finance Nissan Financial Services NZ Ltd ➤ Mitsubishi Motors Financial Services ➤ Skyline Car Finance Onyx Finance Limited Scania Finance NZ Limited Toyota Finance NZ ➤ Mazda Finance Yamaha Motor Finance <u>Finance Companies/Diversified Lenders</u> AfterPay Avanti Finance ➤ Branded Financial Basalt Group	Blackbird Finance Caterpillar Financial Services NZ Ltd Centracorp Finance 2000 DebtManagers Finance Now ➤ The Warehouse Financial Services ➤ SBS Insurance Future Finance Geneva Finance Harmony Humm Group Instant Finance ➤ Fair City ➤ My Finance John Deere Financial Latitude Financial Lifestyle Money NZ Ltd Limelight Group Mainland Finance Limited Metro Finance Nectar NZ Limited NZ Finance Ltd	Personal Loan Corporation Pioneer Finance Prospa NZ Ltd Speirs Finance Group (L & F) ➤ Speirs Finance ➤ Speirs Corporate & Leasing ➤ Yoogo Fleet Turners Automotive Group ➤ Autosure ➤ East Coast Credit ➤ Oxford Finance UDC Finance Limited Yes Finance Limited Zip Co NZ Finance Limited <u>Insurance Premium Funders</u> Arteva Funding NZ Ltd Elantis Premium Funding NZ Ltd Financial Synergy Limited Hunter Premium Funding IQumulate Premium Funding Rothbury Instalment Services	Alfa Financial Software NZ Limited American Express AML Solutions Limited Buddle Findlay Chapman Tripp Credisense Ltd Deloitte EY FinTech NZ Finzsoft Happy Prime Limited KPMG Loansmart Ltd LexisNexis Match me Money Ltd Motor Trade Association Odessa Technology Inc. One Partner Limited PWC Sense Partners Simpson Western Summer Lawyers	<u>Credit Reporting, Debt Collection Agencies.</u> Centrix Credit Corp ➤ Baycorp ➤ Collection House Debtworks (NZ) Limited Equifax Gravity Credit Management Limited IDCARE Ltd Illion Quadrant Group (NZ) Ltd Recoveries Corp NZ Ltd <u>Leasing Providers</u> Custom Fleet Euro Rate Leasing Limited Fleet Partners NZ Ltd ORIX New Zealand SG Fleet <u>Social Impact Lenders</u> Money Sweetspot Ltd. Total 99 members



FINANCIAL SERVICES FEDERATION (FSF)

## THE NON-BANK FINANCE INDUSTRY SECTOR - 2024



49%

NON-BANK

BANK

of personal consumer loans are financed by the **non-bank sector** represented by FSF members.

*Setting industry standards for responsible lending,  
promoting compliance and consumer awareness.*

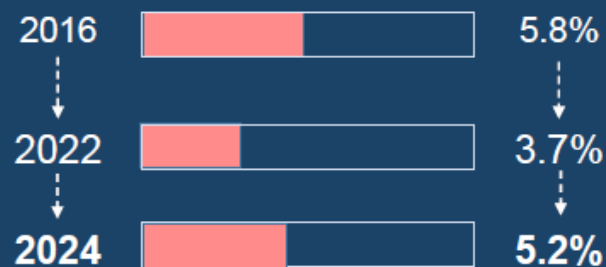
Only **6** dispute resolution complaints  
upheld or partially upheld from  
1 April 2023 to 31 March 2024

## Percent of Loan Requests Approved

48%



## Percent of Loan Book in Arrears



## KEY FACTS: THE NON-BANK FINANCE INDUSTRY SECTOR

### FSF Members (as at 31 Mar 2024)

Number of Members	97
Number of Employees	3,353
Applications Processed	1,102,266
Loan Requests Approved	527,382
Percent of Loan Book in Arrears	5.2%
Loan Disputes Upheld	6

### Bank Sector (as at 31 Mar 2024)

Value of Mortgage Loans	\$352B
Value of Consumer Loans	\$7.7B
Value of Business Loans	\$125B

### Non-Bank Sector Share (as at 31 Mar 2024)

% of Total Mortgage Loans	0.3%
% of Total Consumer Loans	48.5%
% of Total Business Loans	8.7%

### Insurance Credit Related (as at 31 Mar 2024)

Number of Employees	250
Number of Policies	300,209
Gross Claims (annual)	\$22.1M

### Consumer Loans (as at 31 Mar 2024)

Total Value of Loans	\$8.2B
Number of Customers	1,537,502
Number of Loans	1,735,718
Average Loan Size	\$4,746

#### Total Value of Loans:

Mortgage	\$979M
Vehicle Loan	\$4,036M
Unsecured	\$2,129M
Other Security	\$361M
Lease Finance	\$733M

#### Average Value of Loan:

Mortgage	\$134,675
Vehicle Loan	\$13,337
Unsecured	\$1,588
Other Security	\$4,245

### Business Loans (as at 31 Mar 2024)

Total Value of Loans	\$11.9B
Number of Customers	131,161
Number of Loans	202,921
Average Loan Size	\$58,894

#### Total Value of Loans:

Mortgage	\$4,092M
Vehicle Loan	\$2,989M
Unsecured	\$262M
Other Security	\$2,846M
Lease Finance	\$1,763M

#### Average Value of Loan:

Mortgage	\$766,527
Vehicle Loan	\$37,362
Unsecured	\$48,107
Other Security	\$54,724
Lease Finance	\$29,308