



JUNE 2024

Statement of Performance Expectations

1 July 2024 to 30 June 2025

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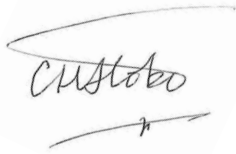
Statement of Authorisation

This Statement of Performance Expectations (SPE) is presented to the House of Representatives in accordance with Part 4 of the Crown Entities Act 2004.

This SPE sets out our financial forecast for the financial year 1 July 2024 to 30 June 2025. It is prepared in line with the Crown Entities Act 2004 and should be read together with the FMA's Statement of Intent 2024-2028.

The prospective financial statements, prepared in accordance with PBE FRS 42 for this SPE, have not been audited and should not be relied upon for any other purposes.

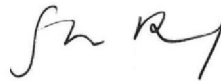
The FMA is responsible for the preparation of this SPE, including the forecast financial statements and the assumptions on which they are based, the non-financial measures and the related judgements.



Craig Stobo

FMA Chair

17 June 2024



Steven Bardy

FMA Audit and Risk Committee Chair

17 June 2024

Purpose of the Statement of Performance Expectations

The Statement of Performance Expectations (SPE) is one of two documents that set out how we will measure our performance and report our progress against performance targets.

The other document is our Statement of Intent (SOI), which offers a medium-term view of the progress made towards achieving our strategic intentions (alternatively referred to as strategic objectives).

The SPE covers one financial year. It describes how we intend to perform the services we receive funding for through our government appropriation.

We regularly review our performance measures to ensure they are focused on the impact we want to have on financial service providers as well as consumers and investors (hereafter 'consumers').

Reporting on performance targets

We will report on how we have performed against these targets in the 2024/25 Annual Report.

Assessment of our performance against the targets will be based on the following scaled rating system.

Criteria	Rating
On target or better	Achieved
Within 5% of the target	Substantially achieved
More than 5% below the target	Not achieved

About the FMA

Who are we?

The Financial Markets Authority - Te Mana Tātai Hokohoko (FMA) is an independent Crown entity and New Zealand's principal conduct regulator of financial markets. Our overarching statutory purpose is to promote and facilitate the development of fair, efficient and transparent financial markets. Well-regulated financial markets are a cornerstone of a successful economy and the financial wellbeing of its participants.

FMA's statutory objectives

To promote and facilitate the development of fair, efficient and transparent financial markets

To promote the confident and informed participation of businesses, investors and consumers in financial markets

Our purpose

To foster the fairest financial sector in the world

Our vision

More New Zealanders than ever believe the financial services sector is working well for them

Our strategic objectives



Evolving our outcomes-focused approach



Evolving our intelligence-led approach



Deterring harmful unregulated activities



Deterring misleading and deceptive practices

Our core activities



Licensing



Monitoring and supervision



Investigation and enforcement



Policy and guidance



Information and resources



Environmental scanning

Our functions and operations

What we do

As New Zealand's principal conduct regulator of financial markets, we focus on protecting consumers and the integrity of markets. Our role as a kaitiaki of financial markets means we have a responsibility to ensure everyone who seeks to participate in the sector can do so with confidence and in an informed manner.

Our functions include:

- **Licensing** of a range of firms and professionals to provide certain financial products and services.
- **Supervision** of the industry to ensure they comply with the law and prioritise fair outcomes for consumers and markets in their conduct.
- **Investigation and enforcement** activities that aim to hold to account those whose conduct harms the operation of our financial markets, raise standards of behaviour, and deter misconduct.
- **Policy and guidance** that sets expectations and assists firms and professionals to comply with the law. We keep under review the law and practices relating to financial markets and participants.
- **Information and resources** to help consumers make better investment and financial decisions.
- **Environmental scanning** to identify the most significant risks to and opportunities for promoting our priorities and delivering our functions.

In delivering our functions we work and engage closely with industry, consumers, the Government and other agencies.

