

COMMERCE

Building a Stronger Economy



Encouraging savings and investment

Strong capital markets provide a vital source of finance to help our businesses grow and create jobs. They are central to improving the financial well-being of all New Zealanders

National is moving the economy towards savings and productive investment, and away from borrowing and spending.

We're determined to ensure investors have confidence to invest and that capital markets can broaden and deepen their base and appeal, and be free to innovate.

Rebuilding confidence in our financial sector

When National came into government, investor confidence in the financial sector had been rocked by the collapse of finance companies. More than \$6 billion was lost on Labour's watch.

In the midst of the global financial crisis, National stepped up to restore investor confidence.

We're now working on a once-in-a-generation opportunity to modernise our securities law.

This will further improve confidence in our capital markets, and encourage people to move away from investing in relatively unproductive things – like housing and property investment – and towards investments that provide capital for businesses to grow, create jobs, and build a stronger economy.

“National will introduce and pass tougher consumer credit laws announced by the National-led Government, in order to target loan sharks and protect unwary consumers.”

Key facts

- Restored confidence in the finance sector.
- Established the one-stop-shop Financial Markets Authority with a sharper focus on enforcing the law.
- Tightened oversight of those working in the financial markets. This includes financial advisors, trustees, and auditors.
- Removed barriers to trans-Tasman business.
- Major re-write of 33-year-old securities law leading to the introduction of the Financial Markets Conduct Bill.
- Improving financial literacy.
- Cracking down on “loan sharks”.
- Combating anti-competitive behavior, such as price-fixing.

Related policy

→ Finance

National has...

Restored confidence in the system

- ✓ Established the new Financial Markets Authority (FMA), creating a single regulator with a sharper focus on monitoring and enforcing securities law.
- ✓ Required all financial service providers, including financial advisors, to be registered and to belong to a dispute resolution scheme.
- ✓ Put in place the financial advisor regime to encourage public confidence in the industry.
- ✓ Passed the Securities (Disclosure) Amendment Bill as a first step to make it easier for businesses to raise capital, while ensuring timely and accurate disclosure of information to prospective investors.
- ✓ Established a licensing scheme for auditors to improve the quality of audits.
- ✓ Introduced licensing for trustees to improve the quality of supervision they provide.
- ✓ Required debt issuers, including finance companies dealing with moratoria, to give tailored disclosure documents to investors.
- ✓ Improved governance of KiwiSaver by requiring schemes to have a designated manager, and by providing regulation-making power for the Government to impose reporting requirements on KiwiSaver issuers.
- ✓ Passed the Settlement Systems, Futures, and Emissions Units Bill, to help develop new exchanges and settlement systems.

Pursued a Single Economic Market with Australia

- ✓ Signed a revised Memorandum of Understanding to coordinate business law between our two countries, recognising the August 2009 agreement.

- ✓ Passed the Trans-Tasman Proceedings Bill to standardise civil court processes with a trans-Tasman element.
- ✓ Harmonised financial reporting standards for listed issuers.
- ✓ Introduced cross-appointments between the Australian Competition and Consumer Commission and the New Zealand Commerce Commission.
- ✓ Started the process to allow the mutual recognition of auditors and financial advisors so people in these occupations can work across the Tasman.
- ✓ Started developing a single examination process for patents, to reduce costs for applicants, as well as improve examination quality and service standards.

Made other improvements

- ✓ Passed legislation establishing a workable regime to combat copyright infringements via internet file sharing, replacing the more draconian regime introduced by Labour.
- ✓ Overseen regulation of monopolies (electricity, gas, airports) to ensure fair pricing.
- ✓ Refreshed the membership of the Commerce Commission.
- ✓ Introduced legislation to regulate insolvency practitioners.
- ✓ Shifted responsibility for the Retirement Commissioner from Social Development to Commerce.
- ✓ Convened a financial summit to bring together 250 people from community groups, budgeting services, NGOs, banks, financial regulators, and credit companies to look at ways of tackling irresponsible lending.

What we will do next...

1. Further reform securities law to restore confidence in financial markets

→ Pass the Financial Markets Conduct Bill.

Key proposals include:

- Replacing the requirement for issuers to prepare a prospectus and investment statement with a requirement to prepare a single product disclosure statement tailored to retail investors.
- Introducing penalties of up to \$1 million for individuals and \$5 million for companies if they make misleading statements in product disclosure statements and advertisements.
- Increasing the maximum period for prohibition of a person from managing a company from five years to 10 years, and allowing the High Court to impose orders for an indefinite period.
- Establishing licensing regimes for fund managers, independent trustees of workplace superannuation schemes, derivatives dealers, and peer-to-peer lenders.
- Giving the Financial Markets Authority a role in promoting financial literacy.

This is a once-in-a-generation opportunity to modernise our securities law to make sure it keeps pace with evolving forms and conditions in the market.

The new law will give greater clarity and confidence to investors and encourage more investment in our capital markets. This will help build businesses and create higher-paid jobs.

2. Criminalise anti-competitive behaviour conduct

→ Pass the Commerce (Cartels and Other Matters) Amendment Bill.

- Provide further disincentives for anti-competitive behavior, by introducing a bill that criminalises anti-competitive conduct.
- Provide certainty for companies contemplating joint ventures and cooperation that they are not breaching the law by introducing a new clearance regime.
- Align the consequences for anti-competitive behaviour with those in Australia – taking another step towards a single economic market. Australia has recently introduced cartel criminalisation.

Everyone suffers from anti-competitive or cartel behaviour in the end. Increasing costs of production affect the competitiveness of companies in domestic and international markets, while consumers have to pay higher prices.

Cartels harm consumers by raising prices and reducing the competitiveness of firms.

3. Improve company registration

- Tighten the rules for company directors and company registration – including expanded powers for the Registrar of Companies.
- Require all New Zealand companies to have either one resident director or a local agent.

New Zealand is regularly at, or near the top, of international league tables for the ease of starting and running a business.

However, there is a risk our company registration system – which is among the most user-friendly and least bureaucratic in the world – is being used by some criminal organisations to set up companies that may be involved in illegal or unethical activities.

These changes will help to strengthen the company registration process against criminal activity from offshore, while maintaining our reputation as a great place to start a company and do business.

4. Improve financial literacy and tackle “loan sharks”

- Introduce and pass tougher consumer credit laws announced by the National-led Government, in order to target loan sharks and protect unwary consumers.
- Work to increase the knowledge and skills of potential investors.
- Continue working with the public and private sectors to identify further steps to improve investor literacy.
- Improve public understanding of incurring debt, particularly through marginal lenders or “loan sharks”.

Current gaps in the law governing consumer finance allow unscrupulous lenders to take advantage of vulnerable customers. This has to stop. National is working to significantly strengthen responsible lending requirements.

Labour would take New Zealand backwards

Labour:

- ✗ Was very slow to react as more than \$6 billion was lost from failing finance companies on its watch.
- ✗ Passed just one piece of legislation in the two years they had to respond after the first finance company collapsed. National has since had to fix the problems in this area.
- ✗ Still has no commerce policy, apart from going soft on the theft of copyright material from the internet.

We can't afford another dose of Labour.