

*Ministry of* **Economic  
Development**



*M a n a t ū   Ō h a n g a*

**Overview and Registration of Financial Institutions  
Summary of Submissions**

April 2007

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## RFPP – Registration Submission Summary

| Issue Reference                                      | Summary of Issue Raised by Submission   |
|--|---|
| <b>General Registration Issues</b>                   |   |
|  | <b><i>Support the proposal for registration of financial institutions</i></b>   |
|  | <b><i>Proposed registration process is complex – needs to be efficient, simple and timely</i></b>   |
|  | <b><i>Negative assurance checks should be carried out by financial institution and information provided to Companies Office.</i></b>  |
|  | <b><i>There should be a transition period for existing institutions (at least 12 months)</i></b>  |
|  | <b><i>Existing issuers should be “grandfathered”. Qualitative criteria should apply only to new issuers.</i></b>  |
|  | <b><i>Support use of Companies Office for registration</i></b>  |
|  | <b><i>Roles of Securities Commission and Companies Office in registration process should be combined</i></b>  |
|  | <b><i>Information required should be kept to the minimum necessary</i></b>  |
| Para 194   | <b><i>Information on qualitative aspects of registration should only be available to those who have a proper interest in it.</i></b>  |
|  | <b><i>The government should consider carefully the extent to which it is in New Zealand’s interests to implement the FATF recommendations ( in particular recs 33 &amp; 34)</i></b>       |
| Para 195   | <b><i>It is unclear whether merit assessments will be required for issuers of debt securities</i></b>   |
| Para 195   | <b><i>It is unclear whether merit assessments will be done once for an institution or each time a new CIS security is registered.</i></b>   |
| Para 195   | <b><i>Who will undertake merit assessment for bank issued CIS securities – RB or SC?</i></b>  |
|  | <b><i>Companies Act should be amended to require external auditors of financial institutions to test compliance with FATF recommendations, 33,34 and 5.</i></b>                           |
|  | <b><i>The registration process should follow a two-phased approach, with FATF institutions in phase 1 and others in phase 2</i></b>   |
|  | <b><i>There should be no cost for accessing information on the register as this would be a barrier to access.</i></b>   |
|  | <b><i>Support integration of AML/CFT requirements into financial sector regulatory structures.</i></b>  |
|  | <b><i>Not efficient for RB and SC to both undertake AML/CFT supervision – a company may be required to satisfy both regulators.</i></b>   |
|  | <b><i>Not convinced that a registration regime is in the best interests of financial institutions or consumers.</i></b>   |
|  | <b><i>Suggest a minimum threshold of lending and deposit taking should apply to registration (so that organisations eg those that lend as an auxiliary activity aren’t covered) .</i></b> |
|  | <b><i>Query whether an employer establishing a stand alone super scheme should be required to be registered if not in the business of providing financial services.</i></b>               |
|  | <b><i>Family trusts should be considered outside the RFPP. Review should apply only to trusts that are providers of financial products.</i></b>   |
|  | <b><i>Where directors and managers have given an undertaking to SC, this should be taken into account for fit and proper test.</i></b>  |
| <b>Responses to questions in discussion document</b> |   |
| 1  | <b><i>Registration should apply to services provided on a retail basis</i></b>  |
| 1  | <b><i>Defined financial services for registration purposes should cover only those that provide services to customers and investors who need protection.</i></b>                          |
| 1  | <b><i>Categories should be function based (with sub categories):</i></b>  |

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|   | <ul style="list-style-type: none"> <li>○ <b>Lending</b></li> <li>○ <b>Deposit taking</b></li> <li>○ <b>Insurance</b></li> <li>○ <b>investment</b></li> </ul>  |
| 1 | <b>Categories should include (with sub categories):</b> <ul style="list-style-type: none"> <li>○ <b>Banking</b></li> <li>○ <b>Insurance</b></li> <li>○ <b>Collective savings arrangements</b></li> <li>○ <b>Securities</b></li> <li>○ <b>Lending</b></li> <li>○ <b>Other</b></li> </ul>       |
| 1 | <b>All financial providers should be able to be searched on register</b>  |
| 1 | <b>The categories identified in section 3 of the discussion document</b>  |
| 2 | <b>Disagrees with details of senior management being available on register</b>  |
| 2 | <b>Does not consider membership list should be on register</b>  |
| 2 | <b>Suggest including NZ Standard Industrial Classification for each business</b>  |
| 2 | <b>Information about infringements and penalties incurred.</b>  |
| 2 | <b>Copies of trust deeds, offer documents/financial statements, annual returns, details of directors, shareholders and managers</b>   |
| 2 | <b>Could list related, parent and subsidiary entities</b>   |
| 2 | <b>Names of director(s), manager(s), business address, email, fax, any rating information, any conditions placed on the registration.</b>   |
| 3 | <b>The proposed approach is the most cost-effective</b>   |
| 3 | <b>Should be ability for Companies Office and Charities Commission to share information to avoid duplication of information provision</b>   |
| 4 | <b>Registered entities should have to disclose on documents their registration number (ideally same as existing Companies Office number).</b>   |
| 4 | <b>Registration system needs to pull information together from a number of sites in coherent and logical manner</b>   |
| 4 | <b>Present Companies Office system is excellent.</b>  |
| 5 | <b>Agree with proposal that shareholders provide an indication of whether shares are held beneficially</b>  |
| 5 | <b>Not clear what purpose will be served by the proposal. Requiring all shareholders to disclose whether or not they hold beneficially seems unnecessary. Financial Institutions are currently required under FTRA to enquire into beneficial ownership or control of investing entities.</b> |
| 5 | <b>Supports proposal that shareholders provide an indication of whether shares are held beneficially</b>  |
| 5 | <b>Would need to be subject to a materiality test</b>   |
| 5 | <b>Would be significant compliance cost to keep up to date. Not likely to be effective</b>  |
| 5 | <b>This information should be provided to primary regulator via registration process.</b>   |
| 6 | <b>Information should be required about the identity of the trustees and who controls/influences them, as well as advisory trustees, protectors, appointers of trustees.</b>  |
| 6 | <b>Rules of the organisation could be made available on register</b>  |
| 6 | <b>Information on beneficial ownership and control is not applicable to pure mutuals.</b>   |
| 6 | <b>Disclosures should be required only for parties in a position to influence significantly or control the entity.</b>  |
| 6 | <b>Rather than providing through registration system, information should be provided to investigators on demand.</b>  |
| 6 | <b>Notes that EU has materiality threshold of 25% as regards control in its Anti-money laundering directive.</b>  |

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| 7 | <b><i>Object to any information that trustees are required to provide to regulatory agencies being made publicly available.</i></b>    |
| 7 | <b><i>Supports proposal that information about trusts be provided when requested by regulator</i></b>                                  |
| 7 | <b><i>Support proposal, with the appropriate place for this requirement being in AML/CFT regulation.</i></b>                           |
| 8 | <b><i>Agree with proposal that trusts be required to provide further information.</i></b>  |
| 9 | <b><i>Proposal would not result in a significant increase in compliance costs for trusts.</i></b>                                      |
| 9 | <b><i>Would result in a significant increase in compliance costs for trusts with limited resources, but increase is justified.</i></b> |