The legislation underpinning our work includes:

- Financial Markets Authority Act 2011
- Financial Markets Conduct Act 2013
- Financial Markets Supervisors Act 2011
- KiwiSaver Act 2006 (Part 4 and Schedule 1)
- Auditor Regulation Act 2011
- Financial Service Providers (Registration and Dispute Resolution) Act 2008
- Financial Markets Infrastructure Act 2021
- Anti-Money Laundering and Countering Financing of Terrorism Act 2009
- Financial Markets (Conduct of Institutions) Amendment Act 2022

How we approach our work

The following principles underpin our regulatory approach and guide our regulatory decisions.

- **Outcomes-focused:** We focus on the actual outcomes or 'end results' experienced by consumers and the market, through actively engaging with industry and other stakeholders.
- **Open:** We are open about our intentions and actions. We are clear about what we expect from others and what they can expect from us. Communications are targeted, clear and concise, using straightforward language. We accept and respond to constructive feedback.
- **System-focused:** We work with others to improve New Zealand's financial system and outcomes for New Zealanders. Success needs contributions from other regulatory agencies, so we collaborate and share. We identify gaps in our remit and powers, and try to mitigate them through relationships and our ability to influence.
- **Proportionate:** The expectations we set and how we enforce them are balanced, consistent, and fair. Our response to poor conduct is proportionate to its nature, the harm caused, and to changing market environments. We are conscious of unnecessary regulatory burden. We are agile, responsive, and pragmatic.
- **Risk-based:** We identify and analyse patterns of risk, behaviour, and capability of consumers and markets to understand the most significant risks to our objectives. This, in turn, helps us prioritise and target our interventions. When we have determined our response, we are decisive.
- **Forward-looking:** We use data and intelligence to make better decisions. We learn about the behaviour of those we regulate (and their consumers). We are flexible and respond to market innovations and changes. We seek to be innovative and forward-looking in our use of technology, new regulatory approaches, and ways of working.
- **Accountable:** We communicate our regulatory approach, priorities and progress made. We continually assess whether we have the right tools and capabilities, and seek to improve. We are accountable for the actions we take (and choose not to take).
- **Disciplined:** We act consistently within our remit and are prepared to make well-considered trade-offs. We focus our resources on where we have the most ability to make a difference to participant behaviour, market vibrancy and innovation, and outcomes for consumers.

Our planning and reporting framework

Our corporate documents provide an accountability framework that allows us to demonstrate and report on our organisational performance in pursuit of our statutory objectives.

Statement of Intent

Outlook and performance measures to show what success will look like over a four-year horizon for the FMA, market participants and consumers.

Statement of Performance Expectations

Annual performance targets and financial forecast showing how we intend to perform the services for which we are funded.

Annual Report

Yearly report of progress against the Statement of Intent, results against the Statement of Performance Expectations, and overview of key activities and achievements.

SPE non-financial measures

Overarching measure

The SPE 1 overarching measure reflects the Multi-Category Appropriation 'Services and Advice to Support Well-functioning Financial Markets', which covers all three funding categories. The single overarching purpose of this appropriation is to support well-functioning financial markets through the activities of the FMA.

The measure reflects how well financial service providers and consumers believe our regulatory activities are fulfilling our overarching statutory purpose of promoting and facilitating the development of fair, efficient and transparent financial markets.

Measure	2024/25 target	2023/24 forecast (target)	2022/23 actual (target)	Source of data/information	Strategic objective links
SPE 1 Index measure Financial service providers and consumers of New Zealand financial services believe that FMA's actions promote fair, efficient and transparent financial markets	Achieved¹	Achieved (Achieved)	Achieved (Achieved)	See below	SO 1: Evolving our outcomes-focused approach
Index measure sub-components					
1.1 Stakeholders agree that the FMA's actions help raise standards of market conduct and integrity ²	90%	90% (85%)	90.5% (85%)	Annual Ease of Doing Business survey of market participants and FMA stakeholders	
1.2 Consumers are confident in the quality of regulation of New Zealand's financial markets	75%	75% (65%)	75% (65%)	Annual Consumer Confidence survey	

1: The target for SPE 1 is based on an equal weighting between the stakeholders and consumers survey sub-components. To achieve the index target will require meeting both sub-measure targets.

