

## **Gavin Quigan's Speech at FSC Workplace Savings Function 23 Feb 2023**

*(Notes may differ slightly from speech as delivered by Michael Burrowes, FMA)*

Thanks Alasdair/Mike and the FSC team for arranging this meeting.

Mike presented at the FSC conference in September last year the superannuation market statistics that Gavin had put together so I won't repeat those, except to say that in Gavin's view the restricted schemes continue to show resilience.

Gavin notes not a lot has been happening in the restricted schemes space in recent months. In 2022 he reviewed a few cash out offer packs that facilitated cash out offers to pensioners and also in some cases active members of defined benefit schemes. He approved effectively an amalgamation of two defined benefit schemes which had the same sponsoring employer. In total 4 small Defined benefit schemes terminated in 2022. 2023 is starting off in a similar vein from the pensioner cash offer perspective.

We gained a new Licensed Independent Trustee recently - welcome Grant Hassell - this brings the total to 31 individuals plus the 3 corporates.

In the KiwiSaver space from an FMA perspective we approved the transfer of Aon KiwiSaver scheme members to Fisher Funds TWO KS and was involved from the regulatory perspective in the KiwiWealth sale and more recently the Quay Street sale.

Gavin thought this is a good forum to highlight a governance aspect that Restricted Scheme trustees and Licensed Independent Trustees need to have front of mind in these volatile times. Cyber security as it relates to 3<sup>rd</sup> party outsourced providers, sorry Philippa and Steve. Any electronic interface that the sponsoring employer may have with a 3<sup>rd</sup> party provider also creates a potential risk.

The FMA has a cyber security team that looks into cyber reports received from regulated MIS entities. As trustees of restricted schemes you will have outsourced to 3<sup>rd</sup> parties Registry/admin functions, funds management and in some cases custodianship as well as Death & Disablement insurance cover.

We suggest that from a governance perspective you regularly review and quiz your 3<sup>rd</sup> party providers as to their cyber security policies and the incident response plans that they have in place.

You may be thinking what's the risk:

The most valuable commodity on the dark web is sensitive confidential client data ie personal identifiable information. Fund assets can also be at risk and the financial services industry is a prime target.

So what can you expect if you have to report a cyber breach. In short the Privacy Commissioner will more than likely open an investigation. From an FMA perspective we will also be interested in 3 things:

- What personal member data has been compromised

- Your engagement with the 3<sup>rd</sup> party provider
- Action plans regarding advice to members and ongoing support to members.

Before I pass over to Nick Valentine from DLA Piper for a more in depth look at cyber issues, Gavin wanted to let you know that effective 1 February a new operating structure came into effect within FMA. You'll be relieved, **I hope**, to know Gavin's role was unaffected other than a reporting line change, so it's business as usual. And to allay any fears Gavin says he is not retiring this year!

Over to you Nick.