

**FINANCIAL MARKETS CONDUCT BILL  
SUBMISSION ON EXPOSURE DRAFT**

**Retirement Commission Submission**

Clause Number	Clause heading	Submission
Part 1	Preliminary provisions	Nil
Part 2	Misleading or deceptive conduct or false or misleading representations	Nil
Part 3 and schedules 1 and 2	Disclosure offers of financial products	Nil
	Clauses 33 and 40	<p>Accessible Product Disclosure statements which more New Zealanders (than currently) can understand will allow for more informed financial decision making. We agree with the Capital Markets Development taskforce recommendation that a one to two page standardised initial summary document will help investors.</p> <p>We note that a two part Product Disclosure Statement, as discussed in the Cabinet policy papers, is not set out in the draft Bill, but will be developed in regulations. We are concerned about this point and do not understand why the need for a one to two page initial summary isn't included in the draft Bill.</p> <p>The Retirement Commission (to be renamed 'The Commission for Financial Literacy &amp; Retirement Income' in coming months) offers to work with relevant officials during the regulations process to ensure sample Product Disclosure statements are accessible to, and understood by, as many New Zealanders as practical.</p> <p>We believe the best way of achieving this is to ensure any sample Product Disclosure statements are tested amongst consumers. Specifically we would prefer to test amongst groups with varying levels of general literacy, numeracy and financial literacy.</p> <p>It's noted that the draft Bill refers in clause 40 to alternative options for 'material information'. It is also noted in the Ministry of Economic Development's commentary regarding the draft Bill (Clause 40/88, pg 14) that Option B may allow issuers to omit 'educational' information. We submit that allowing such an omission would be negligent and thus we find the definition of material information in Option A to be more desirable i.e.</p> <p><i>Information that a reasonable person would expect, if it were publicly disclosed, to have a material effect on the demand for the financial products on offer.</i></p> <p>We consider the comment that a potential criticism of Option A is that it could <i>require disclosure of information that would be irrelevant to a rational investor, but would influence the decisions of a material number of irrational investors</i> (Clause</p>

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		<p>40/85, pg 14) to itself be an irrelevant comment. This point is made upon recalling the many thousands of New Zealand investors who have suffered losses in the last four years – many of whom considered themselves to be able and rational people capable of making informed investment decisions.</p> <p>We note that better disclosure is one of several factors that can assist to increase an individual's financial literacy.</p> <p>We also note that the Retirement Commission intends to work closely with the Financial Markets Authority in coming months to provide relevant information and tools for NZ investors.</p>
Part 4 and schedule 3	Governance of financial products	Nil
Part 5	Dealing in financial products on markets	Nil
Part 6	Licensing and other regulation of market services	Nil
Part 7	Enforcement and liability	Nil
Part 8	Regulations and exemptions	Nil
Part 9 and schedule 4	Miscellaneous provisions	Nil

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