2: This sub-component is an average based on two survey questions relating to stakeholder perceptions of the FMA's actions to support market integrity, and the FMA helping to raise standards of market conduct.

Judgements related to these measures

The FMA's overarching statutory purpose is to promote and facilitate the development of fair, efficient and transparent financial markets. As such, it is what the FMA is funded to deliver and against which we are held to account.

There is no simple measure for fair, efficient, and transparent financial markets. We therefore assess the quality of our performance through how stakeholders (including providers) and consumers in New Zealand's financial markets perceive our impact in helping raise standards of market conduct and integrity, and overall confidence in the quality of our regulation.

Relevant survey questions are repeated annually to allow us to determine trend analysis on perceptions over time. Both survey results are shown to provide transparency of the aggregated measure.

Category one: Investigation and enforcement activities

This category is about the work we do when we need to act against financial market misconduct.

Our objective is to carry out timely and proportionate actions that are subject to appropriate governance.

Measure	2024/25 target	2023/24 forecast (target)	2022/23 actual (target)	Source of data/ information	Strategic objective links
SPE 2 Index measure Investigations are completed and meet timeliness and quality measures	Achieved ¹	- (-)	- (-)	See below	
Index measure sub-components²					
2.1 Timeliness: Investigations are completed within targeted time	Category A³: 70% within 24 months Category B⁴: 70% within 18 months	- (-)	- (-)	Management information (internal tracking of case management)	SO 3: Deterring harmful unregulated activities SO 4: Deterring misleading and deceptive practices
2.2 Quality: Formal post-case reviews meet FMA quality criteria	90%	- (-)	- (-)	Management information (internal tracking of case reviews)	
2.3 Quality: Formal post-prosecution reviews meet FMA quality criteria	90%	- (-)	- (-)	Management information (internal tracking of case reviews)	
SPE 3 Misconduct cases ⁵ are assessed and decisions on initial actions are made within 9 working days of receiving information	85%	85% (85%)	86.35% (85%)	Management information (internal tracking of misconduct cases)	SO 3: Deterring harmful unregulated activities

1: The target for SPE 2 is based on an equal weighting between the timeliness and quality sub-components. To achieve the index target will require meeting all sub-measure targets.

2: Given the SPE 2 sub-components have changed from previous years, 2024/25 is the baseline measurement.

3: Category A cases are those that involve high complexity. They may contain one or all of the following: a significant number of victims, large-scale loss or a long period of alleged offending, multiple alleged suspects, inter-agency cooperation, international assistance, and legal complexity.

4: Category B comprises all other cases.

5: Misconduct cases involve an "allegation of financial markets conduct that could result in harm", whereas an investigation requires formal trigger points, including reasonable grounds to suspect a breach of any financial markets legislation.

Judgements related to these measures

SPE 2 previously measured whether the progress of all investigation cases was reported to the FMA Board every 40 days. The measure has been changed to focus more specifically on assessing the quality and timeliness of the work, while accommodating for the variation in the complexity of cases.

We do not set certain quantitative targets, such as a specific number of actions or a maximum timeframe to completion, under this appropriation to ensure we do not introduce adverse or unintended consequences. Decisions to carry out investigations and enforcement actions involve multiple considerations and will continue to be guided by legal or regulatory merit. Each matter under consideration also varies in size and complexity, and therefore time taken to completion.

Category two: Licensing and compliance monitoring functions

This category is about our regulatory approach relating to our core activities such as licensing, exemptions, and monitoring.

It includes:

- Ensuring licence applications, individual exemptions and other activities are processed efficiently and to an appropriate standard.
- Our activities are based on and subject to an assessment of regulatory risks, and consumer and market outcomes.
- Our supervisory activities address regulatory risks, and promote consumer and market outcomes.

