

11 September 2018

Rt Hon Jacinda Ardern
Prime Minister
Parliament Buildings
WELLINGTON

Via email: jacinda.ardern@parliament.govt.nz

Dear Prime Minister,

I am writing to convey the New Zealand Shareholder's Association's (NZSA) concern at declining confidence in New Zealand's capital markets.

In recent months, that lack of confidence has been exacerbated due to the conduct of the Reserve Bank and the Financial Markets Authority in relation to the affairs of CBL Corporation.

NZSA has met the Minister of Commerce and written to the Minister of Finance. The lack of progress in this matter is not helped by the fact that some matters are also being investigated by the Serious Fraud Office, which is in the portfolio of a third Minister.

In respect of CBL it has come to light that relevant information was provided to FMA several years ago, even before the initial public offering, but that information was discounted by FMA.

The actions of the Reserve Bank and FMA indicate that they have not been able to agree on a path that is fair, efficient and transparent to investors and all those involved, including holders of insurance policies issued by CBL and its related companies.

A particular difficulty was the requirement by the Reserve Bank that confidentiality be maintained, which directly contradicted the FMA duty to ensure continuous disclosure. As a result, for nearly a year we had an uninformed market, followed by a \$750m failure.

NZSA is also concerned that after nearly two years there has been no outcome from FMA on another investigation, the Wynyard case. Delays of this length are all too common. This despite a strong regulatory framework and considerable resourcing being made available.

For investors to entrust their savings to New Zealand's capital markets, whether directly or in managed funds (including KiwiSaver), they must have confidence in the systems that protect them. NZSA is apolitical and in our view a notable part of the problem is public perception that the market regulators are ineffective, and so investment in these productive areas is too risky.

No market can respect a system where the boundaries are vague or unknown or which invite regulatory arbitrage. Uncertainty as to both the rules and whether they will be enforced is bad enough, but when unreasonable delay is added, there is no justice.

Would you please take whatever action is required to ensure that all the regulators work co-operatively and expeditiously towards resolution of these sorts of issues. It is in the interests of everyone to have a vibrant productive sector and to achieve this the Government must instil confidence in, and encourage respect for, New Zealand's financial environment.

We are aware that the RBNZ and SFO are under review, but decisive action is needed now.

Yours Sincerely,



John Hawkins
Chairman
New Zealand Shareholders Association