FINANCIAL MARKETS AUTHORITY
TE MANA TĀTAI HOKOHOKO

Ripoata-ā-Tau
Annual Report
2023/24

Promoting and facilitating the development of fair, efficient, and transparent financial markets

About the Financial Markets Authority - Te Mana Tātai Hokohoko

The 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. For more on our organisation and how we regulate see pages 10 to 14.

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Financial Markets Authority Annual Report 2023/24

Compliance statement

Minister of Commerce and Consumer Affairs

This report is provided as required under sections 150 and 151 (3) of the Crown Entities Act 2004. It is the annual report of the Financial Markets Authority - Te Mana Tātai Hokohoko for the year ended 30 June 2024.

CJStobo

Craig Stobo

Chair

Financial Markets Authority

30 September 2024

Steven Bardy

Chair

FMA Audit and Risk Committee

30 September 2024

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Licensing and compliance monitoring

Opened licensing for the Conduct of Financial Institutions (CoFI) regime, which will require banks, insurers and non-bank deposit-takers to comply with a 'fair conduct principle' to treat consumers fairly through establishing, maintaining and implementing a fair conduct programme, when it comes into effect in 2025.

Reviewed NZX and other licensed market operators, and found they are meeting their licensed market operator obligations and operating in a fair, orderly and transparent manner.

Published key findings and observations from our monitoring of Class 1 and 2 licensed Financial Advice Providers (FAPs). We were encouraged by the progress made in the transition to the new regulatory regime for financial advice, but did see some FAPs and advisers had a limited understanding of the purpose and intent of the regime and took a 'tick-box' approach to compliance, which creates the risk of poor outcomes for clients.

Investigations and enforcement

The High Court ordered CBL Corporation Limited (in liquidation) and four of its former directors to pay penalties for continuous disclosure and misleading conduct breaches following proceedings brought by the FMA. We subsequently reached agreement with former CBL managing director Peter Harris, with Mr Harris admitting to contraventions of the Financial Markets Conduct Act 2013 and agreeing to an enforceable undertaking.

Ramped up our efforts to combat scams and other unregulated investment activity, by sharing warnings and alerts on social media, publishing case studies and educational content to help people understand how to spot and avoid scams, and working with other Government agencies and industry organisations to share intelligence.

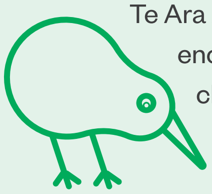
Cancelled Stockfox Limited's Financial Advice Provider licence, after being satisfied that the entity no longer met key requirements of the licence. This followed a permanent stop order to Stockfox's director and associated entities, which we issued after being satisfied they had distributed communications that were false or misleading, contained material misdescription or error, and/or made unsubstantiated claims as to the value of financial products offered to investors.

Saw the resolution of several cases where we had brought proceedings for breaches of fair dealing provisions that involved failing to apply multi-policy discounts or other advertised benefits for customers – with Vero ordered to pay $3.9 million, Medical Assurance Society New Zealand ordered to pay $2.1 million, and Kiwibank ordered to pay $812,500.

Market analysis and guidance, investor awareness and regulatory engagement

Issued principles for how fund managers can effectively manage liquidity risk, as part of complying with their obligations to act in the best interests of scheme participants and treat them equitably, and exercise appropriate care, diligence and skill.

Teamed up with the Retirement Commission – Te Ara Ahunga Ora for a campaign to encourage KiwiSaver members to check their annual statements and see if they are on track for their retirement savings goals.



In conjunction with the Reserve Bank of New Zealand, we issued standards under the Financial Market Infrastructures Act 2021, which has established an enhanced regulatory regime for Financial Market Infrastructures (FMIs) that brings New Zealand in line with our peer jurisdictions and reflects international best practice. FMIs are multilateral systems (such as payments systems and central counterparties) that enable electronic payments and financial market transactions, and play a critical role in promoting financial stability and economic growth.

Marked World Investor Week 2023 with a campaign focused on ethical investing, which featured digital content and partnerships with personal finance influencers that aimed to empower investors to confidently make investing decisions that are aligned with their values.

Collaborated with the Commerce Commission on a joint message that outlined ways financial service providers (including consumer lenders) can support customers who are experiencing financial difficulty. The message included practical ways providers can help customers, and outlined our expectations for providers' internal policies and processes related to customers in vulnerable circumstances.

In collaboration with the External Reporting Board, we launched reader guides for climate statements published under the new Climate-related Disclosures regime, to help investors understand the information entities are disclosing about how they are managing risks and opportunities related to climate change, to support good investment decision making.

Pūrongo mai i te Heamana
Message from the Chair

I am pleased to have taken up the role of FMA Chair. Promoting and facilitating the development of fair, efficient, and transparent financial markets is an objective I strongly support because, at the core, it is about enabling confident markets and better outcomes for all New Zealanders.

And it is invigorating to have joined at such a pivotal time, as we have recently set out strategic priorities for the next four years in the newly published Statement of Intent 2024-2028.

There are challenges to navigate, such as economic headwinds, cost of living pressures and the risk of harm posed by financial scams and fraud. You will also note we have seen a decline from last year's positive responses for some performance measures from the Ease of Doing Business and Investor Confidence surveys. While this is a concern it is also an opportunity for improvement, and will be a focus for the Board over the coming months.

There are other opportunities, and room for ambition, emerging from regulatory change and FMA's renewed focus on outcomes for consumers and markets. These have the potential to create pathways to greater prosperity and efficiency in our financial markets, and fairer financial services for New Zealanders. The activity highlighted in this report shows the FMA is advancing on creating these pathways, through efficient implementation of new regulatory remits, shrewd use of enforcement tools to address and deter misconduct, and building stronger relationships with local and international regulators and other government agencies, industry bodies, and market participants.

> "These [opportunities] have the potential to create pathways to greater prosperity and efficiency in our financial markets, and fairer financial services for New Zealanders."

We have provided input into the Government's proposed financial services reforms, which include a targeted review to ensure fair conduct obligations are proportionate and fit for purpose. The aim "to streamline the financial services regulatory landscape and remove unnecessary compliance costs"[1] absolutely resonates with us; we will continue to seek ways to reduce regulatory burden in our day-to-day work as well as in support of the Government's reforms.

1 2024 financial services reforms | mbie.govt.nz

On the other side of the coin we are keenly focused on fairness for consumers, and have seen great examples of success in this area. $215 million has been returned or is in the process of being returned to customers as a result of remediation activity that was part of the Conduct and Culture project. During recent reviews, Financial Advice Providers were able to demonstrate that they have their clients' interests at the forefront when making recommendations. And we opened applications for licensing under the Conduct of Financial Institutions (CoFI) regime for banks, insurers and non-bank deposit takers. CoFI is built around the principle that a financial institution must treat consumers fairly, and we are working in partnership with entities to ensure this vision is achieved.

As we have said elsewhere, we welcome the Government's commitment to transfer credit regulation to the FMA. We look forward to a collaborative and considered transition, to integrate credit regulation into our remit in as seamless and efficient a manner as possible, so we can promote better outcomes for New Zealanders across more aspects of their financial lives.

Finally, I would like to acknowledge the contribution of outgoing board members Vanessa Stoddart, Mark Weenink and in particular Mark Todd, my predecessor in the role of chair, who ably helped to steer the organisation through a period marked by several regulatory regime changes, intensive reviews of multiple industry sectors, COVID lockdowns, 2023's series of extreme weather events, and substantial growth for the FMA in terms of people and areas of responsibility.

Thanks to this prior leadership, the FMA is well positioned to take on the challenges and make the most of the prospects that lie ahead.

Craig Stobo

Financial Markets Authority Chair

Pūrongo mai i te Tumu Whakarae Matua
Message from the Chief Executive

Whenever the FMA looks back at the year that was, it seems every year is one of change. So it is worth taking a moment to acknowledge that we are 'getting there' in key areas – passing significant milestones and seeing the hard work of the FMA and industry come to fruition.

We published a monitoring report on Financial Advice Providers (FAPs), the first since the new financial advice regime was fully implemented in 2023. Although we acknowledge there are areas to iron out, which we shared in the report for FAPs to consider, we were heartened to see FAPs using the new requirements to further serve the needs of their clients and build stronger and more resilient businesses.

The first climate statements filed under the Climate-related Disclosures regime were published early in 2024. With information about how climate reporting entities are mitigating and adapting to climate-related impacts becoming available, we collaborated with the External Reporting Board on a set of guides to help readers understand the purpose and content of climate statements. The guides help to make the link between the disclosures and the ultimate aim of the regime, which is to support the allocation of capital towards activities that are consistent with a transition to a low-emissions, climate-resilient future.

> "We are committed to collaborating and engaging with industry, and will continue to do so as we evolve our outcomes-focused approach."

We opened licensing for Financial Institutions under the CoFI regime, and have received the first applications. It is exciting to know these entities have been having conversations about and developing their fair conduct programmes. We look forward to seeing how these are reflected in their relationships with customers from March 2025 when the regime comes into effect. Throughout the year we have been engaging with the sector, particularly smaller firms, to provide support for licensing and discuss concerns. This dialogue will be ongoing through the transition period, creating a solid foundation for these new regulatory relationships.

Meanwhile, our slate of policy development work in collaboration with other agencies has continued to grow, with the Contracts of Insurance Bill, the review of anti-money laundering legislation, proposals for market governance of the Emissions Trading Scheme, and open banking all picking up steam during the year.

We are also preparing for the transfer of credit regulation to the FMA, which involves an ongoing programme of engagement and coordination with the Commerce Commission. As Craig has noted, our focus is on making this process smooth and simple for all stakeholders.

With change such a constant in the regulatory landscape, it is worth noting that stability in financial services has been a theme for some key pieces of work we completed during the year.

Our guide on liquidity risk management sets out some core principles for how Managed Investment Scheme (MIS) managers and their supervisors can manage liquidity risk as part of complying with their existing obligations related to professional standards and treatment of scheme participants. The guide notes this is particularly important at times of heightened market uncertainty and volatility, to help mitigate the risk of poor outcomes for investors and markets.

Following consultation, we added a standard condition focusing on business continuity and technology systems to licences for MIS managers, DIMS providers, derivatives issuers, peer-to-peer lending providers and crowdfunding service providers. The aim is to ensure these licensees maintain operational resilience and have the tools to respond to and recover from a cyber-attack or other crisis event – again to help minimise potential impacts on customers and the wider financial markets.

While specific to certain sectors, these pieces of work provide a general message to all our stakeholders: that despite certain areas being in flux, we are always working towards stability, certainty and strength for New Zealand's financial ecosystem.

These themes are also reflected in our recent enforcement activity. With cases against Vero, Medical Assurance Society and Kiwibank resulting in penalties for all three entities, and proceedings filed in another fair dealing-related case, industry can be in no doubt about how we will respond where customers have not received benefits they are entitled to. A variety of actions against FAPs have sent a clear message that even though we are taking a collaborative approach in the early days of the new regime, there is never room for egregious misconduct. And the proceedings filed against Booster for alleged breaches in relation to investment management decisions are a signal that good governance is a perennial priority for us, and we will always take a closer look into potential poor conduct where warranted.

New Zealanders, like much of the rest of the world, have been facing economic uncertainty and cost-of-living pressures. With this has come an uptick in the prevalence of scams purporting to be investment offers. We stepped up our scam response activity, including publishing warnings and case studies, and raising awareness of fraud warning signs to help people protect themselves. The 356% year-on-year increase in views of our scam-related website content is at once a great reflection of our efforts this year, and a reminder of the prevalence of scam activity and the absolute necessity of maintaining our momentum in this space.

I want to recognise our fellow Council of Financial Regulators members. A particular highlight this year has been seeing the relationships between the FMA, the Reserve Bank, the Commerce Commission, MBIE and Treasury grow and mature. Under the CoFR umbrella we have worked together to identify and pursue opportunities to build innovation, resilience, inclusiveness and efficiency in our economy.

In November 2023 the FMA opened consultation on our proposed approach to outcomes-focused regulation. We noted that we were not introducing new rules or regulations, but rather framing, for ourselves and industry, what the ultimate results of compliance should be: not just ticking off a process followed or a policy put in place, but using these things as a means to the end of demonstrable fair outcomes for consumers and markets.

We acknowledge the feedback received during the consultation period, and are repositioning to focus on letting the market know how outcomes-focused regulation will shape the FMA's approach to supervision and monitoring, and make us a more forward-looking and risk-based regulator.

We are committed to collaborating and engaging with industry, and will continue to do so as we evolve our outcomes-focused approach. Having more New Zealanders believe the financial services sector works well for them is a goal that can unite us all.

Samantha Barrass

Financial Markets Authority Chief Executive

Mō ā mātou mahi
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.

Our functions and operations

What we do

As New Zealand's principal conduct regulator of financial markets, the FMA's main objective is to promote and facilitate the development of fair, efficient, and transparent financial markets. We have a responsibility to ensure everyone who seeks to participate in the financial markets 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 Market Infrastructures Act 2021
- Anti-Money Laundering and Countering Financing of Terrorism Act 2009
- Financial Markets (Conduct of Institutions) Amendment Act 2022

Who we regulate

Retail Advice and Access

Enables distribution of products on an advised or sales basis, or directly through online platforms

- Financial Advice Providers
- Derivatives issuers
- Retail platforms and aggregators
- Alternative capital raising (eg peer-to-peer and crowdfunding)

Capital Markets

Enables matching of issuers with investors, and creation and trading of securities

- Issuers
- Brokers
- Trading venues (eg financial product markets such as NZX)
- Audit
- Market infrastructure (eg settlement systems)

Investment Management

Provides investment vehicles and services to enable investors to seek returns on capital

- Retail funds, KiwiSaver, superannuation etc
- Wholesale funds
- Supervisors and licensed independent trustees
- Discretionary investment management services (DIMS)
- Custodians

Insurance

Provides risk management functions for both individuals and businesses

- Life insurance
- Non-life insurance

Banking

Provides access to deposit taking, payment services, and lending facilities (both secured and unsecured)

- Deposit taking
- Payment services
- Mortgages
- Overdrafts
- Credit cards
- Personal loans

Direct regulatory relationship with FMA, including licensed participants

Indirect relationship, other participants/activities

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 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

The following diagram shows how we deliver and assess our performance to support our overall statutory objective.

FMA's statutory objective

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

Strategic intentions

- Governance and culture
- Deterrence of misconduct
- Implementation of remit changes
- Investor and customer decision-making
- Trust and confidence in capital markets

Assessing performance

SOI 1 The FMA's actions promote fair, efficient and transparent financial markets.

SOI 2
Financial service providers demonstrate an appropriate customer-centric culture and improvements in governance, incentive structures, sales and advice processes, and systems to mitigate conduct risk.

SOI 3
The FMA's actions promote credible deterrence of misconduct.

SOI 4
The FMA works with other regulatory and government agencies, and engages with market participants, to effectively and efficiently deliver its role in remit changes.

SOI 5
Investors and customers are engaged and make active and informed decisions based on clear, concise and effective information and communication.

SOI 6
The FMA's actions promote trust and confidence in, and sustainable development of, New Zealand's capital markets.

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 (SOI)
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 (SPE)

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.

Te pānui mai i ta mātou Pūrongo Whainga
Reporting on our Statement of Intent measures

The following pages highlight activity from the 2023/24 year, categorised by the strategic intentions listed in our Statement of Intent (SOI), to demonstrate progress against the SOI performance measures.

Throughout this section we use results from our annual Ease of Doing Business and Investor Confidence surveys as performance indicators. See page 40 for more information about these surveys.

This year we have noted a drop in positive responses for many of these indicators. The surveys provide limited insight into the reasons behind people's responses and we do not want speculate or draw conclusions from limited data. However, we will be working to understand why sentiment has changed, and looking at ways to improve the results.

For future years we are considering complementing the surveys with stakeholder interviews and more qualitative analysis. This will allow us to better understand sentiment in different market and consumer sectors, and therefore tailor follow-up actions to maximise their effectiveness.

	2024 Ease of Doing Business survey	2024 Investor Confidence survey
Sample	133 FMA stakeholders from regulated entities, industry and consumer groups, and public sector entities	2081 people comprising a sample representative of the New Zealand population by age, gender and region
Margin of error	+/- 8% (at the 95% confidence level)	+/-2.19% (at the 95% confidence level)
Response rate	19%	Not applicable, as quotas are set to ensure proportional representation within the sample

Te whakatau ō te Rautaki whānui
Overarching strategic intention

Strategic intention: The FMA's actions promote fair, efficient and transparent financial markets

Fair, efficient and transparent financial markets are a cornerstone of a well-functioning New Zealand economy. This defines the FMA's overarching statutory purpose. Within our statutory framework, we therefore work and engage with financial service providers, investors, businesses, and customers to promote and facilitate developments that enhance fairness, efficiency and transparency in financial markets

Performance measure: SOI 1

The FMA's actions promote fair, efficient and transparent financial markets

Activity contributing to this measure

All of our activity highlighted in this section ultimately aims to contribute to SOI 1. We use the following measures to gauge the overall success of our activity.

Stakeholders agree that the FMA supports market integrity[2]	
2024	**85%**
2023	92%
2022	91%
2021	89%
2020	89%
2019	88%
2018	87%

Stakeholders agree that the FMA helps raise standards of market conduct[2]	
2024	**75%**
2023	89%
2022	88%
2021	87%
2020	85%
2019	84%
2018	82%

While the market integrity result is within the 8% margin of error for the survey, the market conduct result is statistically significant.

Throughout the year we have continued to promote examples of our efforts to support market integrity and raise standards of market conduct, including:

- our enforcement activity (see pages 22 to 25)

2 Source: Ease of Doing Business survey. See page 40 for details about the survey.

- monitoring and oversight of licensed entities (pages 20 to 21), market operators (page 36) and auditors (page 33)
- guidance and changes aimed at strengthening financial services, such as our guidance for Managed Investment Scheme managers on managing liquidity risk (page 18) and the introduction of the standard condition for business continuity and technology systems for some licensees (page 19).

Over the coming year we will continue to focus on and promote work to support market integrity and raise standards of market conduct. This will include publishing an overview of our regulatory approach for stakeholders that explains how outcomes-focused regulation will shape our supervision and monitoring activity.