Measure	2024/25 target	2023/24 forecast (target)	2022/23 actual (target)	Source of data/ information	Strategic objective links
SPE 4 Once received by the FMA, fully completed ¹ licence applications are processed within 60 working days	100%	100% (93%)	99.51% (93%)	Management information (internal tracking of relevant documents and activity)	SO 1: Evolving our outcomes-focused approach SO 2: Evolving our intelligence-led approach
SPE 5² Applications for individual exemptions are processed within 30 working days of receiving all relevant information	85%	- (-)	- (-)	Management information (internal tracking of relevant documents and activity)	SO 1: Evolving our outcomes-focused approach
SPE 6³ The FMA sets regulatory expectations and reports against industry performance based on our supervisory activities	Achieved ⁴	- (-)	- (-)	Engagement and publication of FMA's Financial Conduct Report	SO 1: Evolving our outcomes-focused approach SO 2: Evolving our intelligence-led approach

1: A fully completed application is when we have sufficient information to complete an informed assessment of an application to enable us to make a determination whether the applicant meets the requirements as set out in s 396 Financial Markets Conduct Act 2013.

2: SPE 5 is a revised measure, which has resulted in a new target for 2024/25.

3: Given SPE 6 is a new measure, 2024/25 is the baseline measurement.

4: The FMA will publish the Financial Conduct Report to explain our assessment of how well providers are working towards better outcomes, including key conduct issues and our regulatory expectations.

Measure	2024/25 target	2023/24 forecast (target)	2022/23 actual (target)	Source of data/ information	Strategic objective links
SPE 7¹ Stakeholders agree the FMA develops and implements streamlined systems and processes for licensed entities	65%	- (-)	- (-)	Annual Ease of Doing Business survey of market participants and FMA stakeholders	SO 1: Evolving our outcomes-focused approach

Judgements related to these measures

As with the Category 1 appropriation, we do not set quantitative performance targets such as a maximum number of licences declined, as this could introduce adverse or unintended consequences.

In 2024/25 we removed the qualifier wording from SPE 5 “or as communicated with reasons to the applicant”, and in doing so removed ambiguity on processing timelines. This change has resulted in a new target of 85%.

In 2024/25 we changed SPE 6, where previously the FMA undertook a range of proactive, reactive and thematic monitoring activity. This new measure now reflects our core regulatory activities in a way that allows us flexibility in the development of our risk-based and outcomes-focused supervisory approach and is a quality measure of how well the industry is performing against our expectations.

SPE 7 has also been added as a quality measure that will provide useful feedback and trend analysis on how well we carry out our core activities in relation to licensing requirements.

1: Given SPE 7 is a new measure, 2024/25 is the baseline measurement.

Category three: Market analysis and guidance, investor awareness and regulatory engagement

This category is about engaging with the market participants¹ and setting and communicating our expectations, as well as providing information to aid consumers of financial services.

It includes:

- Regular and meaningful engagement activities that bring positive results.
- Maintaining digital channels to provide information and guidance to stakeholders and consumers on regulatory requirements, expectations and issues.
- Meaningful engagement and guidance with stakeholders.

Measure	2024/25 target	2023/24 forecast (target)	2022/23 actual (target)	Source of data/information	Strategic objective links
SPE 8 The FMA informs and assists providers and consumers of financial services and products by undertaking a range of speeches, seminars and presentations (in-person and online)	40	32 (35)	74 ² (30)	Count of speeches, seminars and presentations	SO 1: Evolving our outcomes-focused approach
SPE 9 Stakeholders find FMA communication clear, concise and effective	75%	75% (75%)	75% (75%)	Annual Ease of Doing Business survey of market participants and FMA stakeholders	SO 1: Evolving our outcomes-focused approach
SPE 10³ FMA reaches more stakeholders and consumers across digital channels	5% increase to prior year	- (-)	- (-)	Google analytics Digital tools inhouse analytics	SO 1: Evolving our outcomes-focused approach

1: 'Market participants' refers to stakeholders and consumers; 'stakeholders' refers to providers of financial services, consumer groups and other agencies; and 'consumers' refers to consumers and investors.

2: The count of engagements in 2022/23 was significantly above the target result due to extensive industry engagement about new regulatory regimes during that period. We don't expect such high levels of engagement required next financial year, and accordingly have increased the target from 30 to 40.

