

GOOD CONDUCT PREVENTS CORRUPTION

The FISA assessment examines the extent that financial organisations implement seven key practices selected by Transparency International New Zealand that shape integrity systems. They are:

1. Tone at the top
2. Continuous improvement in conduct and ethical behaviour
3. Strengthening integrity systems through effective communication and training
4. Up-to-date knowledge of relevant legislation/regulation
5. Avenues for reporting ethical standards breaches including anonymity for whistleblowers
6. Effective Know Your Customer (KYC) and Know Your Supplier (KYS) procedures
7. Regular audits backed up by independent risk assessments that uncover corrupt practices and advise on weaknesses in integrity systems.

These 7 key practices provide the framework for good conduct that contributes to the prevention of corruption.

BENEFITS OF A STRONG INTEGRITY SYSTEM

Financial organisations can harvest the benefits arising from a financial system that displays a high level of integrity. FISA strives to examine the practices that lead to improved outcomes and to measure the net change in these benefits.

Evidence will be collected about the following integrity system factors:

1. Reputation and brand
2. Easier market access
3. Lower costs
4. Customer loyalty
5. Easier access to quality capital
6. Quality committed staff
7. Higher returns/ productivity

By examining the net benefits to financial organisations that take steps to implement these factors, FISA will provide a context for a national discussion of what works best to sustain organisations that are committed to high levels of integrity.

BENEFITS OF AN INDEPENDENT ASSESSMENT

The New Zealand Story, the government's brand research specialists, found widespread evidence that our country is regarded as unique in that it does business with integrity (see NZ's reputation: perception or reality). This is backed up by the World Bank analysis that regularly places New Zealand as number 1 as the best place to do business.

Despite these positive perceptions about New Zealand, its financial system is overlooked by many investors because of its small size.

The demonstration of willingness by banks, insurance companies, financial companies and other financial services providers to engage with a voluntary self-assessment, will draw the world's attention. At the same time, FISA provides a framework to describe and demonstrate the positive attributes of the New Zealand financial sector.

Importantly, an attribute of New Zealand, as a trusted society, is that it is possible to do the right thing without the need for extensive regulation. Financial organisations that participate in the FISA self-assessment will gain additional insights about ways to take their own steps to strengthen integrity systems within their businesses.



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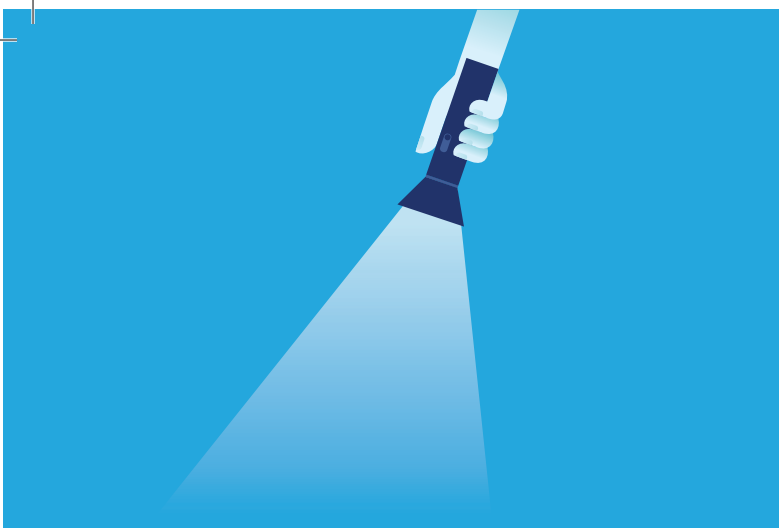
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The New Zealand Financial Integrity System Assessment (FISA) is the first ever review of the integrity framework of any country's financial system. Transparency International New Zealand (TINZ) will lead the review as it is uniquely placed to ensure both independence and objectivity.

The FISA methodology document can be found on the TINZ website transparency.org.nz/fisa.

FISA AIM

The aim of the FISA assessment is to:

- Build trust and confidence in New Zealand's financial system
- Examine the state of integrity systems within the New Zealand financial system
- Foster and support good conduct
- Prevent and combat corruption, and
- Reinforce a culture of integrity
- Securing a sustainable future for all New Zealanders

FISA will provide customers, citizens, communities, civil society organisations, government and businesses with information about the way the financial system identifies and seeks to prevent corruption. This enables them to identify good performance and push for improvement.

Financial organisations will have a blueprint for improvement enabling them to set clear priorities for preventing corruption while seeking the additional returns that result from improved integrity. TINZ independent assessment is an objective way of bringing the unique attributes of the New Zealand financial system to international attention.

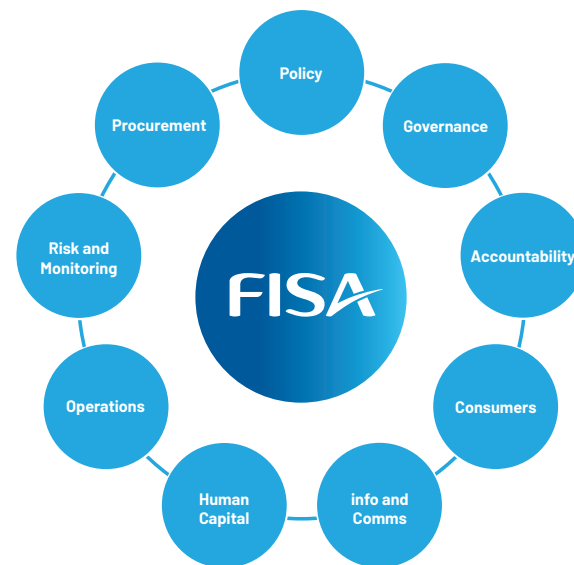
FISA STRATEGY

The FISA strategy to create a virtuous cycle is motivated by the following stages:

1. Online self-assessment completed by financial organisations, e.g. banks, finance companies, Kiwi-Saver providers, credit unions, building societies, and insurance companies
2. Publication of the anonymised results of the self-assessment
3. Review and context provided by the independent assessment
4. Development of TINZ tools for professional services firms to strengthen their advice to their financial services clients to enhance their integrity systems.
5. The next annual self-assessment provides an opportunity to monitor improved outcomes for policy, customers, staff etc.

ASSESSMENT SUBJECTS

The FISA is comprehensive, covering nine areas where the risk of corruption can be mitigated by strengthening integrity reflected in culture and conduct.



Independent assessors, with a strong background in the regulation, governance and scrutiny of financial organisations, will conduct the financial sector assessment, using the anonymised responses to the online self assessment as part of their evidence base.

“Overall, there are weaknesses in the governance and management of conduct risks, and significant gaps in the measurement and reporting of customer outcomes”.

Reserve Bank of New Zealand (RBNZ) and Financial Markets Authority (FMA) review into the major trading Banks