



FINANCIAL SERVICES FEDERATION

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Financial Services Federation Response to the Financial Markets Conduct Act Register Fees and Other Financial Markets Authority Fees and Levies Discussion Document

The Financial Services Federation (“FSF”) appreciates the opportunity to make a submission on the Ministry’s discussion paper *Financial Markets Conduct Act Register Fees and Other Financial Markets Authority Fees and Levies*.

By way of background, the FSF is the industry body for the responsible and ethical finance and leasing providers of New Zealand. We have over forty members and associates providing financing, investment, banking and insurance services to over 1 million New Zealanders. Our affiliate members include internationally recognised legal and consulting partners. A list of our members is attached as Appendix A.

The main impact on FSF members of the fee proposals will be:

- a. There are 2 new fees for registering an offer document under the new FMC regime and for annually confirming the associated documents as is required. Each of those new fees is \$3,000 (incl GST);
- b. There are also 2 new fees for registering a managed investment scheme (“MIS”) and for lodging an MIS annual report. These fees are \$775 (incl GST) and \$275 (incl GST).

Besides those 4 new fees, there are a further 14 fees in all of which 2 relate to market operators (and which should affect no FSF members) while 7 of the remainder relate to retirement schemes and superannuation funds (which should affect no FSF members).

Therefore much of the Discussion Document’s content – and consequently also of the 20 questions in respect of which MBIE sees feedback – are of limited or no relevance to FSF members. We therefore propose that rather than providing responses to its 20 questions we will respond in the form of this letter on behalf of affected members about the new fees reflecting their views. “Affected members” there effectively means NBDT members.

As regards the 4 main fees noted at a and b above –

1. The fee to register a prospectus under current law is \$2,327.11 (incl GST) gross but that includes the \$2,000 FMA levy shown separately in the attached fee summary and which is proposed to remain the same as now. As a result, the comparison between the current fee to register a prospectus and the corresponding new FMC Act fee is between \$327.11 (incl GST) and \$3,000 (incl GST) (or including the \$2,000 FMA levy, between \$2,327.11 (incl GST) and \$5,000 (incl GST) or in other words more than doubling;
2. While the Discussion Document talks about the fee fixing methodology etc, that still seems a surprisingly large fee increase;
3. However near doubling only applies when a new offer document is registered: the annual confirmation of a registered offer document would involve only the proposed \$3,000 fee and not also the \$2,000 FMA levy (see para 33 of the Discussion Document). That is however still going to be an increase of nearly \$700 on annual fees costs for NBDT members even if no new PDS is registered (as is shown in the "Year 2" column on page 12 of the Discussion Document);
4. This new regime is already imposing very significant costs on NBDTs in adjusting from a Securities Act regime to an FMC Act regime, to which the above adds more or less \$3,000 in Government charges on registering a new offer document. A number of former NBDTs have exited from retail funding markets in recent years, and while \$3,000 is not a huge amount in the context of some NBDTs' turnovers, it is worth making the point that this fee increase does not exactly assist the cost / benefit equation involved in deciding whether to remain a retail funded NBDT.
5. It is also worth noting that of those NBDTs which have continued to provide the public with alternative deposit options, many of these are small and remain under the \$20 million threshold before they require a credit rating. For these small businesses who are providing viable alternatives to the investing public, \$3,000 is significant, particularly when considered alongside all the other cost imposts they now face ;

As regards the 14 fees other than the 4 main fees addressed above, the following points are of interest:

- Of those 14 fees, 3 are not changing, including the FMA levy of \$2,000 which forms part of what is described above as the fee to register a prospectus under current law of \$2,327.11 (incl GST);
- Another 3 are new fees, and are to be hourly rate-based: the hourly rates do not seem unreasonable;
- One existing fee effectively disappears, this being the \$327.11 (incl GST) component of what is described above as the fee to register a prospectus under current law of \$2,327.11 (incl GST). (The "reviewing offer documents" that this relates to will cease to happen, or at least to be required by Government at the time of registration of an offer: as paras 36 & 37 of the Discussion Document put it, this cost will be reviewed when the FMA levy of \$2,000 is reviewed);
- The hourly rates applicable to 4 existing hourly rate-based fees will decrease (which is welcome in principle, but as they all relate to retirement schemes and superannuation funds, there will be no positive impact for most FSF members);
- The remaining 3 fees are flat fees not hourly rate-based fees, and of them –
 - One increases, from \$51.11 to \$178.25;
 - One increases, from \$102.22 to \$178.25;
 - One remains the same.

The FSF would like to suggest an alternative to the need for a register for prospectuses and offer documents that could be considered and that this be set up purely as a website providing links to the issuers' websites where the most recent PDS could be accessed by a prospective investor.

If there is anything further you wish to discuss, please do not hesitate to contact me.



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EXECUTIVE DIRECTOR

A National Federation of Financial Institutions

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APPENDIX A

Membership List as at 1 July 2014

Debenture Issuers - (NBDT) Non-Bank Deposit Takers	Vehicle Lenders	Finance Company Diversified Lenders	Credit Reporting	Insurance	Affiliate Members
<p><u>Rated</u></p> <ul style="list-style-type: none"> • Asset Finance (B) • Avanti Finance (BB) • Fisher & Paykel Finance (BB+) • Medical Securities (A-) <p><u>Non-Rated</u></p> <ul style="list-style-type: none"> • Mutual Credit Finance • Prometheus Finance 	<ul style="list-style-type: none"> • BMW Financial Services • Branded Financial Services • Community Financial Services Limited • European Financial Services • Fleet Partners NZ Ltd • Mercedes-Benz Financial Services • Motor Trade Finances • Nissan Financial Services NZ Pty Ltd • ORIX NZ • SG Fleet • Toyota Finance NZ • Yamaha Motor Finance 	<ul style="list-style-type: none"> • Centracorp Finance 2000 • Dorchester Finance • Finance Now • Future Finance • GE Capital • Instant Finance • John Deere Financial • Oxford Finance Ltd • Rent Plus • DTR Thorn Rentals 	<ul style="list-style-type: none"> • VEDA Advantage <p><u>Debt Collection Agency</u></p> <ul style="list-style-type: none"> • Baycorp (NZ) 	<ul style="list-style-type: none"> • Autosure • Protecta Insurance • Provident Insurance Corporation Ltd <p><u>Associate Members</u></p> <ul style="list-style-type: none"> • Southsure Assurance 	<ul style="list-style-type: none"> • American Express International (NZ) Ltd • Buddle Findlay • Chapman Tripp • Deloitte • Ernst & Young • PriceWaterhouseCoopers • SimpsonWestern