3: Given SPE 10 has changed from previous years, 2024/25 is the baseline measurement.

Measure	2024/25 target	2023/24 forecast (target)	2022/23 actual (target)	Source of data/ information	Strategic objective links
SPE 11¹ Stakeholders agree they have benefited from engagements with the FMA	56%	- (-)	- (-)	Annual Ease of Doing Business survey of market participants and FMA stakeholders	SO 1: Evolving our outcomes-focused approach
SPE 12¹ Stakeholders agree FMA-issued guidance is useful and supports them in meeting their obligations	75%	- (-)	- (-)	Annual Ease of Doing Business survey of market participants and FMA stakeholders	SO 1: Evolving our outcomes-focused approach

Judgements related to these measures

We set quantitative and qualitative targets under this appropriation, as they both provide credible indicators of our performance.

In relation to the qualitative targets, they hold the FMA to account for a minimum number of speeches, seminars and speeches that underpin our engagements and also an increasing target across digital channels to expand our reach.

In relation to the qualitative targets, our engagements and communications are targeted as being impactful and measured with annual surveys. This provides trend analysis on stakeholder perception of the FMA and useful feedback on our perceived impact.

In 2024/25, we have introduced the SPE 11 measure that gauges the quality of broader engagements with stakeholders, and SPE 12 which will measure the quality and impact of guidance issued by the FMA.

1: Given SPE 11 & 12 measures are new, 2024/25 is the baseline measurement.

Forecast financial statements

Expected revenue and proposed expenses

Vote Business, Science and Innovation

For the years ending 30 June	2023/24 forecast outturn \$000	2024/25 forecast \$000
NON-DEPARTMENTAL OUTPUT EXPENSE APPROPRIATION		
Performance of investigation and enforcement functions		
Crown revenue	17,888	17,441
Other revenue	2,370	-
Total revenue	20,258	17,441
Expenditure	18,046	19,067
Operating surplus/ (deficit)	2,212	(1,626)
Performance of licensing and compliance monitoring functions		
Crown revenue	28,401	29,680
Interest	1,533	1,256
Other revenue	803	685
Total revenue	30,737	31,621
Expenditure	28,651	32,446
Operating surplus/ (deficit)	2,086	(825)
Performance of market analysis and guidance, investor awareness and regulatory engagement functions		
Crown revenue	24,774	24,156
Total revenue	24,774	24,156
Expenditure	24,992	26,408
Operating surplus/ (deficit)	(218)	(2,252)
Total	4,080	(4,703)
NON-DEPARTMENTAL OTHER EXPENSES APPROPRIATION		
FMA litigation fund		
Crown and interest revenue	4,319	5,000
Expenditure	4,319	5,000
Litigation surplus/ (deficit)	-	-

Statement of forecast comprehensive revenue and expense

For the years ending 30 June	2023/24 forecast outturn \$'000	2024/25 forecast \$'000
REVENUE		
Crown revenue	71,063	71,277
Interest	1,533	1,256
Other revenue	3,173	685
Litigation fund income - Crown revenue and bank interest	4,319	5,000
Total revenue	80,088	78,218
EXPENSES		
Personnel expenses	53,885	59,473
Occupancy expenses	3,802	3,840
Depreciation	2,552	2,133
Other operating expenses	11,450	12,475
Litigation fund expenses	4,319	5,000
Total expenses	76,008	82,921
Surplus/(deficit)	4,080	(4,703)
Total comprehensive revenue and expense for the year	4,080	(4,703)
COMPRISING		
Operating surplus/(deficit)	4,080	(4,703)
Litigation surplus/(deficit)	-	-
Surplus/(deficit)	4,080	(4,703)
Total comprehensive revenue and expense for the year	4,080	(4,703)