Investor confidence in New Zealand's financial markets being effectively regulated[3]

2024	**66%**
2023	71%
2022	65%
2021	67%
2020	68%
2019	60%
2018	59%

Investors and customers agree that the FMA's actions help promote fair, efficient and transparent financial markets[3]

2024	**58%**
2023	65%
2022	41%

Investors and customers are confident that New Zealand financial markets and financial service providers treat investors and customers fairly[3]

2024	**76%**
2023	73%
2022	70%

We saw statistically significant drops in sentiment related to the measures for investor confidence in New Zealand's financial markets being effectively regulated, and investors and customers agreeing that the FMA's actions help promote fair, efficient and transparent financial markets. We will aim for improvement in these areas by continuing our consumer engagement, particularly around emerging risks and trends, and regulatory changes that may impact consumers, and promoting the variety of enforcement work we do.

The upward trend in investors and customers being confident of receiving fair treatment is encouraging. While fairness has always been a part of the FMA's main statutory objective, it has been a particular focus recently as we have been laying the groundwork for the CoFI regime with its fair conduct principle (page 28), and in our monitoring of Financial Advice Providers where we looked for how they can demonstrate that they have their clients' interests at the forefront.

3 Source: Investor Confidence survey. See page 40 for details about the survey.

Ngā mahi Kawanatanga me ngā tīkanga
Governance and culture

Strategic intention: Regulated firms have customer-centric cultures that serve the needs of customers

In particular, firms have appropriate governance and systems to manage conduct risk. The internal culture of a financial services firm is a core driver of conduct. A customer-centric culture is an essential way for firms to reduce the likelihood and impact of misconduct. Governance, systems and controls that reflect a customer-centric approach are important elements of good conduct risk management.

Performance measure: SOI 2

Financial service providers demonstrate an appropriate customer-centric culture and improvements in governance, incentive structures, sales and advice processes, and systems to mitigate conduct risk

Activity contributing to this measure

Liquidity risk management

We published principles for how Managed Investment Scheme (MIS) managers and their supervisors can effectively manage liquidity risk, as part of complying with their relevant obligations to act in the best interests of scheme participants and treat them equitably, and exercise appropriate care, diligence and skill.

Fund liquidity is about how fund assets can be sold without negatively impacting the price of those assets. Good management of fund liquidity is important to help ensure investors are treated equitably, and that funds operate in line with the information given to investors.

The publication is intended to assist all MIS managers, and supervisors of those schemes, to consider liquidity risk at all stages of fund management – from fund design to day-to-day liquidity management and contingency planning – and particularly at times of heightened market uncertainty and volatility.

John Horner, FMA Director of Markets, Investors and Reporting, said: “Effective liquidity risk management is a fundamental capability managers need to implement, maintain and enhance.
The guide is designed to assist managers and supervisors effectively manage and oversee liquidity risk.”

Based on feedback from consultation on the draft, the final guide emphasises that managers retain discretion about how they manage liquidity in the context and scale of their own business.

Business continuity and technology systems

Following consultation, we introduced a new licence standard condition focusing on business continuity and technology systems for the following types of market service licences:

- Managers of registered schemes (but not restricted schemes)
- Providers of discretionary investment management services
- Derivatives issuers
- Prescribed intermediary services (peer-to-peer lending providers and crowdfunding service providers).

It requires licence holders to have and maintain a business continuity plan that is appropriate for the scale and scope of their service, and to make sure their critical technology systems are operationally resilient. They must also notify the FMA if an event materially affects the supply of their service.

FMA Director of Specialist Supervision and Response, Peter Taylor, said: "The online notification form for reporting of cyber and operational incidents is intended to aid reporting by entities and provide the FMA early notification due to the often time-sensitive nature of these incidents. We have also ensured that Reserve Bank regulated entities are not further burdened by ensuring this process remains compatible with the Reserve Bank requirements."

Anti-money laundering and countering financing of terrorism (AML/CFT)

Changes to AML/CFT requirements came into force on 1 June 2024. These changes, made to ensure New Zealand is meeting global AML/CFT standards, relate to the cross-border transportation of cash, definitions, exemptions, requirements and compliance and prescribed transaction reporting.

To support these changes the Department of Internal Affairs, the FMA and the Reserve Bank of New Zealand, who are the joint AML supervisors, developed and issued new guidance, taking an educative and constructive approach to supporting AML reporting entities to comply with the new requirements.

Conduct and Culture update

The Conduct and Culture reviews of banks and life insurers were carried out by the RBNZ and the FMA between 2018 and 2019. Following the reviews, the entities involved have been providing six-monthly updates of progress against the agreed action plans they developed in response to our findings.

As part of this work, entities have identified a range of issues requiring customer remediation. As at June 2024, approximately 1.585 million affected customers had been identified, and $215 million has been returned or is in the process of being returned to them.

Most firms have completed their plans, naturally transitioning this work from reporting to us into developing their fair conduct programmes and preparing to apply for a Financial Institution licence under CoFI (see page 28).

Accordingly, the FMA's conduct and culture workstream has been wound up; our focus on conduct and culture will now become part of our ongoing monitoring of all Financial Institutions under the CoFI regime. Where issues requiring remediation identified by Conduct and Culture work are ongoing, we will continue to follow up in our regular engagement with firms.

Performance indicator

Monitoring and oversight

One of the ways we assess whether firms can demonstrate they have the elements of a customer-centric culture is through our monitoring, which focuses on culture, governance, and systems and controls. The desired outcome in our monitoring activities is to set expectations for the sectors we regulate, by identifying and deterring poor conduct, to raise standards across the industry and ultimately improve outcomes for consumers and markets.

Planned monitoring

We carried out a programme of planned monitoring that focused on the newly licensed financial advice sector (see below), as well as licensed market operators (page 36), auditors (page 35) and audit accredited bodies (page 35). We also carried out reviews at a sector level (see below), to help identify risks and inform our approach to future monitoring.

Financial Advice Provider (FAP) Monitoring Insights report

We published a report on key findings and observations from our supervision and monitoring reviews of Class 1 and 2 licensed FAPs. Sharing our findings gives FAPs an opportunity to reflect on their understanding and implementation of their obligations at this early stage in the new regulatory regime for financial advice.

Overall, from our reviews we were encouraged by the progress made and the transition to the new requirements. We were pleased to see how this has strengthened the relationships advisers have with their clients. Many of the advisers we spoke to were able to demonstrate that they had their clients' interests at the forefront during the sales and advice process, and had in-depth product knowledge that supported quality advice and enabled clients to choose financial products that meet their needs.

We did see some FAPs and advisers had a limited understanding of the purpose and intent of the regime, and took a 'tick-box' approach to compliance rather than looking at how their arrangements can achieve good outcomes for their clients. The consequence of this approach is that advice firms risk not achieving substantive compliance with their conduct and client care duties when giving advice.

We saw instances where disclosure of commissions and incentives by advisers was inadequate or inconsistent across client documents. And in some cases there was no oversight of the quality of advice, which makes it difficult to know whether those giving advice are following their duties.

Where we identified serious harm, we provided feedback letters, set expectations for remediation, and took further enforcement action where warranted.

The report encouraged advisers and FAPs to evaluate their conduct, compliance and practices against the findings, as well as their obligations, to identify areas for improvement.

Governance thematic review

We issued the findings from our joint governance thematic review with the Reserve Bank of New Zealand (RBNZ). The review involved examining the policies, processes and operational practices of boards of financial institutions, from the banking, insurance, non-bank deposit taking and investment management sectors, in key areas of governance.

While we observed good practices across the sample, a key finding was that many of these practices were not embedded into policies and processes, and those that were documented often lacked sufficient detail and clarity. While board practices evolved, changes were often not reflected in the entity's governance frameworks. There is still room for improvement in most entities to ensure robust and comprehensive governance frameworks, policies, processes systems and controls are in place. As noted in the report, it is imperative the board maintains oversight of an entity's conduct and culture to ensure it continues to deliver good customer and stakeholder outcomes.

Discretionary Investment Management Service (DIMS) sector insights

Building on our 2022 survey of DIMS providers, we monitored a subset of providers representative of the wider sector. Overall, we were encouraged that providers appear to be working to deliver good investor outcomes. While we did identify breaches of legal obligations, we are confident that providers have taken or are taking appropriate action to resolve the issues.

Our monitoring classified risks related to conflicts of interest, fees disclosure and transparency, investment management, strategy, and performance monitoring. The underlying causes of the issues were commonly poor disclosure or a lack of policy and/or procedures. Managing these risks does not need to be complicated, but providers should consider how their compliance framework can effectively manage risks in a way that is appropriate for the size and nature of their individual service.

We intend to issue a report in the coming year to share our findings with the sector, and our future monitoring will continue to explore these risks with the wider DIMS population.

Arai atu i ngā mahi hianga
Deterrence of misconduct

Strategic intention: We deter misconduct through effective enforcement action

Enforcing compliance with legislation and other regulations is core to our role as a regulator. Enforcement activity enables us to hold individuals and entities to account, send clear messages to industry regarding their obligations, and provide clarity on those obligations.

Performance measure: SOI 3

The FMA's actions promote credible deterrence of misconduct

Activity contributing to this measure[4]

This calendar highlights key cases and actions where we have reviewed and investigated instances of potential wrongdoing, and sought to hold individuals and entities to account, using our broad suite of regulatory tools to address misconduct and effect behaviour change.

July 2023

Rowan Kearns, the founder and sole director of the Forestlands group of companies, was sentenced to community detention and community work, following a prosecution brought by the FMA related to making false statements and financial reporting offences.

August 2023

We issued a warning to Enprise Group Limited, an issuer of a regulated financial product, for failing to keep proper accounting records. These records are required to ensure financial statements comply with generally accepted accounting practice under the FMC Act.

October 2023

Vero was ordered to pay a penalty of $3.9 million for failing to apply multi-policy discounts to customers, following proceedings brought by the FMA. Vero admitted it breached one of the fair dealing provisions of the FMC Act by not applying multi-policy discounts to some customers who were entitled to them.

Kiwibank was ordered to pay a $812,500 penalty for making false and/or misleading

4 Also see pages 86-87 for more information about enforcement activity related to our Litigation Fund.

representations to some customers, following proceedings brought by the FMA. The case related to Kiwibank's general terms and conditions that stated customers would not pay transaction fees on their accounts if those customers also had a home loan from Kiwibank. However, some customers did not have fee waivers applied to their accounts.

November 2023

Medical Assurance Society New Zealand Limited (MAS) was ordered to pay a pecuniary penalty of $2.1 million for making false and/or misleading representations to some customers, following proceedings brought by the FMA. MAS admitted it breached one of the fair dealing provisions of the FMC Act, by failing to correctly apply multi-policy discounts and no-claims bonus discounts to some customers who were entitled to them, failing to correctly apply inflation adjustments on some customer policies, and miscalculating benefit payments.

We issued an infringement notice to derivatives issuer CTRL Investments Limited for failing to file financial statements by the due date. As a licensed derivatives issuer, CTRL was required to file audited financial statements for the year ended 31 March 2023 by 31 July 2023, together with a copy of the auditor's report of those statements, under the FMC Act, which it had not done as of the date of the infringement notice.

Following a case brought by the FMA, an individual found guilty of insider conduct in relation to the sale of shares in Pushpay Holdings Limited was sentenced to six months' community detention and ordered to pay a fine of $100,000.

December 2023

The High Court ordered CBL Corporation Limited (in liquidation) and four of its former directors to pay penalties for continuous disclosure and misleading conduct breaches following proceedings brought by the FMA. We subsequently reached agreement with former CBL managing director Peter Harris, with Mr Harris admitting to contraventions of the Financial Markets Conduct Act 2013 and agreeing to an enforceable undertaking.

We censured Go Financial Solutions Limited for failing to comply with several obligations under its Financial Advice Provider licence. This followed a monitoring review where we found that Go Financial Solutions:

- had inadequate record keeping in relation to advice given to its clients
- failed to gather sufficient information about a client's circumstances and was unable to demonstrate that recommendations made to clients were suitable
- failed to ensure its clients understood the financial advice they received
- failed to exercise care, diligence and skill when providing financial advice to its clients.

February 2024

Yuen Pok (Paul) Loo was sentenced to a combination of community detention, community work and intensive supervision following a prosecution brought by the FMA. Mr Loo, a former financial adviser, had previously pled guilty to charges related to forgery, providing financial services when he was not registered, and failing to comply with the FMA's orders.

March 2024

We issued warnings to Southern Cross Medical Care Society and Southern Cross Pet Insurance for failing to apply advertised discounts to each entity's respective insurance products.

Natalie Ann Carter, a former Hawke's Bay-based mortgage broker, was sentenced to 12 months home detention following a criminal prosecution brought by the FMA. Ms Carter had previously pled guilty to the following charges:

- forgery (x3)
- obtaining credit by deception exceeding $1000 (x2)
- attempting to obtain credit by deception exceeding $1000 (x2)
- using a forged document (x2)
- deceived or attempted to deceive or knowingly mislead the FMA
- making a false or misleading statement.

We filed civil proceedings against insurance provider Tower Limited for failing to apply multi-policy discounts to eligible customers' premiums, resulting in approximately $9.5 million in overcharges.

April 2024

We cancelled the crowdfunding services licence of Equitise Pty Ltd. Equitise was deregistered from the Financial Service Providers Register for failing to file its annual confirmation within the required timeframe. Despite being deregistered, Equitise continued to provide crowdfunding services, facilitating two offers, which it was not able to do lawfully following its deregistration. Equitise also had a history of non-compliance with various legislative and other obligations.

May 2024

We cancelled Stockfox Limited's Financial Advice Provider licence, after being satisfied that the entity no longer met key requirements of the licence because:

- David McEwen, as Stockfox's sole director and its only financial adviser, was not a fit and proper person
- Stockfox was not capable of effectively performing a financial service
- Stockfox was likely to breach its market services licensee obligations.

This followed a permanent stop order to McEwen, and entities associated with him, in December 2023. We issued the stop order after being satisfied McEwen and associates had distributed communications that were false or misleading, contained material misdescription or error, and/or did not comply with the FMC Act because they made unsubstantiated claims as to the value of financial products offered to investors.

Following a case brought by the FMA, the High Court imposed a pecuniary penalty of $100,000 against Matthew Geoffrey Hill, the former Chief Executive Officer of NZX-listed New Talisman Gold Mines Limited, for making false and misleading representations on an online forum, which were in breach of the FMC Act.

We filed civil proceedings against Rangi Wyatt Stephen Savage for making an unregulated public offer for the sale of shares in The Powder Shed Tokoroa Limited. Mr Savage is alleged to have made false or misleading representations in April to July 2020, in online presentations and social media videos, when promoting the sale of shares in Powder Shed to potential investors. At no point during the time the offers were made was a product disclosure statement for the offer lodged or provided to investors.

June 2024

We filed civil proceedings against Booster Investment Management Limited (BIML). The proceedings allege that multiple breaches of the FMC Act occurred through 2017-2022, arising from investments made by BIML into a related, limited partnership, which are in turn invested into a series of domestic wine businesses. The investors referred to in this case are retail investors and the funds involved come from three Booster Schemes. The FMA alleges 75 causes of action that:

- BIML breached its duties and obligations as the manager of the Schemes;
- individuals involved used their positions improperly as directors or senior managers, in circumstances where conflicts of interest and related party benefits were not properly managed
- failures to follow required processes meant that the relevant transactions were made in breach of the prohibition against related party transactions.

Note: After the reporting period, in August 2024, the High Court placed Du Val Capital Partners Limited, together with several entities within the Du Val Group, into interim receivership at the request of the FMA. The Court also approved the FMA's request for asset preservation orders. The orders were requested to support the FMA's investigation into Du Val Group, which is ongoing and included work undertaken during the 2023/24 year.

Performance indicator

Stakeholder sentiment

Stakeholders agree that the FMA maintains a strong enforcement function and helps to deter misconduct by holding it to account[5]	
2024	**65%**
2023	82%
2022	78%
2021	71%
2020	78%

While our approach to enforcement did not change over the period, this result has dropped significantly. We will continue to work to deter misconduct and hold those responsible to account, and look for opportunities to promote our enforcement activity and the reasons behind it.

5 Source: Ease of Doing Business survey. See page 40 for details about the survey.

Responding to frauds and scams

The FMA's work to respond to frauds and scams relates to our priority areas of Deterrence of misconduct, and Investor and customer decision-making (see page 31). We seek to address offers of financial products or services that may be unregulated or unlawful, and also provide the public with resources to help identify suspicious offers and understand the risks.

Reports of scam activity have increased in number over the past year; in 2023/24, we received 935 reports that we categorised as fraud or scam activity, compared to 361 the previous year. In response, throughout the year, warnings, alerts and educational content were shared regularly with international regulators and the public via FMA social media platforms, along with real-life case studies from scam victims.

Alerts were issued about fake celebrity endorsements, recovery scams, imposter websites, fake IPOs (initial public offerings) and phony financial advisers. Warnings were also issued about fake FMA 'licences' circulating in Europe, used by scammers to convince victims of their legitimacy.

Well-known psychologist Nigel Latta recorded videos for the FMA designed to help people worried a loved one might be caught up in an investment scam.

There was an increase in our use of social media to share translated warnings, promoting FMA alerts deeper into different communities across New Zealand. This included translated warnings about Ellev8, which operated in Pacific communities and offered training courses in foreign exchange and cryptocurrency trading, appearing to use multi-level marketing and sales techniques.

There were also continued reports and warnings issued to help alert the public to the dangers of recovery scams, where previous victims are re-targeted by fraudsters promising help to get lost funds back.

We issued repeated warnings about 'comparison websites', noting the dangers of putting personal information into such sites, which is then passed onto criminals.

