

## **Terms of Reference – Review of Council of Financial Regulators (CoFR)**

### **About Council of Financial Regulators**

The Council of Financial Regulators (CoFR) – Kaunihera Kaiwhakarite Ahumoni – contributes to maximising New Zealand’s sustainable, economic wellbeing through effective and responsive regulation of the financial system in New Zealand.

CoFR is made up of five member agencies:

- Te Pūtea Matua - Reserve Bank of New Zealand (co-Chair)
- Te Mana Tātai Hokohoko - Financial Markets Authority (co-Chair)
- Te Komihana Tauhokohoko - Commerce Commission
- Hikina Whakatutuki - Ministry of Business, Innovation and Employment
- Te Tai Ōhanga - The Treasury

CoFR meets quarterly to discuss regulatory issues, risks and priorities for New Zealand’s financial system. Several sub-committees have been established to address systemic regulatory priorities: Economic Resilience, Financial Inclusion, Climate-related risks, Digital and innovation and Regulatory effectiveness.

It also convenes two industry fora – with the Banking and Insurance sectors respectively.

CoFR is mandated through the Reserve Bank of New Zealand Act 2021, including the RBNZ and FMA’s role as co-chairs.

### **Driver for change**

The Council of Financial Regulators has operated in its current form since 2020. CoFR Heads have agreed to review where CoFR is adding the most value and to ensure agencies are being purposeful about what they are spending their time on.

RBNZ Act states the function of CoFR, at a high-level, is to facilitate co-operation and co-ordination between members of the council to support effective and responsive regulation of the financial system in New Zealand.

It is likely a narrower role for CoFR is needed with a focus on more senior level strategic engagement. A rapid CoFR review by an external party is proposed to identify a future state that enables:

1. Strong regulatory collaboration and coordination focused on maximising efficiencies across the regulatory system and minimising unnecessary burden; and

2. A framework for focusing on measurable outcomes in working together on emerging risks and opportunities.

## **Scope**

The scope of the review of CoFR will be within the scope of its legislation; Section 286 of the RBNZ Act and will not consider further legislative change. It will cover:

- Whether CoFR is optimally supporting effective and responsive regulation of the financial system in New Zealand, and what the most efficient form of CoFR (as a minimum viable product) might look like;
- The current governance structure and operating rhythm of COFR;
- The role of the independent regulatory members versus government department members that are part of CoFR, as well as how CoFR might work with the Ministry for Regulation;
- CoFR's work compared to the Australian Council of Financial Regulators and Trans-Tasman Banking Council;
- What CoFR as a body should do to maximise cooperation and coordination between CoFR members versus what is more efficiently accomplished via bilateral engagement; and
- Proposals or ideas for innovation to achieve an optimal regulatory environment.

## **Managing the review**

The reviewer will be expected to:

- Run a well-managed process, to time and to agreed quality standards including robust evidence-based recommendations;
- Undertake regular engagement with the CoFR Heads to ensure no surprises including sharing a provisional draft of the review;
- Engage with relevant stakeholders of CoFR including industry bodies to understand and consider external perspectives.