Statement of forecast financial position

As at 30 June	2023/24 forecast outturn \$000	2024/25 forecast \$000
EQUITY		
Accumulated funds	6,760	2,057
Capital contributions	13,062	13,062
Total equity	19,822	15,119
ASSETS		
Current assets	24,482	20,936
Non-current assets	6,173	5,293
Total assets	30,655	26,229
LIABILITIES		
Current liabilities	7,954	8,298
Non-current liabilities	2,879	2,812
Total liabilities	10,833	11,110
Net assets	19,822	15,119

Statement of forecast changes in equity

For the years ending 30 June	2023/24 forecast outturn \$000	2024/25 forecast \$000
Opening balance		
Accumulated funds	2,680	6,760
Capital contributions	13,062	13,062
Total opening balances	15,742	19,822
COMPREHENSIVE REVENUE AND EXPENSE		
Forecast net operating surplus / (deficit)	4,080	(4,703)
Forecast net litigation surplus / (deficit)	-	-
Total comprehensive revenue and expense	4,080	(4,703)
OWNER TRANSACTIONS		
Capital contribution	-	-
Total owner transactions	-	-
Closing Balance		
Accumulated funds	6,760	2,057
Capital contributions	13,062	13,062
Total closing balances	19,822	15,119

Statement of forecast cashflows

For the years ending 30 June	2023/24 forecast outturn \$000	2024/25 forecast \$000
CASH FLOW FROM OPERATING ACTIVITIES		
Cash was provided from:		
- Crown revenue	71,063	71,277
- Crown revenue - litigation fund	5,319	5,000
- Interest	1,486	1,256
- Other income	733	685
- Litigation cost awarded (net)	2,370	-
Cash was applied to:		
- MBIE fees and levies (net)	(643)	-
- Suppliers	(26,299)	(27,513)
- Employees	(47,582)	(52,997)
- Net GST	263	34
Net cash flows from operating activities	6,710	(2,258)
CASH FLOW FROM INVESTING ACTIVITIES		
Cash was provided from:		
- Net decrease in term deposits	6,000	2,000
Cash was applied to:		
- Purchase of fixed assets	(2,397)	(1,834)
- Net increase in term deposit	(6,000)	-
Net cash flows from investing activities	(2,397)	166
CASHFLOW FROM FINANCING ACTIVITIES		
Cash was provided from:		
- Capital contributions	485	-
Net cash flows from financing activities	485	-
Net increase (decrease) in cash balance	4,798	(2,092)
Add opening cash and cash equivalents balance	10,174	14,972
Closing cash and cash equivalents balance carried forward	14,972	12,880
COMPRISING		
Current account cash and cash equivalents	12,609	10,517
Litigation fund cash and cash equivalents	2,363	2,363
	14,972	12,880

Statement of significant assumptions

The following significant assumptions were used to prepare the forecast information:

Crown revenue

The approved Crown appropriation for 2024/25 is \$71.3 million. This is the net amount after deducting the 10% target saving initiatives as confirmed in the 2024 Budget. Refer to the note below regarding additional special funding for a system build for the Conduct of Financial Institutions (CoFI) regime.

Other income

We have determined the level of income from fees and the recovery of costs under current regulations from the information available as at the date of preparation of these statements.

Litigation fund and expenditure

Based on our most likely litigation portfolio, arising from anticipated cases being investigated or set down for litigation, the 2024/25 litigation spend is estimated at \$5 million. We note the volatility inherent in predicting litigation activity. Actual litigation activity and expenditure may be materially different from forecast.

Capital expenditure

As part of Budget 2020 and 2022, the FMA has approved capital expenditure funding for developing a new system for the CoFI regime. Currently, \$1.45 million of this funding remains available. With the FMA's CRM system scheduled to migrate to the cloud in the near future, plans are underway for the CoFI system to also be built in the cloud, thereby categorising it as an operating expenditure (OPEX). Consequently, the remaining capital expenditure (CAPEX) funding allocated for the CoFI system build will be reallocated as OPEX funding. As a result, the \$1.39 million is reported as part of Crown Revenue in the 2023/24 forecast, with the remaining amount allocated to out-years.