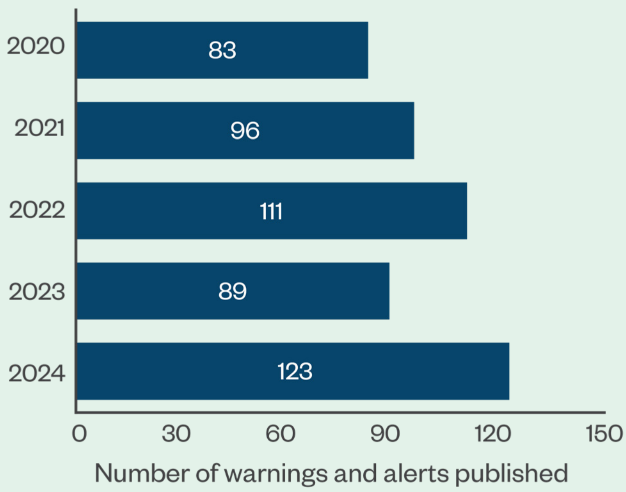
The FMA's membership of the Interagency Fraud Working Group continued to be an important avenue for sharing information and gathering intelligence about scams and the fight against this activity from different agencies.

Members include Consumer Protection (part of the Ministry of Business, Innovation and Employment), Telecommunications Forum, Commerce Commission, Te Ara Ahunga Ora Retirement Commission, Department of Internal Affairs, banks BNZ, ASB and ANZ, NZ Police, Netsafe, Serious Fraud Office, Banking Ombudsman and CERT NZ.

Performance indicator

Warnings and alerts published

We regularly issue alerts through our website and social media about schemes or entities that have the hallmarks of a scam, may be offering unregulated products or services, or are unregistered.



Whakaū i ngā rerekētanga o te tuku pūtea
Implementation of remit changes

Strategic intention: We deliver policy objectives in a way that promotes confidence in the regulatory regime and financial markets generally

A number of legislative reforms are underway. These are aimed at improving the conduct of financial institutions and market participants, and ultimately improving both the wellbeing of customers and investors, and confidence in financial markets.

By successfully implementing remit change (which includes building the FMA's internal capabilities to support these changes), we will deliver policy objectives in a way that promotes confidence in the regulatory regime and financial markets generally.

Performance measure: SOI 4

The FMA works with other regulatory and government agencies, and engages with market participants, to effectively and efficiently deliver its role in remit changes

Activity contributing to this measure

Climate-related Disclosures regime

The Climate-related Disclosures (CRD) regime introduced legislation requiring around 175 entities (known as climate reporting entities or CREs) to prepare and publish climate statements covering their governance arrangements, risk management, strategies, and metrics and targets for mitigating and adapting to climate-related impacts. The FMA is responsible for independent monitoring and enforcement of the CRD regime under the FMC Act.

The first climate statements were published publicly on the CRD Register from the first quarter of 2024. To assist CREs, this year we published our finalised guidance on how they can meet their obligations for keeping proper records to support their climate statements. We also issued an information sheet on scenario analysis, an aspect of the regime that requires CREs to analyse how resilient their current business model and strategy would be in certain climate-related scenarios.

In line with the broadly educative and constructive approach we are taking in the early days of the regime, we supported this activity with industry engagement, including a webinar to launch the scenario analysis information sheet.

The overall aim of the CRD regime is to provide material climate-related information to investors, creditors and other lenders, to support the allocation of capital towards activities that are consistent with a transition to a low-emissions, climate-resilient future. To support this, in collaboration the XRB (the External Reporting Board, New Zealand's standard setter for accounting, audit and climate reporting standards), we released a set of guides for investors and other users of climate statements. The guides provide an overview of the regime, and explain the information disclosed in climate statements and what readers can learn from it.

Conduct of Financial Institutions regime

The Conduct of Financial Institutions regime (CoFI) will introduce a new regulatory regime to ensure registered banks, licensed insurers and licensed non-bank deposit takers (collectively, Financial Institutions) comply with a fair conduct principle when providing relevant services to consumers.

The fair conduct principle is that a financial institution must treat consumers fairly. It is important that consumers get the financial products and services they need throughout their life, when they need them, and have trust and confidence these will do what they should.

FMA Executive Director of Regulatory Delivery Clare Bolingford says the requirement to treat consumers fairly "applies when institutions are designing products and at the point of sale, where financial institutions should think about whether the product is right for the consumer rather than selling to just anyone. And it remains front of mind post-sale and throughout the customer relationship, particularly when consumers need clear information or when dealing with a claim or complaint."

Institutions will need to be licensed by the FMA to provide financial services to consumers from 31 March 2025 when CoFI comes into effect.

We began accepting licence applications on 25 July 2023. Since then we have engaged with industry to provide support for the licensing process, with a particular emphasis on smaller entities. As well as undertaking a targeted programme of one-to-one engagement with these smaller institutions, we ran an several online sessions to help institutions understand CoFI and what's required to become licensed.

We also published an information sheet that put a lens for small firms over our existing guidance, explaining how policies, processes, systems and controls can be proportionate to the business while still being fit for purpose and meeting CoFI requirements.

Financial Market Infrastructures (FMIs)

FMIs are multilateral systems (such as payments systems and central counterparties) that enable electronic payments and financial market transactions and are essential for the day-to-day operation of the financial system and economy. Well-functioning and efficient FMIs play a critical role in promoting financial stability and economic growth.

As joint regulator with the RBNZ, we continued to progress implementation of the Financial Market Infrastructures Act 2021 (FMI Act), which came into force on 1 March 2024. The FMI Act establishes an enhanced regulatory regime for FMIs that brings New Zealand in line with our peer jurisdictions and reflects international best practice.

In July 2023 we issued the FMI Standards, which include 28 standards plus detailed accompanying guidance and a framework for the regulation of overseas FMIs. The standards comprise a comprehensive set of requirements for operators of systemically important FMIs and operators of FMIs who are designated.

We also undertook assessments, including determining the systemic importance of all entities designated under the old regime, and issued new designation notices under the FMI Act. We have continued to monitor the FMIs as implementation work has continued.

Policy input

We contributed to development of the law through advice to Government and other relevant agencies. This included the following areas of policy input and collaboration:

- Conduct of Financial Institutions review – MBIE
- Financial Market Infrastructures – RBNZ (see previous page)
- Contracts of Insurance Bill – MBIE
- Legislation for transferring regulatory responsibility for the CCCFA from the Commerce Commission to the Financial Markets Authority – MBIE
- AML/CFT Act Review – Ministry of Justice
- Emissions Trading Scheme Market Governance – Ministry for the Environment
- Customer and Product Data Bill (‘open banking’) – MBIE
- Deposit Takers Act implementation and standards – RBNZ.

Regulatory cooperation

Domestic

We provided significant input into the new Government’s policy programme of work for financial services, through engagement with our Minister, MBIE and other regulators. This included advice on areas where changes could be made to ease regulatory burden for firms while appropriately balancing the needs of consumers.

We also provided significant input into the development of discussion papers released by MBIE on ‘Fit for Purpose’ financial services conduct regulation, which were released for consultation in May 2024.

We maintained strong relationships with peer regulators through both bilateral engagement and the Council of Financial Regulators (CoFR).

CoFR is made up of members the Reserve Bank of New Zealand (RBNZ), the Commerce Commission, MBIE and Treasury, and meets regularly at both senior leadership and operational levels. CoFR publishes a quarterly calendar of regulatory initiatives to give stakeholders a consolidated view of upcoming engagement and projects impacting the financial sector. The FMA is responsible for collating and publishing this calendar January-December 2024.

We are the lead of CoFR’s Climate-related risk priority theme. In this area we also worked closely with the XRB (see CRD section on page 27) and the Ministry for the Environment on a variety of matters.

We also lead CoFR’s focus on scams, and continued to work with entities across the public and private sectors, including the New Zealand Banking Association and other international regulators, to tackle this issue (see page 26).

International

We stepped up our engagement with overseas counterparts. Representatives from the FMA attended the International Organization of Securities Commissions Annual Conference, and met with regulators from the UK and Europe, Canada, Hong Kong, Singapore, Japan, and Australia. Our Chief Executive and Executive Director Strategy & Design also travelled to London to meet with UK regulators, with a particular focus on credit regulation.

We have initiated a programme of regular calls with similar overseas jurisdictions including Australia (Australian Securities and Investments Commission), the UK (Financial Conduct

Authority) and Hong Kong (Securities and Futures Commission).

Our work with international regulators reflects that conduct issues such as scams traverse international borders, and helps to raise the overall standard of financial conduct regulation globally.

Performance indicator

Stakeholders agree that the FMA is effective and efficient in its role of implementing remit changes[6]	
2024	**54%**
2023	61%
2022	59%
2021	60%
2020	71%

While this result is within the margin of error for the survey, we acknowledge the drop and will look at ways to improve in future years. In our recent Statement of Intent, which sets out our priorities for the next four years, we stated that we are aiming to prioritise efficiency and risk-based decisions, to ensure we proactively look to streamline our approach and reduce unnecessary regulatory burden on providers.

6 Source: Ease of Doing Business survey. See page 40 for details about the survey.

Whiriwhiringa Kaupapa mo ngā kaiwhakarato me ngā kaiutu moni
Investor and customer decision-making

Strategic intention: Investors and customers are engaged and make active choices based on clear, concise and effective information

We expect all financial service providers to ensure communications with investors and customers are clear, concise and effective. This includes making efforts to ensure customers and investors are engaged and make active decisions on an ongoing basis about the financial products and services they purchase.

We follow these same principles when communicating directly with consumers in our own promotional campaigns and investor capability resources.

By focusing on this area, we expect to see improved engagement by investors and customers with product providers, and improved conduct, communications and disclosure by those providers. This will lead to improved decision-making and the purchase of more suitable products.

Performance measure: SOI 5

Investors and customers are engaged and make active and informed decisions based on clear, concise and effective information and communication

Activity contributing to this measure

World Investor Week 2023 – ethical investing

World Investor Week is a global campaign to raise awareness of investor education and protection, promoted by the International Organization of Securities Commissions (IOSCO) and hosted in New Zealand by the FMA.

Our theme for World Investor Week 2023 was ethical investing. The aim was to empower investors to confidently make investing decisions that are aligned with their values. Understanding ethical investment options can be challenging – the FMA has previously noted instances of 'greenwashing' and investment products that are not managed in a way that ensures they are delivering advertised social or environmental benefits.

During a week-long campaign we published digital content and partnered with notable personal finance influencers to share messages about what ethical investing is, what types of ethical investment products are available, and how you can check that an investment product aligns with your values and financial goals.

Content related to the campaign was viewed approximately 2 million times across social media and other digital channels.

Supporting customers in financial difficulty

With cost-of-living pressures being felt by New Zealanders, we collaborated with the Commerce Commission on a joint message that outlined ways financial service providers (including consumer lenders) can support customers who are experiencing financial difficulty. The key messages centred around providers:

- complying with their regulatory obligations in relation to financial difficulties;
- being ready to assign sufficient resources to supporting customers experiencing financial difficulty; and
- always providing customers with fair treatment.

The message included practical ways providers can help customers, and outlined our expectations for providers' internal policies and processes related to customers in vulnerable circumstances.

Addressing the needs of customers experiencing financial difficulty is fundamental to fostering good customer outcomes and confidence in the financial sector as a whole.

KiwiSaver

For our annual KiwiSaver consumer campaign we teamed up with Te Ara Ahunga Ora Retirement Commission to call on KiwiSaver members to check their annual statements and see if they are on track for their retirement savings goals.

The campaign used a range of ways to reach our target audience, including news coverage, an opinion editorial from our Chief Economist, social media content and advertising. Our social media content was well received through Facebook, Instagram and LinkedIn. While the focus was encouraging people to check their statements, rather than going to our website, we were still pleased to see almost 2500 clicks through to our website. The Retirement Commission and sorted.org.nz also shared our content through their channels to their almost 30,000 followers on Facebook and 5,000 followers on Instagram.

Meanwhile, our KiwiSaver Annual Report for the year to 31 March showed that KiwiSaver held firm through a continuing period of market volatility. Total funds in KiwiSaver grew by $4 billion over the period.

This was the first year since the inception of KiwiSaver that total fees did not rise – the combined effect of lower default fund fees, reductions in management fees by larger providers, some providers removing fixed membership fees altogether, and others not earning the same level of performance fees.

John Horner, FMA Director of Markets, Investors and Reporting, said: "This is an important milestone as we have been encouraging providers to share with their members the economic benefits of scale, through our value for money work. Reducing fees is a meaningful way to do this, because members retain more in their balances to benefit from compounding returns, but value for money is not just about fees. We will continue to work with supervisors to ensure managers demonstrate their value-add to members."

Every two years the FMA undertakes a KiwiSaver statements survey to understand members' engagement with their annual statement and attitudes towards KiwiSaver. Our Statement of Intent states we will report on findings from this survey in the Annual Report. We did not conduct the survey in 2023/24.

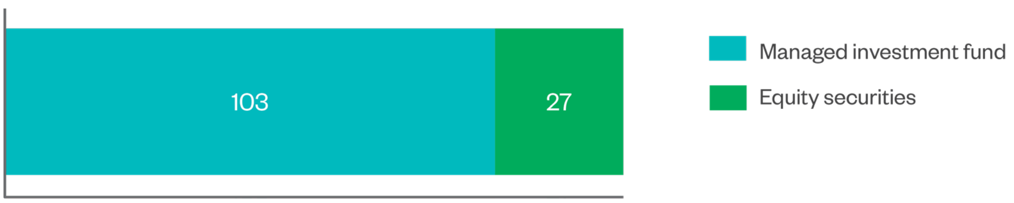
Investor information

Clear, concise and effective offer information helps investors make more informed investment decisions. When new offers are registered on the Disclose Register, we may review the offer documentation to ensure it complies with the relevant regulations and is clear, concise and effective, and provide feedback to the issuer if we consider they can make improvements.

This year there were 15 offer registrations (see first graph below), of which we reviewed 7. We focus on reviewing new, novel and complex offers, so do not review documentation for all registered offers. The trans-Tasman mutual recognition scheme allows Australian issuers to offer Australian financial products to New Zealanders by registering them on the Disclose register. We do not review the documentation for these offers as it is governed by Australian legislation and therefore overseen by the Australian Securities and Investment Commission.

Number of 2023/24 offer registrations - New Zealand

Number of 2023/24 offer registrations - Australia

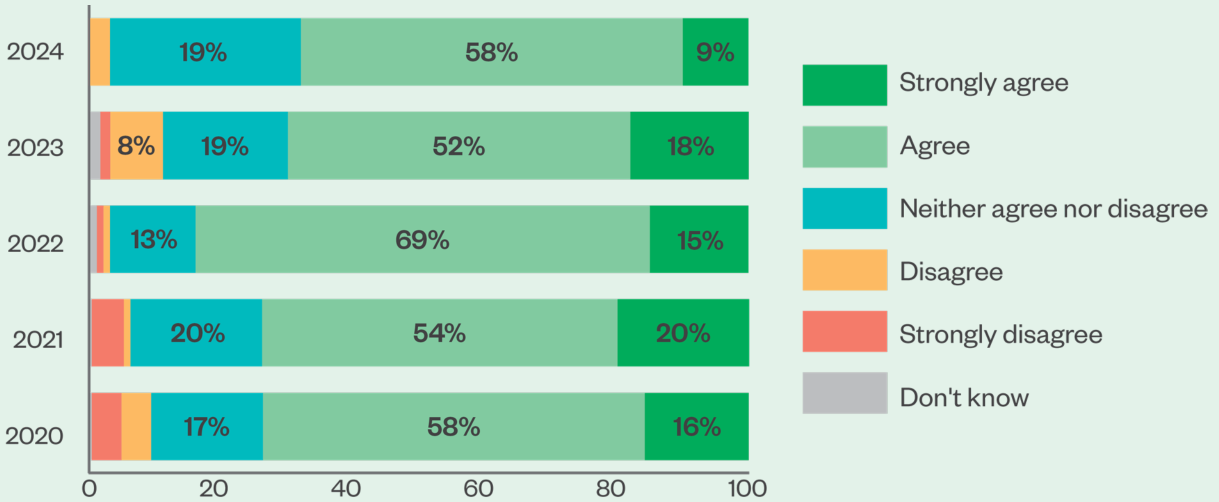


Performance indicator

This measure asks how useful investors found the disclosure information they received when considering an investment. While positive responses remained relatively stable, there was an increase in the proportion of people who answered 'Neither agree nor disagree'.

Through our regular KiwiSaver consumer communication campaigns we will continue to focus on helping people to understand the content of their annual KiwiSaver statement. We will also be sharing findings from our reviews of disclosure information for ethical investment products, to help providers understand where improvements could be made to ensure investors receive an accurate and useful view of the product to aid in their decision making.

To what extent do you agree or disagree that the information materials you received were clear, concise and effective?[7]



7 Source: Investor Confidence survey. See page 40 for details about the survey.

Te whakapono me te manawanui ki nga Makete Nunui
Trust and confidence in capital markets

Strategic intention: Investors and participants have trust and confidence in New Zealand capital markets, enabling the sustainable growth of those markets

There are numerous factors that drive trust, confidence and growth in capital markets. We seek to promote trust and confidence by exercising our regulatory responsibilities, in particular:

- influencing improvements in audit quality, disclosure and financial reporting, and corporate governance
- maintaining effective oversight of NZX and other licensed capital-raising platforms
- providing credible deterrence in relation to trading misconduct.

This area is closely linked to both Investor and customer decision-making, and Deterrence of misconduct. For this area we are looking to see an improved level of confidence in the regulation of New Zealand capital markets, as well as higher levels of trust and confidence in those markets overall.

Performance measure: SOI 6

The FMA's actions promote trust and confidence in, and sustainable development of, New Zealand's capital markets

Activity contributing to this measure

Audit oversight

Audit firms play a crucial role in maintaining the integrity of New Zealand's financial markets by ensuring an entity's financial statements are accurate from an objective view and can be relied on to help inform investor decision-making.

Our annual Audit Quality Monitoring Report for the 2022/23 year found audit firms continued to improve the quality of their audits of FMC reporting entities. We saw that firms have implemented improvement measures since prior reviews, but audit quality remained mixed and inconsistent between firms, and in some instances between audits within the same audit firm.

Although it is difficult to make direct comparisons because we review different audit firms and files every year, we were encouraged to see the percentage of 'non-compliant' audit files from our reviews decreased to 16%, from 28% the previous year.

