

Council of Financial Regulators Operating Model

Overview

The Council of Financial Regulators (CoFR)'s legislated function is "facilitate co-operation and co-ordination between members of the council to support effective and responsive regulation of the financial system in New Zealand."

As outlined in the Reserve Bank of New Zealand Act 2021 (the RBNZ Act), the Reserve Bank of New Zealand (RBNZ) and the Financial Markets Authority (FMA) will continue to act as chairpersons of CoFR. CoFR members will continue to include the Treasury, the Ministry for Business, Innovation and Employment (MBIE) and – for the time being – the Commerce Commission.

Model

Underpinning the new model is a shift to make CoFR more strategic, forward-looking, and deliberate, with a clear system focus, to better enable effective and responsive regulation and support the overall effective functioning of the financial system.

Key elements of the model include:

- identification of system risk and opportunities through scanning and assessment;
- deploying time-limited taskforces to address specific system wide issues that require a CoFR-wide response;
- ongoing but more targeted and purposeful engagement with industry.

Strategic governance and oversight

CoFR Heads

CoFR Heads will meet twice a year, or as required (e.g., when urgent cross-agency collaboration is necessary), to:

- Share information on and assess system wide issues, risks and opportunities facing the financial services sector;
- Assess, prioritise and approve CoFR taskforces based on agreed criteria; and
- Review forthcoming regulatory initiatives across CoFR agencies.

CoFR Chairs

In addition, the RBNZ Governor and FMA Chief Executive will meet four times a year as CoFR Chairs. The purpose of these meetings will be regular monitoring and oversight of emerging regulatory risks and opportunities identified by, or brought to, CoFR agencies. These meetings will also form the basis for identifying specific, time-bound taskforces to examine long-term strategic issues, to be recommended to CoFR Heads for approval.

System assessments will also include consideration of regulatory overlaps and duplications to minimise unnecessary regulatory costs on industry and taxpayers.



Taskforces

Taskforces will be recommended by CoFR Chairs to CoFR Heads for approval. Taskforces will only be established when bilateral or trilateral mechanisms are insufficient to address an issue.

If CoFR Heads agree that bilateral or trilateral mechanisms are sufficient to address an issue, agencies will progress this work outside the CoFR banner (see *Cooperation outside CoFR* paragraph outlined below).

Industry engagement

CoFR will continue to be responsible for:

- Publishing and developing the quarterly Regulatory Initiatives Calendar (RIC), in order to provide stakeholders with a broad picture – including expected timing – of all the regulatory initiatives that member agencies are generating for the financial sector; and
- Convening regular Deposit Takers Forum and Insurance Forum meetings, to maintain communications between agencies and industry bodies about regulatory initiatives and emerging risks, issues or concerns.

The scope and purpose of the RIC and the industry Forums will be regularly reviewed to ensure effective engagement with market participants.

External stakeholders will continue to raise emerging regulatory risks and opportunities for CoFR Heads' consideration. These suggestions will be fed into CoFR's horizon scanning and prioritisation work, which will include an assessment against pre-determined criteria.

Ministerial engagement

CoFR Heads will meet with Ministers once a year to discuss CoFR's work programme and prioritisation. Ministers can also raise issues for consideration at other times, e.g. through their agencies.

Issues raised by Ministers will be fed into CoFR's horizon scanning and prioritisation work, which will include an assessment against pre-determined taskforce criteria.

Cooperation outside CoFR

Agencies may undertake joint projects outside of CoFR, where all agencies do not need to be involved. These may be reported to CoFR Heads for information, as with any individual or bilateral work, but will not be labelled as CoFR projects.

Resourcing

The CoFR Chairs will be supported by a senior-level strategic advisor, resourced by RBNZ and FMA, whose role will include the facilitation of regulatory effectiveness and engaging with the agreed work programme.

The resourcing for taskforces will be agreed on a case-by-case basis, with clear resource commitments from agencies outlined in the scope agreed to by Heads. Taskforces may include assignment of staff members or financial contributions towards external resourcing.

The other regular work of CoFR (industry forums, the RIC, and support for risk identification and prioritisation) will be supported by existing agency resource.