Statement of accounting policies

Reporting entity

The FMA is an independent Crown entity as defined by the Crown Entities Act 2004. The FMA was established on 1 May 2011 by the Financial Markets Authority Act 2011, is domiciled in New Zealand and its ultimate parent is the New Zealand Crown.

The FMA is responsible for ensuring public confidence in New Zealand's financial markets, promoting innovation and supporting the growth of New Zealand's capital base through effective regulation.

The FMA is a public sector public benefit entity (PBE) for the Accounting Standards Framework issued by the New Zealand External Reporting Board, because we are a public entity as defined in the Public Audit Act 2001.

These forecast financial statements were authorised for issue by the FMA on 17 June 2024.

These forecast financial statements have been prepared for the special purpose of the FMA's Statement of Performance Expectations 2024/25 for the Minister of Commerce and Consumer Affairs. They should not be relied on for any other purpose.

Measurement base and statement of compliance

The FMA's prospective financial statements have been prepared in line with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and the accounting policies expected to be used in the future for reporting historical general purpose financial statements. They comply with PBE Accounting Standards and other pronouncements that have authoritative support and are applicable to entities that apply PBE Standards. As a Tier 1 public sector PBE, we are required to report in accordance with Tier 1 PBE Accounting Standards.

The prospective financial statements also comply with PBE FRS 42 – Prospective Financial Statements and they have been prepared based on the best estimates and assumptions about future events that we expect to occur. Actual financial results achieved for the period covered are likely to vary from the information presented. All material variations will be disclosed and explained in the subsequent Annual Report.

Functional and presentational currency

These financial statements are presented in New Zealand dollars (\$), which is the entity's functional currency. All financial information presented has been rounded to the nearest thousand dollars (\$000).

Other significant accounting policies

Revenue from the Crown

The FMA receives funding via appropriations from the Crown. It is non-exchange revenue. Revenue from the Crown is recognised as revenue when earned and is reported in the financial period when the funding becomes receivable by the FMA. Revenue is measured at the fair value of consideration received or receivable.

The FMA has been provided with funding from the Crown for specific purposes as set out in its founding legislation and the scope of the relevant Government appropriations. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to Government funding.

Revenue – litigation fund

The FMA receives litigation funding via appropriations from the Crown. It is non-exchange revenue.

The approved litigation funding for the 2024/25 financial year is \$5 million. Under the new funding agreement, the FMA can retain up to \$3 million in the litigation fund account on its balance sheet at any point in time. As and when the amount held in the litigation fund account falls below \$2 million, the FMA can request a top up to an amount not exceeding \$3 million. In addition, FMA can retain any underspend in the litigation fund appropriation across financial years.

Amounts received are accounted for as litigation revenue received in advance and the revenue is recognised as the expenditure is incurred. Any unspent or unapplied funds not exceeding \$3 million at balance date are retained by the FMA and disclosed as litigation revenue received in advance. The fund is restricted for approved litigation purposes only as per criteria set out in the litigation funding agreement.

Revenue – other

Other revenue is measured at the fair value of the consideration received or receivable. Other revenue is received from providing specific services to market participants and court cost award recoveries.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Term deposits

This category includes only term deposits with maturities greater than three months.

Goods and services tax

All items in the financial statements are exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of current assets or current liabilities in the statement of financial position. Commitments and contingencies are disclosed exclusive of GST.

Income tax

The FMA is a public authority, and consequently is exempt from the payment of income tax under the Income Tax Act 2007. Accordingly, no provision has been made for income tax.

Cost allocation policy

The FMA determines the cost of outputs using the cost allocation system outlined below.

- Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific output.
- Direct costs are charged directly to outputs. Indirect costs are charged to outputs based on cost drivers and related activity or usage information. Personnel costs are charged based on actual work undertaken by each team or function. Other indirect costs are allocated to outputs based on the proportion of direct labour costs for each output.

Equity

The FMA's equity comprises the following reserves:

- Accumulated funds / (deficit) arising from normal operating activities, funded by a government appropriation and other revenue.
- Capital contribution reserve comprising closing accumulated funds transfers from the Securities Commission and capital contributions made to fund specific capital investment.

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