Looking ahead, we published our Auditor Regulation and Oversight Plan for 2024-2027. The plan sets out how we aim to improve audit quality by focusing on key areas identified in previous review cycles and developments in reporting requirements.

We also signed a memorandum of understanding with the UK's Financial Reporting Council, agreeing mutual recognition of audit qualifications. The agreement will help to deliver a more resilient audit market in the UK and New Zealand through greater competition and choice, and by enabling skilled auditors to have their qualifications recognised and so move more easily between the UK and New Zealand.

We also monitored the audit regulatory systems of accredited bodies NZICA and CPA Australia, which are the frontline regulators of domestic licensed auditors and registered audit firms. For the year to June 2023, we concluded that both bodies had adequate and effective systems for membership, licensing and registration, monitoring and general oversight, promoting and monitoring competence, and handling complaints, enquiries, investigations and discipline. We did make some recommendations to NZICA regarding auditors' continuing professional development, and are engaging with NZICA to further enhance protocols for complaints and referrals of a disciplinary nature.

Financial reporting

As well as our audit oversight work, we directly monitor compliance with financial reporting obligations by FMC reporting entities and registered schemes. Throughout the year we continued to monitor compliance of entities with their statutory requirement to file compliant financial statements in a timely manner.

Following enquiries and investigations, we took enforcement action against two entities for breaches relating to financial reporting (see pages 22 to 25) and issued multiple infringement notices for entities that filed their financial statements late.

Licensed market operator reviews

Our reviews of licensed market operators look at how they are meeting their licensee obligations. One of the key components of these reviews is ensuring the markets operate in a fair, orderly and transparent manner, which ensures participants receive the expected quality of service when using these markets.

We found that NZX, New Zealand's primary exchange, complied with its licensed market operator obligations for the year to December 2023. It continued to have appropriate governance arrangements and independence of its internal regulatory function from its commercial arm, and made improvements in frameworks, processes, and operational effectiveness across the areas we assessed. We made two recommendations to NZX, related to assessing dependencies on participants and providers to ensure overall ecosystem stability, and carrying out a crisis management simulation that involves a system unrecoverable in order to comprehensively test its business continuity arrangements.

We also conducted reviews of 'stepping-stone' market Catalist, which focuses on capital raising for smaller entities, and Singapore Exchange Derivatives Trading Limited, which offers New Zealand dairy derivatives contracts. We did not identify any compliance issues in these reviews, but made some recommendations to Catalist for areas to focus on to support its growth.

Green, social and sustainability bonds

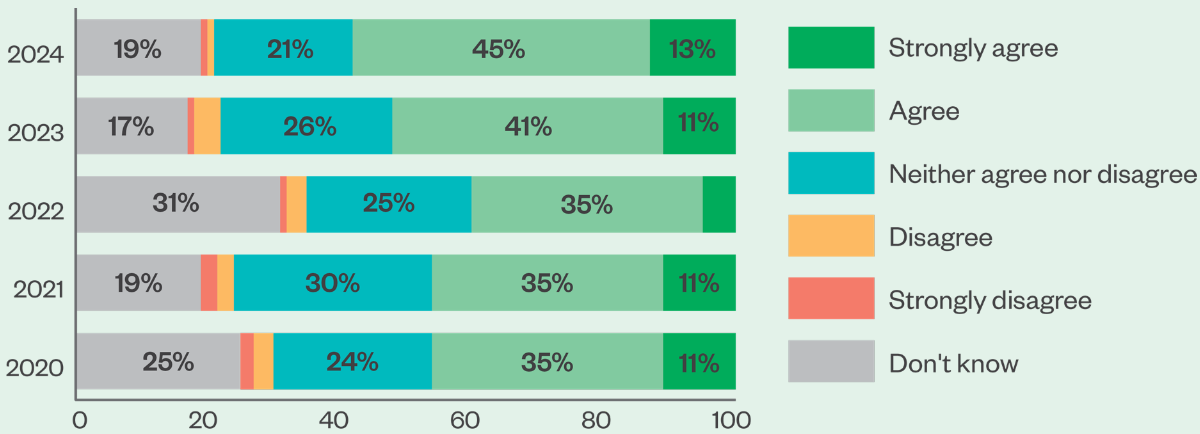
In response to industry feedback, we opened consultation on a class exemption that would allow listed companies to bring certain green, social and sustainability bonds to market more quickly and without incurring most of the regulatory costs of a full retail investment offer.

Liam Mason, FMA General Counsel and Executive Director Evaluation and Oversight said: "We have heard from the industry the need for a more efficient route to market for these green, social and sustainability bonds. The consultation is looking for feedback on whether our proposal provides the right balance of allowing issuers to get to market quickly and cost-effectively, while still ensuring that investors are given information that they will find timely, accurate, and valuable in making investment decisions."

Performance indicator

The overall proportion of positive responses to this measure increased again this year. The result may reflect enforcement cases linked to capital markets-related misconduct, or initiatives such as the investor guides for climate statements that promote informed participation in capital markets, as well our broader work, including the step-up in activity to combat scams, and regular consumer capability campaigns.

FMA's actions promote trust and confidence in New Zealand capital markets[8]



8 Source: Investor Confidence survey. See page 40 for details about the survey.

Pūrongo o te Kawenga
Statement of Responsibility

The Board is responsible for the preparation of the FMA's financial statements and statement of performance, and for the judgments made in them. The Board is responsible for any end-of-year performance information provided by the FMA under section 19A of the Public Finance Act 1989. The Board is responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. In the Board's opinion, these financial statements and statement of performance fairly reflect the financial position and operation of the FMA for the year ended 30 June 2024.

Craig Stobo

Chair

Financial Markets Authority

30 September 2024

Steven Bardy

Chair

FMA Audit and Risk Committee

30 September 2024

Pūrongo o te Mahi
Statement of Performance

The content on pages 10-11, 15-17, 22-30 and 39-56 comprises our Statement of Service Performance. It provides users with sufficient contextual information to understand why the FMA exists, what we intend to achieve in broad terms over the medium to long term, and how we go about this, as well as information to provide users with information about what we have done during the reporting period in working towards our broader aims and objectives.

Statement of Compliance

The Statement of Service Performance of the Financial Markets Authority has been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The Statement of Service Performance has been prepared in accordance with Tier 1 PBE financial reporting standards, which have been applied consistently throughout the period, and complies with PBE financial reporting standards.

The Statement of Performance describes the progress made by the FMA in achieving the levels of performance outlined in the Statement of Performance Expectations (SPE) for 2023/24.

The FMA receives funding from the Ministry of Business, Innovation and Employment through Vote Business, Science and Innovation to deliver services through two output classes – Services and Advice to Support Well-functioning Financial Markets, and Financial Markets Authority Litigation Fund.

Under the SPE, the FMA has performance standards and measures for each of the two output classes for the 12 months ended 30 June 2024. The output class Services and Advice to Support Well-functioning Financial Markets is reported under three categories which align to the classifications within this multi category appropriation. The financial results for each output class and each category for the multi-category appropriation are reported on throughout this section.

Performance targets are included for each appropriation. Where the performance targets in the Vote align with the target in the FMA's SPE they are reported against under the applicable category in this section of the Annual Report. Where the performance target in the Vote differs from the target in the SPE or there is not a corresponding target in the SPE these targets are separately identified.

The aim of our regulatory activities, in line with our strategic priorities and appropriation category, is to minimise conduct risks, improve behaviours within our markets, and benefit market participants and investors.

The purpose of this appropriation is to support well-functioning financial markets through the activities of the FMA. Success is measured by SPE 1, the overarching measure that reflects our overall statutory purpose of fair, transparent and efficient financial markets.

Performance standards and measures for the output of the FMA for the 12 months ended 30 June 2024

For our SPE performance measures, assessment of our performance against the targets is based on the following scaled rating system.

- **Achieved** – result is 100% or more of target.
- **Substantially achieved** – result is within 5% of target (calculated as the result proportionate to the target being between 95% and 99.99%).
- **Not achieved** – result is more than 5% below target (calculated as the result proportionate to the target being less than 95%).

Surveys

Data for some of our performance measures and reporting come from the following surveys.

Ease of Doing Business survey

This is a survey of key FMA stakeholders to understand the effectiveness of interactions we have with stakeholders and satisfaction with the service we provide.

Survey year	Sample	Margin of error	Response rate
2024	133 responses	+/- 8% (at the 95% confidence level)	19%
2023	114 responses	+/- 8% (at the 95% confidence level)	23%
2022	162 responses	+/-7% (at the 95% confidence level)	34%

Investor Confidence survey

This is annual research we undertake to measure the level of confidence the public has in the New Zealand financial markets, and perceptions of the FMA and regulation. Quotas are set on age, region, gender, ethnicity, income and education, to ensure the sample is nationally representative and captures vulnerable groups. Data is also weighted to ensure the sample is representative of the New Zealand population by age, gender and region.

Survey year	Sample	Margin of error
2024	2081 responses	+/- 2.19% (at the 95% confidence level)
2023	1488 responses	+/- 2.5% (at the 95% confidence level)
2022	2509 responses	+/- 2% (at the 95% confidence level)

Overarching measure

The 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 Financial Markets Authority.

Actual $000s 12 Months to 30 Jun 23		Actual $000s 12 Months to 30 Jun 24	Appropriation/Budget $000s 12 Months to 30 Jun 24
67,618	Appropriation Revenue	71,062	71,234
812	Interest Revenue	1,528	300
1,787	Other Revenue	3,305	444
70,217	**Total Revenue**	**75,895**	**71,978**
64,219	**Total Expenditure**	**73,044**	**71,361**
5,998	**Surplus/(Deficit)**	**2,851**	**617**

Major variances against budget: This surplus primarily reflects higher-than-expected revenue, offset by an overspend in overall operating expenditures. The increased revenue is mainly due to higher interest income from increased cash balances, and cost recoveries from successful litigation proceedings. Overall operating expenditures are above budget primarily due to the reassessment of the useful life of the ClaRE system.

An assessment of our achievements with this appropriation is included on the following pages under each category. We have also achieved the following results for the category measures listed below.

Measure	2023/24 target	2023/24 actual	2022/23 actual	Info source
SPE 1 Index measure Financial service providers and investors of New Zealand financial services believe that FMA's actions promote fair, efficient and transparent financial markets	Achieved	**Not achieved** See below	Achieved	See below

Measure	2023/24 target	2023/24 actual	2022/23 actual	Info source
		Index sub-measures		
Stakeholders agree that the FMA's actions help raise standards of market conduct and integrity[9]	85%	**80% - Not achieved** The survey provides limited insight into the reasons behind people's responses and we do not want to speculate or draw conclusions from limited data as to the reasons for not meeting the target and the drop from last year's result. We will be working to understand why sentiment has changed. We have initiatives planned for the coming year that will support achievement of this target, including publishing an overview of our regulatory approach and programme of speeches that will help to explain the purpose of our actions, and a report on recent market conduct we have seen, which will outline how we have responded and the reasons for that.	90.5%	Ease of Doing Business survey[10]
Investors are confident in the quality of regulation of New Zealand's financial markets[11]	65%	**65% - Achieved** The survey provides limited insight into the reasons behind people's responses and we do not want to speculate or draw conclusions from limited data as to the reasons for the drop from last year's result. We will be working to understand why sentiment has changed. We will aim for improvement by continuing our consumer engagement, particularly around emerging risks and trends, and regulatory changes that may impact consumers, and promoting the variety of enforcement work we do.	75%	Investor Confidence survey[12]

Judgements related to these measures

The FMA's statutory purpose is to promote and facilitate the development of fair, efficient and transparent markets. As such, it is what Government funds us to deliver and against which they hold us to account.

There is no easy measure for fair, efficient and transparent markets, which are demonstrated through many different market behaviours and trends. We therefore assess the quality of our performance through how key participants in New Zealand's financial markets perceive our impact on markets' fairness, transparency and efficiency, as demonstrated through improved market conduct and integrity, and overall confidence in the quality of what we do.

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

9 This measure is also included in the 2023/24 Vote Business, Science and Innovation Estimates of Appropriations.

10 See page 40 for information about the survey

11 This measure is also included in the 2023/24 Vote Business, Science and Innovation Estimates of Appropriations.

12 See page 40 for information about the survey

Category One: Investigation and Enforcement Functions

This category is limited to the performance of statutory functions relating to the investigation and enforcement of financial markets legislation, including the assessment of complaints, tips, and referrals.

Actual $000s 12 Months to 30 Jun 23		Actual $000s 12 Months to 30 Jun 24	Appropriation/Budget $000s 12 Months to 30 Jun 24
17,887	Appropriation Revenue	17,888	17,888
-	Interest Revenue	-	-
517	Other Revenue	2,393	-
18,404	**Total Revenue**	**20,281**	**17,888**
16,986	**Total Expenditure**	**16,998**	**18,879**
1,418	**Surplus/(Deficit)**	**3,283**	**(991)**

Major variances against budget: Revenue is above budget primarily due to one-off cost recoveries from successful litigation cases that were received by FMA in accordance with the litigation funding agreement. Expenditure is under budget due to lower than budgeted spend across most expense categories and a moderate shift in focus during the year towards Category Two work. Refer to Note 19 Explanation of major variances against budget.

Our achievements in this category for the 2023/24 year include:

- A range of investigation and enforcement activity, including the activity highlighted in the enforcement calendar on pages 22-25 and in Note 2 on pages 86-87
- Assessment of complaints, tips and referrals, which has resulted in investigations, enforcement activity, and publication of scam alerts (see page 26)

We have also achieved the following results for the category measures listed below.

Measure	2023/24 target	2023/24 actual	2022/23 actual	Info source
SPE 2 Progress of all investigation cases is reported to the FMA Board every 40 working days[13]	100%	**100% – Achieved**	100%	Internal tracking of investigation and enforcement activity

13 This measure is also included in the 2023/24 Vote Business, Science and Innovation Estimates of Appropriations and the Vote Business, Science and Innovation Supplementary Estimates.

Measure	2023/24 target	2023/24 actual	2022/23 actual	Info source
SPE 3 Misconduct cases[14] are evaluated and decisions on follow-up actions are made within 9 working days of the information received date[15]	85%	**89% – Achieved** During the year 1118 misconduct cases that met the threshold for this measure were completed; 993 were compliant with the timeframe and 125 were non-compliant	86.35%	Internal tracking of misconduct cases

Judgements related to these measures

We do not set quantitative targets, such as a specific number of actions or a maximum timeframe to completion, under this appropriation. Decisions to carry out investigations and enforcement actions involve multiple considerations but must always have legal or regulatory merit. Each matter under consideration also varies in size and complexity, and therefore time taken to completion. Quantitative targets could provide motivation to either close or advance matters for the wrong reasons or result in sub-standard investigation. Instead we report on performance measures aimed at assessing the quality and timeliness of this work.

14 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. This requires more than mere suspicion or hunch; a basis on objective information is required.

15 This measure is also included in the 2023/24 Vote Business, Science and Innovation Estimates of Appropriations and the Vote Business, Science and Innovation Supplementary Estimates.

Category Two: Licensing and Compliance Monitoring Functions

This category is limited to the performance of statutory functions relating to licensing of market participants and risk-based monitoring of compliance, including disclosure requirements under financial markets legislation.

Actual $000s 12 Months to 30 Jun 23		Actual $000s 12 Months to 30 Jun 24	Appropriation/Budget $000s 12 Months to 30 Jun 24
24,957	Appropriation Revenue	28,400	28,401
812	Interest Revenue	1,528	300
1,270	Other Revenue	912	444
27,039	**Total Revenue**	**30,840**	**29,145**
23,291	**Total Expenditure**	**38,856**	**26,337**
3,748	**Surplus/(Deficit)**	**(8,016)**	**2,808**

Major variances against budget: Revenue is above budget primarily due to higher than budget interest income. Expenditure is well above budget primarily due to more licensing and monitoring works taking place during the period than budget, especially with regards to newly introduced CoFI and CRD regimes. Refer to Note 19 Explanation of major variances against budget.

Our achievements in this category for the 2023/24 year include:

- licensing market participants, including assessing Financial Advice Provider licence applications to support the new regulatory regime for Conduct of Financial Institutions
- compliance monitoring including:
  - reviews of FMC reporting entities' financial reporting disclosures (see page 36)
  - audit quality reviews (see page 35)
  - obligations reviews of licensed market operators NZX, Catalist, and SGX-DT (see page 36)
  - monitoring of the financial advice sector (page 20)
  - monitoring of DIMS providers (page 21).

We have also achieved the following results for the category measures listed below.

Measure	2023/24 target	2023/24 actual	2022/23 actual	Info source
SPE 4 Once received by the FMA, fully completed licence applications are processed within 60 working days[16]	93%	**99% – Achieved** During the year 904 applications meeting the threshold for the measure were received; 898 were compliant with the timeframe and 6 were non-compliant. This substantially above-target result is due to good internal systems, processes and training, and sufficient resourcing to meet demand.	99.51%	Internal tracking of relevant documents and activity
SPE 5 Applications for individual exemptions are processed within 30 working days of receiving all relevant information or as communicated with reasons to the applicant	100%	**94% – Not achieved** 1 out of 17 exemption applications was not processed within the target timeframe.	100%	Internal tracking of relevant documents and activity

16 This measure is also included in the 2023/24 Vote Business, Science and Innovation Estimates of Appropriations.

Measure	2023/24 target	2023/24 actual	2022/23 actual	Info source
SPE 6 The FMA undertakes a range of proactive, reactive and thematic monitoring activity to target risks identified in response to the regulatory risks identified[17]	Achieved	**Achieved** We completed a range of proactive, reactive and thematic monitoring activity to target and assess risks. This included: • proactive monitoring of regulated entities, with a focus on a broad range of Financial Advice Providers, AML/CFT reporting entities and Discretionary Investment Management Service providers • reactive investigation of potential misconduct (and taking enforcement action where warranted) • monitoring compliance with financial reporting obligations by FMC reporting entities and registered schemes. • producing external publications based on monitoring work including: - insights from our monitoring of Financial Advice Providers - findings from our joint thematic review with the Reserve Bank of New Zealand of the governance practices of a sample of entities from the banking, insurance, non-bank deposit taking and investment management sectors - 2023 Audit Quality Monitoring Report - 2024 NZX market operator obligations review - reports on audit accredited bodies NZICA and CPA Australia - reviews of derivatives market SGX-DT and 'stepping-stone' market Catalist.	Achieved	Internal tracking of relevant documents and activity

17 This measure is also included in the 2023/24 Vote Business, Science and Innovation Estimates of Appropriations.

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 provide the wrong motivation when assessing applications. We use measures that focus instead on efficient and effective performance of these core functions, which help ensure we promote innovation and flexibility in the financial markets while avoiding unnecessary compliance costs for participants – some of the purposes of the Financial Markets Conduct Act 2013.

