

**INVESTMENT SAVINGS & INSURANCE ASSOCIATION OF NZ  
INC**

SUBMISSION

TO THE

MINISTRY OF ECONOMIC DEVELOPMENT

ON THE

REVIEW OF FINANCIAL PRODUCTS AND  
PROVIDERS

*Overview and Registration of Financial  
Institutions*

**19 December 2006**



**I · S · I**

## Introduction

The Investment Savings and Insurance Association ("ISI") welcomes the opportunity to comment on the Discussion Document *Overview of the Review and Registration of Financial Institutions* issued as part of the Review of Financial Products and Providers ("RFPP"). Our comments are made on behalf of our members who are the issuers and managers of life insurance, superannuation and managed funds listed at the end of this paper. Our members are keenly interested in the proposals put forward for regulation of the financial services industry and we have appreciated the extensive consultation on these issues with officials and advisory groups.

ISI generally supports the overall framework for regulation of the financial services industry and the registration proposal, but we do have some general comments to make on the overview and the registration proposal.

## General Comments

ISI commends the Ministry of Economic Development for the process followed in the RFPP and the opportunity it presents for the regulation of financial services to be considered in a comprehensive manner. The discussion documents produced by MED together provide a very useful overview of the application of different pieces of legislation to the various products and services available within the industry.

We endorse the approach to financial services regulation from the point of view that comparable products and services should be regulated on a comparable and consistent basis in order to increase the protection and understanding of consumers and reduce the cost of compliance for providers. One of the key outcomes to be hoped for must be an improvement in the environment for saving in New Zealand in order to raise the level of personal saving and increase the pool of local savings available for investment.

As noted above, ISI members are the companies issuing and managing life insurance, superannuation and managed funds in New Zealand. That involves various ISI members in most of the activities reviewed as part of the RFPP: insurance, superannuation, collective investment schemes, platforms and portfolio management services, the offering of securities and consumer dispute resolution and redress. Life reinsurance companies (all based offshore) are also members of this association and a key participant in the life insurance industry.

All ISI members have an interest in New Zealand maintaining a robust and efficient financial services system which has the confidence and respect of the New Zealand public and local and international institutions. ISI has taken a leading role for the industry in commenting on law reform issues. Key issues in recent years have been the recommendations for review of the Life Insurance Act 1908 and the review of the Securities Act and Regulations.

We are aware of the need for financial services regulation in New Zealand to take account of responsibilities towards the security of international financial markets and

ISI has provided submissions to recent Ministry of Justice discussion documents on anti-money laundering and countering the financing of terrorism (FATF Recommendations). As most ISI members are trans-Tasman companies, we are also acutely aware of the issues around trans-Tasman mutual recognition.

A holistic approach to regulation of the financial services industry should ensure that the design of a new regime takes into account the need to improve the environment for personal saving in New Zealand while harmonising where possible with Australia and also meeting our international obligations in the area of financial security.

## Overview

The RFPP discussion documents propose to apply the same regulatory regime to life insurance products with a savings component, superannuation and managed funds on the basis that they are comparable products and should be regulated on the same basis. ISI supports the general approach involving registration of financial institutions and two main regulators (prudential and market conduct), with collective investment schemes and their issuers being supervised by trustees who are approved and supervised by the Securities Commission. We do not, however, support life insurance policies with a savings component being treated as collective investment schemes.

We support the trustee supervisory model in theory, although we note that it is not entirely clear at this point what the respective roles and responsibilities of the trustees, the Companies Office and the Government Actuary will be. The current trustee model has worked well for unit trusts and superannuation schemes.

There is still some uncertainty in respect of superannuation schemes and whether it is intended that the Superannuation Schemes Act will continue to apply to non-KiwiSaver schemes (other than existing employer-sponsored schemes which will not be regulated as Collective Investment Schemes).

We do have concerns in specific areas but they will be dealt with in our responses to the relevant discussion documents.

## Registration of Financial Institutions

ISI recognises that the obligation on New Zealand to comply with international standards for monitoring financial institutions requires that the activities and the personnel controlling financial institutions can be identified. The proposed registration regime appears to be a reasonable option which will provide a more transparent record of the financial institutions operating in New Zealand.

Under the proposed registration function as set out in section 4.8.2 of the discussion document the Companies Office would record information on financial institutions and require the appropriate Regulator (either Securities Commission or Reserve Bank, depending on the business sector) to undertake “fit and proper” checks on directors, management and anyone else who could control or significantly influence the decisions of the financial institution. These checks are also proposed by the Ministry of Justice as part of their Anti-Money Laundering and Countering the Financing of Terrorism requirements and should be coordinated in order to avoid duplication.

We recommend that the options proposed in section 4.9 should be considered in conjunction with the separate Ministry of Justice review of *Anti-Money Laundering and Countering the Financing of Terrorism* to which ISI has made submissions specifically covering beneficial ownership and control of trusts.

As companies such as ISI members are already registered by the Companies Office the new regime should not otherwise involve significant extra work for those financial institutions.

Accordingly, we support the registration regime as proposed but reserve the right to make further comments when the detailed design is revealed in order to ensure that duplication of documentation and reporting is avoided wherever possible and the costs incurred by business in complying with the regime are kept to a minimum.

## List of ISI Members

### ISI MEMBERS

American International Assurance  
AMP Financial Services  
Asteron Life Ltd  
AXA New Zealand  
BNZ Investments and Insurance  
CIGNA Life Insurance NZ Ltd  
Equitable Group  
Fidelity Life Assurance Co Ltd  
Gen Re LifeHealth  
Hannover Life Re of Australasia Ltd  
ING New Zealand Ltd  
Medical Assurance Society NZ Ltd  
Munich Reinsurance Co of Australasia Ltd  
Public Trust  
RGA Reinsurance Co. of Australia Ltd  
Save and Invest Ltd  
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Swiss Re Life & Health Australia Ltd  
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### Associate Members

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Mercer Human Resource Consulting Ltd  
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