

Budget delivers funding increase for FMA, and new levies are set for 2020/21

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As part of the Budget announcements on 14 May, the Government announced increases to the Financial Market Authority's (FMA) funding to support the operational efficiency of the FMA (applying over the next three years). Financial Service Provider levies for the 2020/21 year have also been set.

We now know that Budget 2020 will go down as one of the biggest spending budgets in New Zealand history. We have also published a separate article covering broad implications for business as you look ahead over the next year.

What is this about?

In January 2020, as part of the Government's review of the FMA's funding, FMA and Ministry of Business, Innovation and Employment (MBIE) released a joint consultation document on options to ensure the FMA's funding, including levies, were proportionate to its growing regulatory remit and workload. MBIE had also commissioned PwC to produce a report on the efficiency and effectiveness of the FMA and its funding needs which was published in December 2019.

The consultation document noted that the FMA's preferred option would provide an additional \$24.805m per annum, taking FMA's appropriation to \$60.8m. Two options were presented for how any increase in the FMA's funding should be apportioned between the Crown and levy payers. The first option proposed that the increase in the FMA's appropriation would be fully levy funded. The second option proposed that the appropriation would be met by a combination of Crown and levy funding, maintaining the current 25% Crown and 75% levy funding.

In last week's Budget 2020, the Government announced that funding for the FMA (apportioned between the Crown and levy payers) will be increased incrementally to the preferred \$60.8m per annum level over a three year period instead of the initially proposed two year period. The majority of the increase will come from levy payers.

The three year phasing in period is intended to reduce the impact of levy increases on the financial services sector particularly at a time where revenues and profitability may be reduced. Levies for the first year of the FMA's phased funding increase (2020/21) have now been confirmed, and are available on MBIE's website (accessible through the link below).

The increases in the FMA's funding are as follows:

Year	Increase	Total FMA appropriation
2020/21	\$12.5m	\$48.5m
2021/22	\$17.5m	\$53.5m
2022/23	\$24.8m	\$60.8m

While the details on the levies for the 2020/21 year have been released, work continues for the remaining two years of phasing in.

Chapman Tripp comment

Chapman Tripp acknowledges the need for increased funding for the FMA, and, although the option of full Crown funding of the increase has not found favour, the Government has shown it understands the need for balance between ensuring the operational effectiveness of the FMA and not overly burdening the financial services sector in these difficult economic times. The longer phase in period may also have been made a little more manageable by the FMA by reason of the delays to many previously imminent regulatory changes due to the current COVID-19 crisis.

Next steps

The levy increases are an important change to the financial services sector. Please reach out to any of our contacts listed if you have any questions on the levies and how they may apply to you.

Quick Links

[MBIE announcement](#)

[Details of the levies applying for the 2020/21 year](#)

[Joint MBIE/FMA Discussion Paper – Review of Financial Markets Authority Funding and Levy](#)

[PwC Report on the Efficiency and Effectiveness of the FMA](#)

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