Category Three: Market Analysis and Guidance, Investor Awareness and Regulatory Engagement Functions

This category is limited to the performance of statutory functions relating to market intelligence, guidance, investor education, and regulatory and government co-operation and advice.

Actual $000s 12 Months to 30 Jun 23		Actual $000s 12 Months to 30 Jun 24	Appropriation/Budget $000s 12 Months to 30 Jun 24
24,774	Appropriation Revenue	24,774	24,945
-	Interest Revenue	-	-
-	Other Revenue	-	-
24,774	**Total Revenue**	**24,774**	**24,945**
23,942	**Total Expenditure**	**17,190**	**26,145**
832	**Surplus/(Deficit)**	**7,584**	**(1,200)**

Major variances against budget: Revenue is below budget because the NZ ETS Market Governance funding was not drawn down due to the absence of the necessary policy decisions and changes. Expenditure is significantly under budget due to lower than budgeted spend across all expense categories and a shift in focus during the year towards Category Two work. Refer to Note 19 Explanation of major variances against budget.

Our achievements in this category for the 2023/24 year include:

- Running a consumer information campaign encouraging KiwiSaver members to check their investment settings (see page 32)
- Communications activity for consumers centred around ethical investing, which aimed to empower investors to confidently make investing decisions that are aligned with their values (see page 31)
- Publishing principles for managers of Managed Investment Schemes on managing liquidity risk (see page 18)
- In collaboration with the External Reporting Board, publishing reader guides for climate statements published under the new Climate-related Disclosures regime (see page 27)
- Policy input and collaboration on:
  - Conduct of Financial Institutions review – MBIE
  - Financial Market Infrastructures – RBNZ (see above)
  - Contracts of Insurance Bill – MBIE

- Legislation for transferring regulatory responsibility for the CCCFA from the Commerce Commission to the Financial Markets Authority – MBIE
- AML/CFT Act Review – Ministry of Justice
- Emissions Trading Scheme Market Governance – Ministry for the Environment
- Customer and Product Data Bill ('open banking') – MBIE
- Deposit Takers Act implementation and standards – RBNZ.

We have also achieved the following results for the category measures[18] listed below.

Measure	2023/24 target	2023/24 actual	2022/23 actual	Info source
SPE 7 The FMA undertakes a range of speeches and presentations (in-person and online) to inform and assist users and providers of financial services[19]	35 speeches and presentations	**51 speeches and presentations – Achieved** This significantly above-target result is due to extensive industry and community engagement relating to the introduction of new regulatory regimes for financial advice, conduct of financial institutions, climate-related disclosures and community events introducing the FMA and describing its work, with a heavy focus on scams prevention.	74 speeches and presentations	Count of speeches and presentations that meet the aims of the measure

18 We have removed the former SPE 10: "Market participants within the stakeholder relationship management programme (SHRM), who responded to our survey, say they have benefited from the relationship", as the SHRM programme wound up as of 1 July 2023, although engagement with market participants continues in other forms as part of the FMA's overall monitoring and supervision of entities.

19 This measure is also included in the 2023/24 Vote Business, Science and Innovation Estimates of Appropriations and the Vote Business, Science and Innovation Supplementary Estimates; the target there is stated as 30 speeches and presentations.

Measure	2023/24 target	2023/24 actual	2022/23 actual	Info source
SPE 8 Participants find FMA communication clear, concise and effective[20]	75%	**63% – Not achieved** The survey provides limited insight into the reasons behind people's responses and we do not want speculate or draw conclusions from limited data as to the reasons for not meeting the target and the drop from last year's result. We will be working to understand why sentiment has changed. We are rolling out a revised approach to stakeholder engagement, and have launched an internal message bank to ensure staff have access to clear, concise and effective key messages that can be used across all relevant written and in-person communications. These initiatives are intended to improve how market participants perceive our communication.	75%	Ease of Doing Business survey[21]
SPE 9 Number of website pageviews of FMA's investor content[22]	75,000 page views	**443,900 page views – Achieved** This substantially above-target result has been driven by a 356% increase from last year in visits to scams-related webpages, generated by a strong programme of warnings, alerts and other scams awareness activity. Of the total page views, 433,100 were of scam-related pages, compared to 67,518 the previous year.	146,427 page views	Google Analytics page view data from all pages within relevant investor sections of the FMA website

20 This measure is also included in the 2023/24 Vote Business, Science and Innovation Estimates of Appropriations.

21 See page 40 for information about the survey

22 This measure is also included in the 2023/24 Vote Business, Science and Innovation Estimates of Appropriations and the Vote Business, Science and Innovation Supplementary Estimates; the target there is stated as 'Achieved'

Financial Markets Authority Litigation Fund

This appropriation is limited to meeting the cost of major litigation activity arising from the enforcement of financial markets and securities markets law, or defending litigation action taken against the FMA.

Actual $000s 12 Months to 30 Jun 23		Actual $000s 12 Months to 30 Jun 24	Appropriation/Budget $000s 12 Months to 30 Jun 24
2,965	Appropriation Revenue*	4,731	3,000
63	Other Revenue	73	24
3,028	**Total Revenue**	**4,804**	**3,024**
3,028	**Total Expenditure**	**4,804**	**3,024**
-	**Surplus/(Deficit)**	**-**	**-**

Major variances against budget: Both litigation revenue and expenditure are above budget due to the timing and volume of caseloads.

*The appropriation revenue received by the FMA equals the Government's actual expenses incurred in relation to the appropriations, which is a required disclosure from the Public Finance Act.

Assessment of performance

The FMA in the Estimates of Appropriation is required to report the following performance information for this appropriation measure. This appropriation is limited to meeting the cost of major litigation activity arising from the enforcement of financial markets and securities markets law.

Measure	2023/24 target	2023/24 actual	2022/23 actual
Litigation undertaken as per Fund's use conditions	Achieved	**Achieved** The FMA undertook litigation using the litigation fund as per the conditions of use.	Achieved

Actual $000s 12 Months to 30 Jun 23		Actual $000s 12 Months to 30 Jun 24	Budget* $000s 12 Months to 30 Jun 24
3,028	Expenditure	4,804	3,024

*per estimates of appropriations 2023/24; Vote Business, Science and Innovation

Our outputs in this category for the 2023/24 year include progress on litigation activity in relation to the following cases:

- AA Insurance
- Booster
- CBL
- Du Val
- Insider trading case regarding Pushpay shares
- Kiwibank
- Kok Ding Cheng
- Matthew Hill
- Medical Assurance
- Natalie Carter
- Oceania
- Tower
- Vero
- Yuen Pok (Paul) Loo

See Note 2 to the financial statements on pages 86-87 for more details of these cases.

Reconciliation of revenue in the service performance to the revenue in the financial statements

Actual $000s 12 Months to 30 Jun 23		Actual $000s 12 Months to 30 Jun 24	Appropriation/Budget $000s 12 Months to 30 Jun 24
18,404	Category One	20,281	17,888
27,039	Category Two	30,840	29,145
24,774	Category Three	24,774	24,945
70,217	**Total revenue for the Multi-Category Appropriation**	**75,895**	**71,978**
3,028	Litigation Fund	4,804	3,024
73,245	**Total revenue reported in the Statement of comprehensive revenue and expense**	**80,699**	**75,002**

Reconciliation of cost of goods and services in the service performance to the expenses in the financial statements

Actual $000s 12 Months to 30 Jun 23		Actual $000s 12 Months to 30 Jun 24	Appropriation/Budget $000s 12 Months to 30 Jun 24
16,986	Category One	16,998	18,879
23,291	Category Two	38,856	26,337
23,942	Category Three	17,190	26,145
64,219	**Total expenditure for the Multi-Category Appropriation**	**73,044**	**71,361**
3,028	Litigation Fund	4,804	3,024
67,247	**Total expenditure reported in the Statement of comprehensive revenue and expense**	**77,848**	**74,385**

Expenditure by category ($000)

Disclosure of judgements

Selection and aggregation of performance information

Our performance expectations are set out in two key documents within our accountability framework: our Statement of Intent (SOI) and our Statement of Performance Expectations (SPE). The Statement of Service Performance is intended to inform users how we have performed against these expectations in the past year through our activities.

We aim to demonstrate and measure our impact and progress towards our medium-term strategic intentions, contained in the SOI.

We have selected SPE measures to achieve a balance of qualitative, quantitative and time-bound measures covering a range of our core activities, focused on the impact we want to have on financial service providers, investors and consumers.

For our SPE measures we use a scaled rating system of Achieved, Substantially Achieved and Not Achieved to reflect how we perform against our targets (see page 39).

We do not specifically measure the quality of our decision-making in our performance measures. We have assessed various options to measure quality, such as challenges to licensing or enforcement decisions which would measure quality based on the formal mechanisms with which our decisions can be questioned. However, for all options, we considered setting a target to measure against was only likely to dis-incentivise valid risk-taking for fear of failing to meet it (e.g. if we were challenged more times than a targeted maximum).

Further information on our judgements of certain performance measures was included on pages 42, 44 and 48.

The strategic intentions and the SPE measures were set following identification of key risks and opportunities, and extensive engagement with the FMA Board, executive and staff, as well as MBIE. There were no significant judgements on aggregation.

How we measure

Academic research demonstrates an innate difficulty in measuring regulatory outcomes, which do not readily lend themselves to being quantified or to clear cause-and-effect analysis. For example, the concept of 'fair, efficient and transparent markets' is hard to test. It is also difficult to measure changes in firms' behaviour, or how much of that change is a direct result of the FMA's actions. A reduction in misconduct cases coming to our attention may be the result of our activities, or better concealment/poorer detection of misconduct.

Feedback from our service recipients – users of financial services, participants in our financial markets and regulated entities – is therefore some of the most relevant data we can use to measure our overall effectiveness and performance, and the impact we have as a regulator. A number of our performance measures and reporting come from the surveys described on page 40 of different stakeholder groups. All surveys are conducted by an external provider.

Tō mātou rōpū
Our organisation

Board

Craig Stobo

Chairman, Audit and Risk Committee member, People, Performance and Renumeration Committee member

Craig Stobo is a professional director with experience as a diplomat, economist, chief investment officer and chief executive. He is currently the Chair of the Local Government Funding Agency and NZ Windfarms Ltd. His qualifications include a Bachelor of Arts, First Class Honours in Economics from Otago University, Advanced Management Programme from Wharton School of the University of Pennsylvania, and Associate Member CFA Society New Zealand. He is the former chief executive of BT Funds Management and has previously held a variety of director and chair roles, including AIG Insurance New Zealand, Precinct Properties Limited and Fliway Group Limited.

Current term expires May 2029.

Steven Bardy

Board Member, Audit and Risk Committee Chair

Steven is a senior executive with extensive experience as a regulator and advisor in financial services, financial services regulation, compliance and risk management. He consults on financial services regulation to the World Bank and foreign governments and is a senior advisor to Principia Advisory, a European based global leader in ethics consulting. He was previously Managing Director of Promontory Australia, an IBM company, and a senior executive leader at the Australian Securities and Investments Commission. He served as the inaugural chair of the Assessment Committee of the International Organization of Securities Commissions (IOSCO) and an ASIC representative on the IOSCO Board. He has also worked in the finance and tax practices of the Australian and US offices of an international law firm, held ministerial advisor positions in the Victorian Government and senior risk and compliance positions in an Australasian Bank, and consulted on strategy in both Australia and Europe.

Steven holds a BEc and an honours LLB degree from the Australian National University and an MBA from the London Business School.

Current term expires February 2027.

Tracey Berry

Board Member

Tracey Berry is a consultant and financial services professional with 26 years' experience in Wealth Management, Banking, KiwiSaver and Insurance. She is currently a partner at Mosaic FSI, as well as a member of the Board for the National Provident Fund. A former Chair of Nikko Asset Management, she was also a member of the Financial Advisers Disciplinary Committee for 13 years. During her career she has held senior or executive roles at a number of New Zealand's largest banks.

Current term expires August 2029

Suzanne Chetwin, CNZM

Board member, People, Performance and Remuneration Committee Chair

Sue has more than 15 years' experience working for and on behalf of consumers. She is a strong supporter of financial regulations that encourage innovation while protecting consumer interests. She is the former CEO of Consumer NZ and was a director of the Banking Ombudsman Scheme. She is on the board of Food Standards for Australia NZ and chairs the Grocery Action Group. She chairs the Elizabeth Fletcher Foundation, the investment vehicle which provides funding for the charity Share My Super. Last year she chaired an independent consumer panel assisting Chorus prepare its investment proposals to the Commerce Commission. She also chaired the Government Review into drug buying agency Pharmac. Her experience includes 25 years in journalism, including editing the Sunday Star Times and the Herald on Sunday. Sue holds a Bachelor of Laws.

Current term expires November 2025.

Kendall Flutey

Board member, People, Performance and Remuneration Committee member

Kendall Flutey (Ngāi Tahu, Ngāti Kahungunu) is the Co-Founder and Chief Product Officer of Banqer, a financial education platform utilised by more than 500,000 Australasian students. Kendall has been a vocal advocate of financial education, innovation, and consumers within Aotearoa for over a decade through her professional endeavours and community engagement. Kendall has a broad range of governance experience, currently sitting on the boards of Whai Rawa, and the Insurance & Financial Services Ombudsman Scheme. Previously she has chaired the Canterbury Momentum Investment Committee, sat on the Digital Council for Aotearoa New Zealand, and was board member through the establishment of Te Hiringa Mahara - Mental Health and Wellbeing Commission. Kendall holds a Bachelor of Commerce, a Graduate Diploma and a Master of Entrepreneurship.

Current term expires February 2027.

Prasanna Gai

Board Member, Audit and Risk Committee member

Prasanna is Professor of Macroeconomics at the University of Auckland and a member of the Monetary Policy Committee of the Reserve Bank of New Zealand. He was Special Adviser to the Governor of the Bank of Canada, Senior Adviser at the Bank of England, and Member of the Advisory Scientific Committee of the European Systemic Risk Board. Prasanna has also been Professor of Economics at the Australian National University and a Visiting Fellow of All Souls College, Oxford. He was educated at the Australian National University and Christ Church, Oxford.

Current term expires June 2028.

Nick Hegan

Board Member

Nick Hegan is an experienced financial services lawyer who has also worked as a trader in wholesale financial markets in New Zealand and offshore. He has sat on the NZ Markets Disciplinary Tribunal for more than ten years and was formerly Head of Legal at Forsyth Barr for eight years until 2022. A former Partner at Russell McVeagh, he was also Chair/Deputy Chair of the Securities Industry Association for five years.

Current term expires August 2029

Christopher Swasbrook

Board Member

Christopher has more than 25 years' experience in stockbroking and funds management. He is currently the Managing Director of Elevation Capital, Co Founder & Director of NZX-listed New Zealand Rural Land Company, Director of Bethunes Investments Limited and McCashin's Brewery Limited. He is also Chair of the Auckland Future Fund and an Inaugural Member and currently Chair of the Auckland Art Gallery Toi o Tamaki Advisory Committee. He was previously a Partner at Goldman Sachs JBWere. Christopher holds a Bachelor of Commerce.

Current term expires August 2025.

Mariette van Ryn

Board Member

Mariette van Ryn is an experienced director and former barrister and solicitor. For in excess of 30 years she has worked across all facets of financial services and regulation in executive, consulting and governance roles. A member of the FMA's Establishment Board, she has more recently been a Special Division member of the NZ Markets Disciplinary Tribunal and is a former Director of Milford Asset Management where she was chair of the Risk & Audit Committee. She has also held executive and governance roles at Westpac and is a former partner and Board member of national law firm Simpson Grierson. Mariette has a particular interest in risk management, organisational redesign and productivity improvement. She continues to consult and hold board roles in other sectors.

Current term expires August 2029

Outgoing members

Mark Todd (outgoing Chairman) – term ended April 2024

Vanessa Stoddard – term ended February 2024

Mark Weenink – term ended April 2024

Executive leadership team

Samantha Barrass

Chief Executive

Samantha has extensive international regulatory experience, most recently as Chief Executive of UK's Business Banking Resolution Service, a dispute resolution scheme for banks and business customers. Prior to that she was Chief Executive of the Gibraltar Financial Services Commission, which oversees the prudential and conduct regulation of Gibraltar's financial services sector. She has held a number of other senior roles at finance regulators and industry associations, including the UK's Financial Conduct Authority and the London Investment Banking Association.

Samantha grew up in Christchurch. She studied Economics at the University of Canterbury and Victoria University of Wellington and gained an MSc from the London School of Economics, before beginning her career as an economist at the Reserve Bank of New Zealand.

Clare Bolingford

Executive Director, Regulatory Delivery

Clare is responsible for directing, planning and delivery of the FMA's core regulatory functions across licensing, engagement and supervision of regulated individuals and firms. She is leading the FMA's implementation of the new conduct regime for banks, insurers and non-bank deposit takers, the new financial advice regime, and the Climate-related Disclosures regime.

Clare's experience includes almost 20 years with the Financial Conduct Authority in the UK, in a variety of policy, change implementation and supervision roles, including oversight of large banking groups and financial advisers. She also spent two years at the UK Treasury, leading capital markets and prudential policy.

Sarah Feehan

Acting Executive Director, Transformation & Operational Delivery (from September 2024)

Sarah has temporary responsibility for the strategic direction of the FMA's operations and capability functions, including technical operations, project management, data engineering, IT security and architecture, customer relationship management, knowledge management, business improvement, people and capability, finance, business support and transformation. This group provides internal support to enable the whole of the FMA.

