



SUBMISSION

Email to: INVESTMENT@MED.GOV.NZ

Date: 6 September 2011

Investment Law Team
Competition, Trade and Investment Branch
Ministry of Economic Development
PO Box 1473
Wellington

To whom it may concern

Submission on Financial Markets Conduct Bill

QBE thanks the Ministry of Economic Development for the opportunity to submit our views on the consultation draft of the Financial Markets Conduct Bill (the *Bill*).

QBE runs an employer-subsidised staff superannuation scheme for its New Zealand employees. QBE's overall feedback on the Bill as it applies to schemes such as ours is that the proposed 'restricted scheme' regime will result in increased compliance and governance costs for such schemes, which we perceive in resulting in very limited additional benefits to participants. Trustees of our superannuation scheme are already tasked with ensuring the best interests of the participants, as their primary focus, in any decisions made in relation to the scheme. Whilst it is important that the Bill protects consumers, we note that one of the additional purposes of the Bill is stated as being the avoidance of unnecessary compliance costs. QBE is concerned that if the regime is implemented as currently drafted the increased compliance costs will be likely to result in a reduced number of workplace superannuation schemes such as ours.

We attach our submission in the requested format and would appreciate if QBE could be kept informed of any further development arising from the subject matter.

Please confirm receipt of this letter at your earliest convenience.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Terry Lawrence', with a long horizontal flourish extending to the right.

Terry Lawrence
Chief Financial Officer, New Zealand
QBE Insurance (International) Ltd

Encl:

Page 1

Clause Number	Clause heading	Submission
Part 1	Preliminary provisions	
Clause 8	<i>Definitions relating to kinds of financial products</i>	As many employee share schemes offer options or other interests in employee shares we suggest that the definition of "employee share scheme" be amended to include reference to such options or interests in shares and not be confined to shares directly. Without such an amendment the utility of the exemption will be substantially compromised for employees.
Part 3 and schedules 1 and 2	Disclosure offers of financial products	
Clause 40	<i>Meaning of material information in this Part</i>	Option B for the definition of material information is preferred
Schedule 1, part 4	<i>Exclusions from registration and supervision requirements for managed investment schemes</i>	A limited exemption to the disclosure requirements would be appropriate for restricted schemes – for example a more simple 'term sheet' type disclosure could replace the PDS requirement.
Part 4 and schedule 3	Governance of financial products	
Clause 114(2)	<i>Registration</i>	The definition of 'independent' will exclude board members or senior management of the parent company (or its subsidiaries) based outside of New Zealand, which is inconsistent with Australian requirements and overly onerous for restricted schemes. This should be amended to reflect the requirements set out in APRA guidelines (see GPS 510, paragraph 28), by adding the following to the end of the 'independent' definition: "Non-New Zealand-based directors or senior employees of any related party of a person referred to in paragraphs (a) or (b) above will be considered independent."
Part 9	Miscellaneous provisions	
Clause 576	<i>Transitional provisions that apply after 6 month date</i>	In the context of other legislative changes being processed and to be processed, the 6 months transitional period will not be sufficient. 12 months will be more appropriate.