Sarah has previously been FMA's Acting Head of Transformation and Chief People Officer. Before joining the FMA in 2016, Sarah was HR Manager at one of New Zealand's top law firms. Prior to that she worked with a number of professional services firms, and was a member of the senior leadership team for a national advertising agency.

Liam Mason

Executive Director, Evaluation & Oversight and General Counsel

Liam is responsible for a broad range of audit, risk, legal and governance matters along with evaluating the effectiveness of regulatory interventions and activity. He remains the FMA General Counsel. Liam has been with the FMA since its inception. He has extensive experience in securities law and corporate governance matters, advising on securities and financial services law and policy, Crown entity governance and legal compliance.

Liam has previously led frontline teams overseeing the FMA's compliance frameworks, licensing, knowledge management and intelligence, and fintech functions.

Daniel Trinder

Executive Director Strategy & Design

Daniel is responsible for leading the strategy and direction setting for the FMA, ensuring a clear view of the systems, priorities and regulatory design is developed and communicated across a broad range of external stakeholders.

He has extensive experience in developing and delivering strategic direction, capability and planning, implementing policy and legislative changes, while leading successful and diverse teams at a global level. He has over twenty-five years' experience in strategy, policy and regulatory affairs including senior roles at HM Treasury in the UK, the IMF, international investment banking firms, as an advisor to central banks and international organisations, and as a consultant on strategy, policy, and governance to several firms and institutions. His most recent role was at Binance, and he has also held senior global roles at Deutsche Bank and Goldman Sachs.

Louise Unger

Executive Director, Response and Enforcement (joined June 2024)

Louise joined the FMA from the Commerce Commission, where she was the General Manager of the Credit branch leading the team that regulates the Credit Contracts and Consumer Finance Act, as well as a member of the Senior Leadership Team.

Prior to joining the Commission, she specialised in risk and compliance at Lawyers on Demand NZ, an international law firm. She has significant expertise providing legal, risk and compliance services to a range of New Zealand and international organisations, including banks, telecommunications and electricity companies.

Louise brings particular strength in the financial services industry, having led legal and risk teams at Bank of New Zealand across a period of 12 years.

Outgoing directors

Paul Gregory: Executive Director, Response and Enforcement – departed March 2024

Sharon Thompson: Executive Director, Transformation & Operational Delivery – departed September 2024

People

Leadership, accountability and culture

We continue to follow the principles of a good employer. The Enterprise and Strategic Leadership cohorts participated in the Leading with Mana leadership development programme. This was co-designed using internal resources including data and insights from our annual engagement survey, the revised competency framework, and focus groups with the executive lead team (ELT) and selected people leaders. The programme comprised four in-person workshops, digital resources and the formation of learning and accountability groups with fellow participants. Plans are now underway to continue the programme as part of our core learning and development offering, expanding to participation from our network of technical leaders.

Employee development, promotion and exit

Internal and external learning and development (L&D) opportunities continue to be well-supported, and feedback remains largely positive. The programme comprises technical and regulatory opportunities for frontline and specialist staff (via workshops and industry events), supporting accreditations and qualifications, and interpersonal skills development.

Cultural capability is promoted via Te Reo Māori classes and Te Tiriti o Waitangi workshops. A suite of internal resources will also be developed over time.

Our L&D offering is underpinned by the revised competency framework, which highlights the key core, leadership and technical competencies required for our people and the organisation to succeed.

We support internal career development, with approximately 32% of our roles filled internally.

Our turnover continues to trend down, with rolling voluntary turnover at 11.9% as at 30 June 2024, compared to 18.6% as at 30 June 2023. We seek feedback from all our leavers to understand what we do well as an organisation, and where we can improve.

Inclusion and diversity

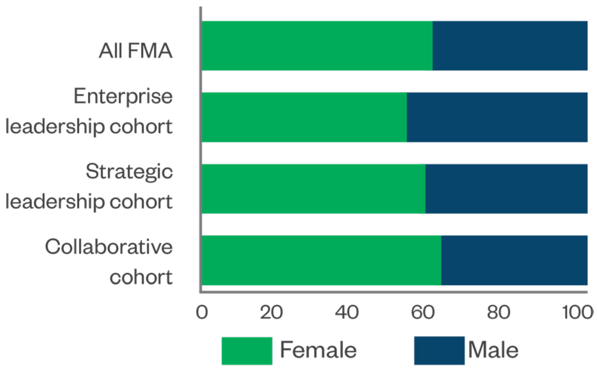
ELT endorsed a new approach to Diversity, Equity & Inclusion (DEI), which includes the introduction of internal voluntary 'champions' to help support campaigns, role-model best practice and act as a network to engage with the organisation.

An external review of DEI practices was also completed to help prioritise initiatives for the year ahead.

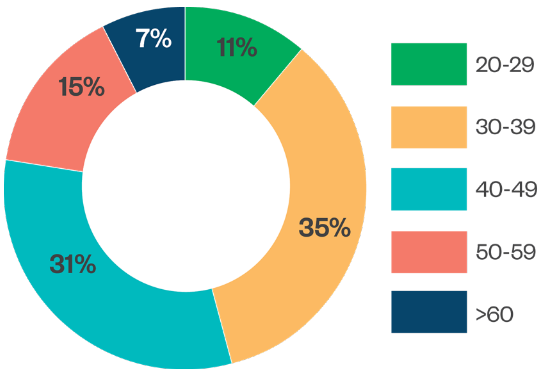
We are also focused on raising awareness of neurodiversity via internal learning sessions facilitated by industry experts.

We aim to be a diverse, inclusive, and equitable workplace for all. We are committed to reducing our pay gaps and ensuring the FMA is a fair and equal place for all employees. We will continue working with our people to understand what matters most to them and how we can improve. We have a Kia Toipoto (Public Service Pay Gaps) action plan, which is published internally and on our website. Since our commitment to meet the milestones of Kia Toipoto we have seen a decline of our overall gender pay gap. As at 1 January 2024, our overall gender pay gap (based on the median hourly rate for all permanent and fixed term employees, including the chief executive) is 5.9%. This is a reduction of 4.1% from March 2023.

Gender



Age



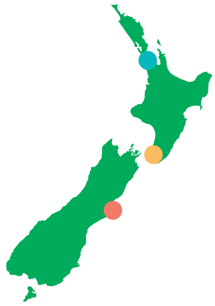
Location

63% Auckland

34% Wellington

2% Christchurch

1% Other



Flexibility and work design

To support flexible working while also retaining a focus on collaboration and culture, we have a policy where staff can work three days in the office and two days remotely. In addition, we continue to offer flexibility of working hours and work patterns. We have centrally located offices in Auckland and Wellington, with modern facilities and close to public transport, as well as equipment to allow a flexible and rewarding working experience. We also have a co-working space in Christchurch to allow our Christchurch team members to connect and collaborate.

Remuneration, recognition and conditions

The objective of our reward approach continues to be to attract and retain appropriately skilled people, and to recognise and reward performance and development that aligns with our strategic objectives, values and expected standards of behaviour. Our annual salary review outcomes are moderated by ELT to ensure fairness and equity across the organisation. We also conduct gender parity checks during this process as part of our commitment to Kia Toipoto. We run educational sessions for people leaders and staff on the topic of remuneration to increase understanding and awareness.

Our remuneration approach sits within the organisation's broader approach to reward and recognition, which incorporates both financial and non-financial rewards, the latter including additional leave, health and life insurance, parental leave benefits, flexible working practices, learning and development opportunities, and our wellbeing programme.

Harassment and bullying prevention

The first workshop in our Leading with Mana programme was dedicated to fostering an environment of psychological safety built on the foundations of trust and inclusion in the workplace. Topics included safety to learn, collaboration and speaking up, and identifying practical ways that people leaders can increase psychological safety at FMA.

The FMA does not tolerate bullying, harassment or discrimination of any form in the workplace. We have a number of ways, internal and external, for staff to raise any concerns. We have a confidential external point of contact who is trained and experienced in employment law issues focused on harassment and bullying, to provide independent advice to staff. We have a bullying, harassment and discrimination policy and resolution guidelines, and online training.

We follow WorkSafe guidance on understanding what bullying is and what we can do to support an environment of zero tolerance for bullying.

As part of our staff survey we seek feedback on whether our systems for dealing with intimidating behaviours, workplace bullying and harassment are clear and effective. We also engage an independent external provider to contact people who have left the organisation in the past 12 months, and amongst a wide range of areas covered, ask for feedback on any bullying, discrimination or harassment behaviours. We have focused on creating a 'speak up' culture and have run a number of initiatives throughout the year to support this.

Safe and healthy environment

To ensure we are fulfilling our responsibilities under the Health and Safety at Work Act 2015 and responding to new and emerging risks, we embarked on an external qualitative review of our current policies and processes using the Safe+ methodology, based on the key themes of Leadership, Risk Management and Worker Engagement.

Our Health, Safety and Wellbeing Committee meets regularly to discuss relevant topics and proactive management of any hazards, with a focus on continuous risk identification. The committee also facilitates participation in national wellbeing and anti-bullying initiatives such as Mental Health Awareness Week, Pink Shirt Day and Gumboot Friday.

We encourage staff members to take leave during the year, and offer enhanced leave benefits to ensure people are taking time away from work to support their health and wellbeing. We continue to offer regular educational seminars for staff, covering a wide range of topics including mental health, physical health, neurodiversity, mindset, relationships and ergonomics. In addition, we offer a comprehensive 16-week wellbeing programme provided by leading wellness specialists in partnership with Firstbeat, to enhance participants' health, wellbeing and personal performance.

Recruitment, selection and induction

While the first 6 months of 2024 saw an increase in applications for vacant roles, we are still experiencing difficulties within the New Zealand labour market sourcing candidates with the appropriate skill level. We continued to focus on refining our early careers offering, with the successful launch of graduate and internship recruitment, including a 'Shadow a Leader' programme. We have made improvements to our application and onboarding processes, resulting in a better experience for candidates and less manual work internally.

Where we find our staff

	2024	2023	2022	2021
Corporate	0.8%	0.5%	18%	6%
Financial services	18%	17%	14%	10%
Government	14%	13%	21%	14%
International	0.5%	10%	6%	6%
Internal	28%	34%	23%	48%
Legal	0.1%	0.3%	4%	5%
Other	25%	16%	14%	11%

Employment type

	2024	2023	2022	2021	2020	2019
Total	382	326	311	263	241	212
Permanent	344	289	267	242	213	188
Fixed term	14	7	12	5	5	7
Contractor/temp	22	28	29	14	18	14
Secondee	2	2	3	2	2	3
Voluntary turnover	11.9%	18.9%	17.5%	9.6%	13.8%	22%
Average service length (permanent only)	3.3 years	3.48 years	3.2 years	3.2 years	3.3 years	3.4 years

Employee remuneration

As a Crown entity, the FMA is required to disclose in its annual report the number of employees receiving total remuneration of $100,000 or more per annum. Total remuneration includes end-of-contract payments such as contractual notice pay and accrued leave entitlements, but excludes cessation payments.

Cessation payments

Cessation payments of $111,467 were paid to three employees who ceased to be employees within the financial year ended 30 June 2024 (2023: $881,236).

Remuneration paid or payable ($)	Number of employees 2024	Number of employees 2023
630,001 to 640,000	1	-
610,001 to 620,000	-	1
480,001 to 490,000	-	1
440,001 to 450,000	1	-
430,001 to 440,000	1	-
410,001 to 420,000	1	-
400,001 to 410,000	1	1
380,001 to 390,000	-	1
360,001 to 370,000	2	1
310,001 to 320,000	1	-
300,001 to 310,000	1	-
290,001 to 300,000	-	1
280,001 to 290,000	2	-
270,001 to 280,000	2	-
260,001 to 270,000	-	2
250,001 to 260,000	1	-
240,001 to 250,000	1	-
230,001 to 240,000	3	2
220,001 to 230,000	6	-
210,001 to 220,000	5	6
200,001 to 210,000	4	6
190,001 to 200,000	4	3
180,001 to 190,000	11	8
170,001 to 180,000	11	9
160,001 to 170,000	22	20
150,001 to 160,000	17	21
140,001 to 150,000	18	13
130,001 to 140,000	28	16
120,001 to 130,000	42	40
110,001 to 120,000	20	23
100,001 to 110,000	18	22
Total	**224**	**197**

Governance, policies and operations

The FMA was established by the Financial Markets Authority Act 2011. The Minister of Commerce and Consumer Affairs is responsible for the FMA. The Minister sends us an annual Letter of Expectations. We frequently engage with the Minister, briefing him on our current priorities and discussing the alignment of our work with the Government's objectives.

FMA Board

The Crown Entities Act 2004 sets out the collective and individual duties of the FMA Board and its members. The Board is the governing body of the FMA. The Board's focus is generally on the critical strategic and regulatory policy issues that determine the overall success of FMA. This includes:

- setting the FMA's strategic direction and strategic priorities
- appointing the Chief Executive and providing oversight of their performance and, through them, FMA staff
- ensuring the FMA's actions are consistent with its objectives, functions, SOI and output agreement (if any)
- maintaining appropriate relationships with stakeholders
- complying with the FMA's obligations under all applicable legislation
- ensuring the FMA operates in a financially responsible manner – achieving results and doing so within budget (operating within agreed budget parameters and managing assets and liabilities prudently).

The Board is responsible for setting policies to govern how the FMA operates, including policies for:

- managing staff conflicts of interest
- holding and dealing with information securely
- procurement and purchasing
- managing sensitive expenditure and the receipt of gifts.

The Board has delegated most regulatory decisions to staff, but retains ultimate decision-making authority for the use of some of the FMA's powers related to enforcement and exemptions. These matters are often considered by a division of the Board, which is a group of at least three Board members who have been assigned to deal with a matter or class of matter.

The Board has also two advisory subcommittees:

- the Audit and Risk Committee, which advises on internal controls, accounting policies and internal and external audit, and approves the financial statements. On risk management, the Committee advises on key issue or project risks and provides oversight of the FMA's framework for managing organisation-wide strategic and operational risks
- the People, Performance and Remuneration Committee, which oversees FMA's performance, remuneration, development and engagement systems, including setting the Chief Executive's remuneration and key performance indicators, and considering talent management and succession planning strategies.

The FMA Board is appointed by the Governor-General, on the advice of the Minister. Industry representation is an important factor in the makeup of the Board. Members are drawn from a range of sectors, including financial services, with a particular focus on governance experience or expertise, or otherwise representing views of stakeholders such as retail investors and consumers.

The diverse views and expertise offered by members of the Board are valuable inputs to the FMA meeting its regulatory objectives.

It is inevitable, with a Board featuring market representatives, that some members may have a potential or actual conflict of interest in relation to a decision to be made or matter to be considered. The FMA has well-established conflict management practices consistent with sections 62 to 72 of the Crown Entities Act 2004, which set out the conflict of interest and disclosure rules for members of Crown Entities. In the event that a potential or actual conflict is identified for a member in relation to matters for Board decision or consideration, that member is recused from taking part in the discussion on the matter and does not receive any materials or information relating to the matter.

Composition of Board members' remuneration

Members' fees are paid on the basis of time spent on the work of the FMA. Fees were:

	Actual 2024 $000s	Actual 2023 $000s
S. Chetwin	49	42
S. Bardy	84	72
K. Flutey	37	43
P. Gai	53	49
E. Longworth	4	57
C. Stobo (Chair)	24	-
V. Stoddart	25	40
C. Swasbrook	36	35
M. Todd (Former Chair)	179	202
M. Weenink	50	44
Total Board Members' remuneration	**541**	**584**

There have been no payment made to Board observers in the period (2023: $nil).

There have been no payments made to committee members appointed by the Board who are not Board members during the financial year.

No Board members received compensation or other benefits in relation to cessation (2023: $nil).

New member	
Member name	**Membership term start date**
C. Stobo (Chair)	May 2024

Leaving member	
Member name	**Membership term expiry date**
E. Longworth	July 2023
V. Stoddart	February 2024
M. Todd (Former Chair)	April 2024
M. Weenink	April 2024

Independent committees

These committees provide independent expertise and decision-making for important areas related to the Financial Advice regime pursuant to the Financial Markets Conduct Act 2013. The members of these committees are appointed by the Minister for Commerce and Consumer Affairs. They operate and function separately from the FMA, but the FMA provides funding and secretariat services.

Code Committee

The Code Committee is Aotearoa New Zealand's independent standard setter for financial advice. It is established by Part 4 of Schedule 5 of the FMC Act. The Committee's functions are:

- to produce a draft Code for approval by the Minister
- to review the Code from time to time

- to recommend to the Minister changes to the Code
- to liaise from time to time about the development, review, and implementation of the Code with the Minister, with the FMA and with persons that the Committee reasonably considers to be representative of the financial advice industry and of consumers of financial advice.

Composition of Code Committee remuneration

Code Committee fees are paid on the basis of time spent on the work of the committee. Fees were:

	Actual 2024 $000s	Actual 2023 $000s
B. Benson	9	6
K. Coutts	6	3
T. Dench	7	-
A. Dale-Jones (Chair)	37	35
G. Edwards	14	8
E. Jurgeleit	10	6
B. McCleland	-	2
P. Mersi	9	5
T. Singleton	9	4
Total Code Committee remuneration	101	69

New member	
Member name	**Membership term start date**
T. Dench	August 2023

Leaving member	
Member name	**Membership term expiry date**
B. McCleland	January 2023

Financial Advisers Disciplinary Committee

The Financial Advisers Disciplinary Committee (FADC) is an independent body established pursuant to clause 49 of Schedule 5 to the Financial Markets Conduct Act 2013).

The FADC conducts disciplinary proceedings arising from complaints about the conduct of financial advisers relating to contraventions of the provisions of the Act that regulate financial advice and financial advice services. Complaints are referred by the Financial Markets Authority (FMA) and can include breaches of the Code of Professional Conduct for Financial Advice Services (the Code).

Composition of Financial Advisers Disciplinary Committee remuneration

Financial Advisers Disciplinary Committee fees are paid on the basis of time spent on the work of the committee. Fees were:

	Actual 2024 $000s	Actual 2023 $000s
D. Auld	-	0.8
T. Berry	-	0.7
J. Matthews (Chair)	4	3
J. Standage	-	-
D. Tulloch	-	0.7
S. Weir	-	0.7
Total Financial Advisers Disciplinary Committee remuneration	4	5.9

New member	
Member name	**Membership term start date**
J. Standage	September 2023

Leaving member	
Member name	**Membership term expiry date**
T. Berry	September 2023

Professional indemnity insurance

The FMA has purchased directors' and officers' liability and professional indemnity insurance cover during the period. This insurance is in respect of the liability or costs of Board members and employees.

Internal governance

We maintain our robust decision-making processes through a range of internal committees and groups comprised of relevant experts that meet regularly to review significant policies, projects and decisions.

The Chief Executive's role is to manage the FMA and exercise the powers of the Board that the Board delegates to them. We have a comprehensive delegations framework, to ensure approvals (particularly those relating to enforcement activity and the granting of licences and authorisations) can only be made by staff members with appropriate seniority and competence.

The Executive Committee, comprising the Chief Executive and the Executive Directors (see pages 60-61), is a forum for executive decision-making on issues of strategic importance to the FMA.

We also have a range of internal committees and groups that meet regularly to prioritise work and manage dependencies, oversee risks and delivery issues, and review significant policies, projects and decisions. The committees are comprised of relevant experts and senior staff from across the organisation.

Our Internal Audit Manager runs a continuous review programme to ensure the integrity of our operational and risk management processes. FMA staff are subject to a code of conduct, and a range of policies relating to finance, employee obligations, information management and travel.

Target operating model

Structural change to implement our new target operating model was completed on 1 February 2023. Further work has been undertaken to ensure we have the people and capability to deliver our core and strategic priorities in the short- and long-term. This has included recruitment and internal capability uplift.

We have continued to monitor our target operating model and how we work to ensure we are effectively translating our strategy into operational plans.

We have settled into the new organisational structure, and this has enabled us to transform and adapt to the changing regulatory environment. Key work in this space includes refreshing our supervisory approach that has looked at how we identify risk and how we assess and evaluate entities. This includes work to assess serious conduct matters, adapting our supervisory tools and creating a forum for team members to come together to discuss how their activities are working towards an outcomes-focused approach.

Our Data and Intelligence programme has completed foundational elements of a data and information stocktake and identified opportunities for improvement. Financial Advice Providers' outlier data has enabled us to better support our supervisory work through the identification of key focus areas. Work to improve our data and intelligence capability is ongoing.

Work has continued to support and enable us to be more agile in making decisions and responding to a changing regulatory environment. Internally, this has included core technology modernisation, a new HR information system and a competency framework to uplift core, technical and leadership capability across the organisation.

Our environmental and sustainability progress

We are committed to minimising our environmental impact and improving our climate reporting and accountability. As part of our sustainability efforts, 2023/24 marks our first year of reporting carbon emissions. This initiative is aimed at enhancing our understanding of our environmental impact and finding ways to improve our environmental performance to respond to climate change.

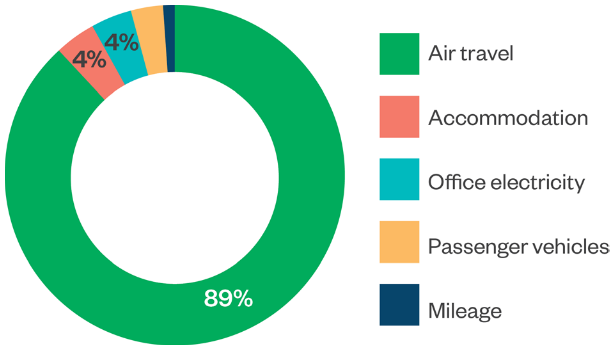
As an independent Crown entity, the Financial Markets Authority is not mandated under the Carbon Neutral Government Programme. However, we are committed to measuring and reporting our greenhouse gas emissions. By choosing to report, we aim to demonstrate our commitment to environmental stewardship and to set an example for responsible practices.

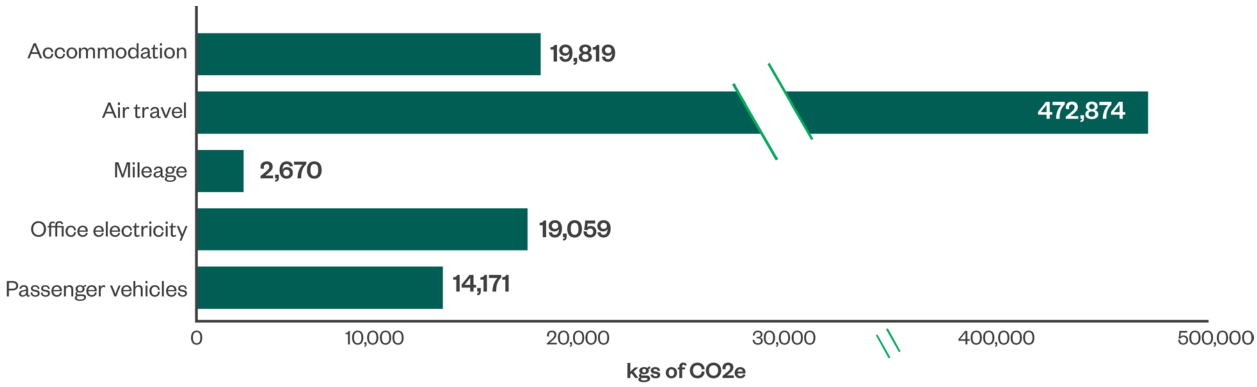
Our reporting is based on data collected internally and from our suppliers. We have used the Ministry for the Environment's guidance on emission factors[23] to develop our emissions inventory and supporting calculations. Our emissions inventory covers office electricity, air travel, accommodation, passenger vehicles, and mileage.[24]

Carbon emissions by activity

Our total emissions for the 2023/24 financial year were 528,593 kgs of CO2e.

Our largest emission source is air travel, followed by accommodation and office electricity. There are no emissions from paper usage because nearly all the paper we purchased is carbon neutral.





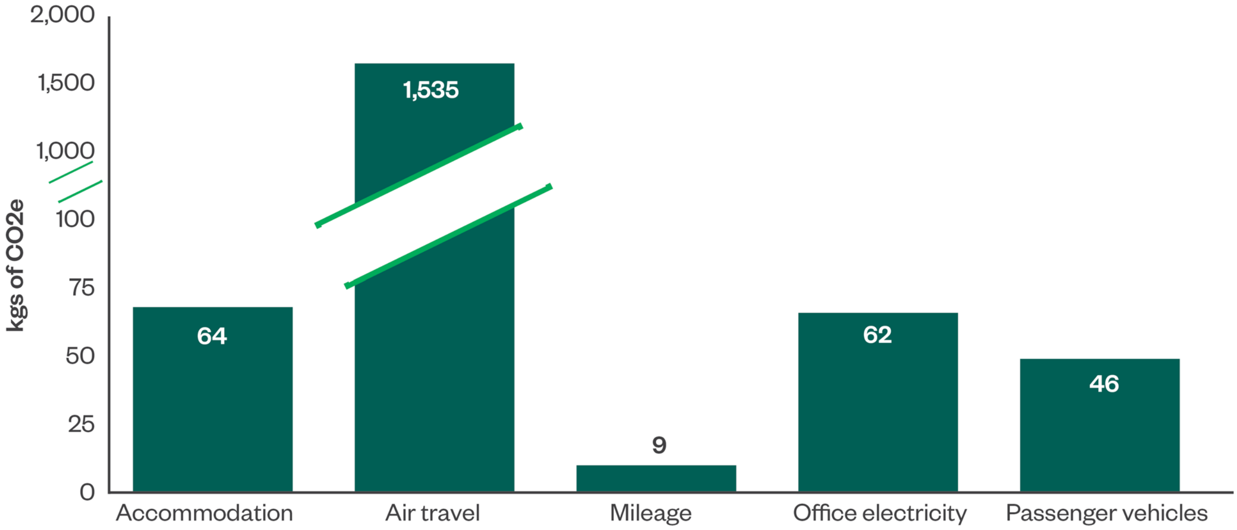
23 Ministry for the Environment (2024) Measuring Emissions: A Guide for Organisations - A Detailed Guide

24 Our emissions reporting has been prepared in accordance with the GHG Protocol: A Corporate Accounting and Reporting Standard, using the operational control consolidation method. Notwithstanding this, quantifying GHG emissions is subject to inherent uncertainty as scientific knowledge and methodologies are still evolving in this area, as are GHG reporting and assurance standards. We may identify further emissions sources in future, and where practicable we will include these in future reporting.

Source of carbon emissions	2023/24 Total emissions kgs of CO2e	2023/24 Emissions per FTE[25] kgs of CO2e
Scope 1: Direct GHG emissions		
None		
Scope 2: Indirect GHG emissions from imported Energy		
Office electricity	19,059	62
Scope 3: Indirect GHG emissions from transportation, products uses or supplies, and other sources		
Accommodation	19,819	64
Air travel	472,874	1,535
Mileage	2,670	9
Paper usage[26]	-	-
Passenger vehicles	14,171	46
Total emissions	**528,593**	**1,716**

As 2023/2024 marks our first year of reporting carbon emissions, it will serve as our baseline year. In 2024/2025, we will develop more detailed sustainability targets and reduction plans. This initiative aims to enhance our climate accountability, reduce our carbon footprint, and help us respond to evolving expectations and government policies.

Carbon emissions per full-time equivalent (FTE)



25 The FTE count used in this calculation is the weighted average for the reporting period.

26 Almost all the paper we purchase is carbon neutral, resulting in no emissions from its usage.

Overview of emissions categories

2023/24 highlights

Accommodation

Emissions from work travel accommodations contribute to this category.

The accommodation emissions were calculated based on data provided by our travel agency, along with the relevant emissions factors determined by the Ministry for the Environment (MfE). For any accommodations not booked through the travel agency, the data was recorded in our internal report and used for the emissions calculation.

Air travel

Travel is a crucial component in successfully delivering our remit. It allows us to conduct essential monitoring visits, engage in face-to-face meetings with stakeholders both internally and externally, and maintain strong, effective relationships. These interactions are vital for achieving our objectives and ensuring the effective implementation of our initiatives.

Over the past year, a key priority for the FMA has been building and sustaining relationships with key international regulators.

We are always mindful of the fiscal and climate-related implications and use technology wherever possible to minimise the need for both domestic and international travel.

The air travel emissions calculation was based on data supplied by our travel agency, and the relevant emissions factors determined by the MfE.

Mileage

Emissions from employees driving their own cars for business travel. This constitutes a small portion of our overall emissions.

The mileage emissions were calculated using staff mileage claim data, along with the relevant emissions factor determined by the MfE.

Office electricity[27]

We offer flexible working arrangements, allowing staff to work from home at times. This leads to electricity savings and reduced carbon emissions at our office sites. However, any potential reduction is likely offset by increased electricity usage at home, resulting in an overall net-neutral impact on the environment.

The office electricity emissions were calculated using the actual energy consumption in kWh, as provided by the energy company, and the relevant emissions factor determined by the MfE.

Paper usage

There are no emissions from paper usage as 99% of all paper purchased is from certified carbon neutral copy paper ranges.

Passenger vehicles

Emissions from employees using taxis and rideshare apps for business purposes.

The emissions from passenger vehicles were calculated based on data provided by our travel agencies, using the relevant emissions factors determined by the MfE.

27 The Christchurch office is not included in the office electricity emission calculation as it operates as a shared office space where electricity costs are not billed directly to us. The landlord has indicated that separating power usage between tenants would be challenging. Additionally, due to the relatively small size of our Christchurch office, we believe its impact on our overall emissions is negligible.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of the Financial Market Authority's financial statements and performance information for the year ended 30 June 2024

The Auditor-General is the auditor of Financial Markets Authority (the Authority). The Auditor-General has appointed me, René van Zyl, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, including the performance information for appropriations, of the Authority on his behalf.

Opinion

We have audited:

- the financial statements of the Authority on pages 78 to 104, that comprise the statement of financial position as at 30 June 2024, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information which reports against the Authority's statement of performance expectations and appropriations for the year ended 30 June 2024 on pages 10 to 11, pages 15 to 17, pages 22 to 30 and pages 39 to 56.

In our opinion:

- the financial statements of the Authority:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2024; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the Authority's performance information for the year ended 30 June 2024:
    - presents fairly, in all material respects, for each class of reportable outputs:
        - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
        - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and

- presents fairly, in all material respects, for the appropriations:
    - what has been achieved with the appropriations; and
    - the actual expenses or capital expenditure incurred as compared with the expenses or capital expenditure appropriated or forecast to be incurred; and
- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 30 September 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board for the financial statements and the performance information

The Board is responsible on behalf of the Authority for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements and the performance information, the Board is responsible on behalf of the Authority for assessing the Authority's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Authority, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Authority's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- We evaluate the appropriateness of the performance information which reports against the Authority's statement of performance expectations and appropriations.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 9, pages 12 to 14, pages 18 to 21, pages 31 to 38, pages 57 to 73 and 105 to 108, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Authority in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Authority.

The FMA has responsibility for auditor regulation. Although the Auditor-General is specifically excluded from the quality review regime (section 67 of Auditor Regulation Act 2011) and licensing regime (section 90), the Auditor-General can opt into parts of the regime (section 15A of Public Audit Act 2001). On the 30 June 2016 the Auditor-General entered into a memorandum of understanding (MOU) with the FMA to opt into parts of the regime and the Auditor-General's service provider Audit New Zealand is subject to review by the FMA from time to time. We do not consider this causes any independence concerns for our audit of the FMA, and we put appropriate mitigations in place to ensure our independence is maintained.

René van Zyl
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

Ngā pūrongo pūtea
Financial statements

Statement of Comprehensive Revenue and Expense

For the 12 months ended 30 June 2024

Actual 2023 $000s		Note	Actual 2024 $000s	Budget 2024 $000s
	REVENUE FROM NON-EXCHANGE TRANSACTIONS			
67,618	Government Grant	2	71,062	69,672
2,965	Litigation fund revenue	2	4,731	3,000
	REVENUE FROM EXCHANGE TRANSACTIONS			
812	Interest	2	1,528	300
63	Interest - litigation fund	2	73	24
1,787	Other revenue	2	3,305	444
73,245	**Total revenue**		**80,699**	**73,440**
	EXPENDITURE			
46,410	Personnel expenses	3	53,652	51,311
2,732	Depreciation and amortisation	6,7	4,041	2,470
15,077	Other operating expenditure	5	15,351	17,580
3,028	Litigation fund expenditure	2	4,804	3,024
67,247	**Total expenditure**		**77,848**	**74,385**
5,998	Surplus / (deficit)		2,851	(945)
5,998	**Total comprehensive revenue and expenses**		**2,851**	**(945)**
	TOTAL COMPREHENSIVE REVENUE AND EXPENSE COMPRISES:			
5,998	Net operating surplus / (deficit)		2,851	**(945)**
-	Net litigation fund surplus / (deficit)	2	-	-
5,998	**Total comprehensive revenue and expenses**		**2,851**	**(945)**

Explanations of major variances against budget are provided in Note 19. The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the 12 months ended 30 June 2024

Actual 2023 $000s		Actual 2024 $000s	Budget 2024 $000s
	OPENING BALANCE		
(3,318)	Accumulated funds / (deficit)	2,680	710
12,577	Capital contributions	13,062	13,062
9,259	**Total opening balance**	**15,742**	**13,772**
	COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR		
5,998	Net operating surplus / (deficit)	2,851	(945)
-	Net litigation fund surplus / (deficit)	-	-
5,998	**Total comprehensive revenue and expense**	**2,851**	**(945)**
	CAPITAL CONTRIBUTIONS / (REPAYMENTS) FOR THE YEAR		
485	Current contributions	-	989
485	**Total capital contributions / (repayments)**	**-**	**989**
15,742	**Closing balances**	**18,593**	**13,816**
2,680	Accumulated funds / (deficit)	5,531	(235)
13,062	Capital contributions	13,062	14,051
15,742	**Total closing balances**	**18,593**	**13,816**

Explanations of major variances against budget are provided in Note 19. The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2024

Actual 2023 $000s		Note	Actual 2024 $000s	Budget 2024 $000s
	ASSETS			
	Current assets			
8,933	Cash and cash equivalents - operating fund		10,010	10,214
1,241	Cash and cash equivalents - litigation fund		762	190
6,000	Term deposits		8,000	2,000
434	GST receivable		424	307
3,568	Receivables and prepayments	11	5,202	1,503
20,176	**Total current assets**		**24,398**	**14,214**
	Non-current assets			
2,981	Property, plant and equipment	6	2,802	2,812
4,667	Intangible assets	7	3,364	4,822
7,648	**Total non-current assets**		**6,166**	**7,634**
27,824	**Total assets**		**30,564**	**21,848**
	LIABILITIES			
	Current liabilities			
5,493	Creditors and other payables	12	4,847	1,376
3,699	Employee entitlements	3	4,170	3,563
23	Lease liabilities	9	32	23
9,215	**Total current liabilities**		**9,049**	**4,962**
	Non-current liabilities			
1,206	Lease liabilities	9	1,208	1,197
1,661	Provisions	10	1,714	1,873
2,867	**Total non-current liabilities**		**2,922**	**3,070**
12,082	**Total liabilities**		**11,971**	**8,032**
	EQUITY			
2,680	Accumulated funds / (deficit)		5,531	(235)
13,062	Capital contributions		13,062	14,051
15,742	**Total equity**		**18,593**	**13,816**
27,824	**Total equity and liabilities**		**30,564**	**21,848**

Explanations of major variances against budget are provided in Note 19. The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the 12 months ended 30 June 2024

Actual 2023 $000s		Note	Actual 2024 $000s	Budget 2024 $000s
	CASH FLOWS FROM OPERATING ACTIVITIES			
	Cash was provided from:			
	Receipts from non-exchange transactions:			
67,618	- government grant	2	71,062	69,672
2,000	- litigation fund revenue		4,300	3,000
	Receipts from exchange transactions:			
857	- interest		1,447	324
1,328	- other revenue		656	444
393	- MBIE fees and levies (net)		-	-
27	- litigation cost awarded (net)		2,393	-
-	- goods and services tax (net)		-	20
	Cash was disbursed to:			
-	- MBIE repayment of underutilised fund		-	-
-	- MBIE fees and levies (net)		(429)	-
(23,521)	- suppliers		(27,822)	(25,201)
(40,675)	- employees		(46,629)	(46,606)
(173)	- goods and services tax (net)		(123)	-
7,854	**Net cash flows from operating activities**	13	**4,855**	**1,653**
	CASH FLOWS FROM INVESTING ACTIVITIES			
	Cash was provided from:			
8	- sale of fixed assets		1	-
6,000	- decrease in term deposits		6,000	2,000
	Cash was applied to:			
(393)	- purchase of property, plant and equipment		(956)	(650)
(1,877)	- purchase of intangible assets		(1,787)	(1,858)
(10,000)	- increase in term deposits		(8,000)	-
(6,262)	**Net cash flows from investing activities**		**(4,742)**	**(508)**
	CASH FLOWS FROM FINANCING ACTIVITIES			
-	Capital contributions		485	989
-	**Net cash flows from financing activities**		**485**	**989**
1,592	Net increase / (decrease) in cash and cash equivalents		598	2,134
8,582	Cash and cash equivalents at the beginning of the year		10,174	8,270
10,174	**Cash and cash equivalents at the end of the year**		**10,772**	**10,404**
	COMPRISING			
8,933	Cash and cash equivalents - operating fund		10,010	10,214
1,241	Cash and cash equivalents - litigation fund		762	190
10,174			**10,772**	**10,404**

Explanations of major variances against budget are provided in Note 19. The accompanying notes form part of these financial statements.

Ngā tūhinga mo ngā pūrongo putea
Notes to the financial statements

Who is the FMA and what is the basis of financial statement preparation?

Note 1 — Reporting entity and basis of preparation

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 financial statements for the FMA are for the year ended 30 June 2024, and were approved by the Board on 30 September 2024.

Basis of preparation

The financial statements have been prepared on a going-concern basis, and the accounting policies have been applied consistently throughout the year.

Statement of compliance and measurement base

These financial statements and service performance information for the FMA have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirements to comply with generally accepted accounting practice in New Zealand (NZ GAAP). The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

Functional and presentational currency

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

Use of estimates and judgments

The process of applying accounting policies requires the FMA to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on past experience and various other factors that are believed to be reasonable under the circumstances. Estimates have been used in calculating provisions and useful lives of property, plant and equipment and intangible assets. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

One significant area where estimates were applied in FY2024 is the reassessment of the useful life of the ClaRE system, FMA's core on-premises CRM system. For detailed disclosure, please refer to Note 7 - Intangibles, under the section titled 'Changes in accounting estimates'.

Other accounting policies

Significant accounting policies

Significant accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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 has determined 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.

New or amended standards adopted

The 2022 Omnibus Amendments issued by the External Reporting Board (XRB) include several general updates and amendments to several Tier 1 and Tier 2 PBE accounting standards, effective for reporting periods starting 1 January 2023. The FMA has adopted the revised PBE standards, and the adoption did not result in any significant impact on FMA's financial statements.

Other changes in accounting policies

There have been no other changes in FMA's accounting policies since the date of the last audited financial statements.

Standards issued and not yet effective and not early adopted

Standards issued and not yet effective and not early adopted Standards and amendments issued but not yet effective and not early adopted are:

- Disclosure of Fees for Audit Firms' Services (Amendments to PBE IPSAS 1)

  Amendments to PBE IPSAS 1 Presentation of Financial Reports change the required disclosures for fees relating to services provided by the audit or review provider, including a requirement to disaggregate the fees into specified categories. The amendments to PBE IPSAS 1 aim to address concerns about the quality and consistency of disclosures an entity provides about fees paid to its audit or review firm for different types of services. The enhanced disclosures are expected to improve the transparency and consistency of disclosures about fees paid to an entity's audit or review firm. This is effective for the year ended 30 June 2025.

- PBE IFRS 17 Insurance Contracts

  This new standard sets out accounting requirements for insurers and other entities that issue insurance contracts and applies to financial reports covering periods beginning on or after 1 January 2026.

Where do FMA's funds come from?

Note 2 — Revenue

Revenue from Non-Exchange Transactions

Funding from the Crown

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.

Litigation fund revenue

The current litigation funding agreement was signed with MBIE in September 2023. Under the 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. From 2023/24, any unspent amounts from the Fund appropriation will be return to the Crown at the end of each financial year. In the 2023/2024 Estimates of Appropriation, the approved litigation funding for the 2023/24 financial year was $5 million. During the year, the FMA requested litigation top-ups totalling $4.9 million, of which it received $3.3 million, leaving $1.6 million as receivables. The FMA also expended $4.8 million and recovered $4.8 million. Of this amount, $4.73 million is litigation revenue, and the remainder is interest earned on the litigation cash balance.

The funding is non-exchange revenue. 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 fund 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 criteria set out in the litigation funding agreement.

Litigation fund reconciliation from opening to closing balance (including GST)

	Actual 2024 $000s	Actual 2023 $000s
Litigation revenue in advance - opening balance	**1,662**	**1,624**
Litigation fund repaid to MBIE	**-**	**-**
Litigation appropriation received during the year	3,300	2,000
Litigation appropriation receivables for the year	1,600	1,000
GST on litigation appropriation for the year	735	450
Interest on litigation appropriation received	73	63
Total litigation revenue in advance including GST	**5,708**	**3,513**
Expenditure on eligible litigation	(4,804)	(3,028)
GST on expenditure on eligible litigation	(728)	(447)
Total litigation expenditure including GST	**(5,532)**	**(3,475)**
Net litigation movement	**176**	**38**
Litigation revenue in advance - closing balance	**1,838**	**1,662**
COMPRISING		
Litigation cash and cash equivalents	762	1,241
Receivable of litigation fund	1,840	1,150
Trade and other payables to be funded from litigation fund	(757)	(724)
Litigation expenditure funded by FMA's operating fund repayable back to FMA's operating fund	(7)	(5)
Litigation revenue in advance	**1,838**	**1,662**

AA Insurance

In June 2023 the FMA filed civil proceedings against AA Insurance Limited for failing to apply multi-policy and membership discounts and guaranteed no-claims bonuses to eligible customers' premiums.

Booster

In June 2024 the FMA filed civil proceedings against Booster Investment Management Limited (BIML). The proceedings allege that multiple breaches of the FMC Act occurred through 2017-2022, arising from investments made by BIML into a related, limited partnership, which are in turn invested into a series of domestic wine businesses.

CBL

In December 2023, the High Court ordered CBL Corporation Limited (CBLC) and four of its former directors to pay total pecuniary penalties of $4.1 million for continuous disclosure and misleading conduct breaches following proceedings brought by the FMA – under the Financial Markets Conduct Act 2013. Payment was received in December 2023. Out of the total, $2,134,199 was retained by FMA for staff cost on the case, and the balance of $1,965,801 was transferred to the Crown in January 2024. The trial of the continuous disclosure proceeding for the last remaining defendant who did not reach an in-court settlement with the FMA (the former CBLC Chief Financial Officer), began in June 2024 and ran for seven weeks.

Du Val

In August 2024, The High Court placed Du Val Capital Partners Limited together with several entities within the Du Val Group, into interim receivership, at the request of the FMA. The Court also approved the FMA's request for asset preservation orders. The orders were requested to support the FMA's active investigation into Du Val Group.

Insider trading case regarding Pushpay shares

The FMA filed civil and criminal proceedings in respect of breaches of insider trading conduct relating to the sale of shares in Pushpay Holdings Limited in 2022. The proceedings centre around the resignation and sell-down of shares of former Pushpay co-founder and director Eliot Crowther in June 2018. The FMA considered Mr Crowther's intention in this regard to be material information, which, if generally available, would be likely to have a material effect on the price of Pushpay's shares at the time. The FMA alleged that the individual knew of, and used, that information to advise or encourage others to trade in the lead up to Mr Crowther's announcement. The criminal trial was held in July 2023 and the defendant was convicted. The defendant was sentenced to six months community detention and to pay a fine of $100,000. The defendant has appealed the conviction and the Crown has appealed the sentence. Name suppression remains in place. The civil proceedings were stayed pending the outcome of the criminal proceeding.

Kiwibank

In October 2023, Kiwibank was ordered to pay a $812,500 pecuniary penalty at the High Court in Wellington for making false and/or misleading representations to some customers, following proceedings brought by the FMA. Payment was received in October 2023. Out of the total, $93,247 was retained by FMA for staff cost on the case, and the balance of $719,253 was transferred to the Crown in the same month.

Kok Ding Cheng

In December 2022 the FMA filed High Court civil proceedings against Kok Ding Cheng for alleged market manipulation of NZX-listed shares in Rua Bioscience Limited. A formal proof hearing was held at High Court in February 2024.

Matthew Hill

In May 2024, the High Court imposed a pecuniary penalty of $100,000 against Matthew Geoffrey Hill, the former Chief Executive Officer of NZX-listed New Talisman Gold Mines Limited, for making false or misleading representations in breach of the Financial Markets Conduct Act 2013. Payment was received in May 2024. Out of the total, $23,529 was retained by FMA for staff cost on the case, and the balance of $76,471 was transferred to the Crown in June 2024.

Medical Assurance

In November 2023, Medical Assurance Society New Zealand Limited was ordered to pay a pecuniary penalty of $2.1 million for making false or misleading representations to some customers, following proceedings brought by the FMA. Payment was received in December 2023. Out of the total, $81,105 was retained by FMA for staff cost on the case, and the balance of $2,018,895 was transferred to the Crown in the same month.

Natalie Carter

In March 2024, Natalie Ann Carter, a former Hawke's Bay-based mortgage broker, was sentenced to 12 months home detention following a criminal prosecution brought by the FMA.

Oceania

The FMA filed civil pecuniary penalty proceedings against four individuals in April 2019 for breaches of the Financial Markets Conduct Act 2013. In March 2022, two individuals were ordered to pay pecuniary penalties of $180,000 and $130,000 respectively for market manipulation and disclosure breaches involving Oceania Natural Limited (ONL) shares. Both payments were received by FMA in April 2022. In March 2023, the total of $310,000 was retained by FMA for staff cost on the case. In July 2023, The Auckland High Court ordered further pecuniary penalty of $1,330,000 for Mr Zhong and $760,000 for Ms Ding, with the majority of it belonging to the Crown. These additional penalties have not yet been received.

Tower

In March 2024 the FMA filed civil proceedings against insurance provider Tower Limited for failing to apply multi-policy discounts to eligible customers' premiums.

Vero

In October 2023, the Auckland High Court ordered Vero Insurance New Zealand Limited (Vero) to pay a penalty of $3.9 million for making false and/or misleading representations to some customers, following proceedings brought by the FMA. Penalty was received in October 2023. Out of total, $60,985 was retained by FMA for staff cost on the case, and the balance of $3,839,015 was transferred to the Crown in November 2023.

Yuen Pok (Paul) Loo

In February 2024, Yuen Pok (Paul) Loo was sentenced to a combination of community detention, community work and intensive supervision following a prosecution brought by the FMA. Mr Loo, a former financial adviser, had previously pled guilty to charges related to forgery, providing financial services when he was not registered, and failing to comply with the FMA's orders.

Revenue from Exchange Transactions

Other revenue

	Actual 2024 $000s	Actual 2023 $000s
Audit quality review fees	390	278
Licence fees*	294	969
Sundry revenue	2,616	536
Superannuation fees	5	4
Total other revenue	**3,305**	**1,787**

*Revenue for licence fees comprises application fees and hours charged for additional work performed. Revenue is recognised by reference to the stage of completion of the application at the reporting date and the probability of economic benefits accruing to the FMA.

No donations were received during the year (2023: $nil)

Interest revenue

Interest revenue is recognised by accruing on a time proportion basis the interest due for the investment.

How does the FMA spend the funds?

Note 3 – Personnel costs

Employee entitlements

Short-term employee entitlements, including holidays, are recognised as an expense over the period in which they accrue. Employee entitlements that are expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related service are measured based on accrued entitlements at current rates of pay. A liability and an expense are recognised for performance pay where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

Superannuation Schemes

Obligations for contributions to KiwiSaver, the State Sector Retirement Savings Scheme and the Government Superannuation Fund are accounted for as defined contribution superannuation schemes and are recognised as an expense in the statement of comprehensive revenue and expense as incurred.

	Actual 2024 $000s	Actual 2023 $000s
Salaries and wages	43,881	37,598
Defined contribution plan employer contributions	1,697	1,123
Other employment related costs*	45	43
Member and committee fees	646	658
Contract staff	5,794	4,217
Recruitment, retention and transitional costs	1,007	1,370
Redundancy and other termination payments	111	881
Increase/(decrease) in employee entitlements	471	520
Total personnel costs	**53,652**	**46,410**

*Other employment related costs include ACC and FBT.

Breakdown of employee entitlements

	Actual 2024 $000	Actual 2023 $000
Current Portion		
Accrued salaries and wages	1,280	1,218
Annual leave	2,890	2,481
Total Current Portion	4,170	3,699
Total employee entitlements	**4,170**	**3,699**

Note 4 – Transactions with related parties

The FMA is controlled by the Crown.

Related party disclosures have not been made for transactions with related parties that are:

- within a normal supplier or client/recipient relationship; and
- on terms and conditions no more or less favourable than those that it is reasonable to expect the FMA would have adopted in dealing with the party at arm's length in the same circumstances.

Transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are on normal terms and conditions consistent with the normal operating arrangements between government agencies.

There are no related party transactions required to be disclosed.

Key management personnel compensation

	Actual 2024	Actual 2023
Board, Code Committee and FADC members		
Board member's remuneration ($000s)	541	584
Full time equivalent members	1.17	1.25
Code Committee remuneration ($000s)	101	69
Full time equivalent members	0.45	0.27
Disciplinary Committee remuneration ($000s)	4	6
Full time equivalent members	0.02	0.02
Leadership Team		
Executive team remuneration ($000s)	2,725	3,128
Full time equivalent members	5.76	6.33
Total key management personnel remuneration ($000s)	**3,371**	**3,787**
Total full-time equivalent personnel	**7.40**	**7.87**

Key management personnel include all board and committee members and the executive team. The full-time equivalent for board and committee members has been determined based on the frequency and length of board and committee meetings, and the estimated time to prepare for such meetings.

An analysis of Board member remuneration is provided on page 68.

Note 5 — Other operating expenses

	Actual 2024 $000s	Actual 2023 $000s
Fees to Audit New Zealand for financial statements audit	196	191
Impairment losses	-	-
Loss on disposal of fixed assets	25	3
Operating lease expenses	3,732	3,662
Professional services	3,662	3,444
Services and supplies*	6,406	6,592
Travel and accommodation	1,330	1,185
Total other operating expenses	**15,351**	**15,077**

*Services and supplies are mainly ICT expenses.

Property, plant and software used by the FMA for its operations

Note 6 – Property, plant and equipment

Property, plant and equipment are recognised at cost less depreciation, and less any impairment losses.

Where an item of property, plant and equipment is acquired in a non-exchange transaction for $nil or nominal consideration, the asset is initially measured at its fair value.

Costs are recognised as Capital work in progress until the assets are operating in a manner intended by management, at which time they are transferred to property, plant and equipment. When put into use, the depreciation charge commences.

Additions

The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to FMA and the cost of the item can be measured reliably.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to FMA and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are expensed in the surplus or deficit as they are incurred.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.

Impairment of property, plant and equipment

Property, plant and equipment that have finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Given that the FMA's property, plant and equipment assets are not held with the primary objective of generating a commercial return, these assets are classified as non-cash generating assets, and therefore the value in use of these assets is measured on the basis of depreciated replacement cost.

An impairment loss is recognised in the statement of comprehensive revenue and expense whenever the carrying amount of an asset exceeds its recoverable amount. Any reversal of impairment losses is also recognised in the statement of comprehensive revenue and expense.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of property, plant, and equipment have been estimated as follows:

Office equipment	*Straight line over a period of 3 to 8 years based on the estimated useful lives of each category of asset*
Office furniture	*Straight line over a period of 4 to 10 years based on the estimated useful lives of each category of asset*
Leasehold improvements	*Straight line over remaining life of lease*

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

	Office equipment $000s	Office furniture $000s	Leasehold improvements $000s	Capital work In progress $000s	Total $000s
COST					
Property, plant and equipment at 1 July 2022	2,281	1,321	5,555	-	9,157
Additions	247	184	284	-	715
Reversal of prior year's over-accrual	-	-	-	-	-
Disposals/adjustments	(267)	(75)	-	-	(342)
Reclassification to ICT Costs	(19)	-	-	-	(19)
Transfer from capital work in progress	-	-	-	-	-
Balance at 30 June 2023/1 July 2023	**2,242**	**1,430**	**5,839**	**-**	**9,511**
Additions	510	58	117	-	685
Disposals	(233)	(295)	-	-	(528)
Reclassification to ICT Costs	-	-	-	-	-
Balance at 30 June 2024	**2,519**	**1,193**	**5,956**	**-**	**9,668**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
Property, plant and equipment at 1 July 2022	(1,618)	(772)	(3,687)	-	(6,077)
Depreciation expense	(291)	(101)	(401)	-	(793)
Elimination on disposal	262	67	-	-	329
Reclassification to ICT Costs	11	-	-	-	11
Balance at 30 June 2023/1 July 2023	**(1,636)**	**(806)**	**(4,088)**	**-**	**(6,530)**
Depreciation expense	(331)	(124)	(385)	-	(840)
Elimination on disposal	231	273	-	-	504
Reclassification to ICT Costs	-	-	-	-	-
Balance at 30 June 2024	**(1,736)**	**(657)**	**(4,473)**	**-**	**(6,866)**
CARRYING AMOUNTS					
At 1 July 2022	663	549	1,868	-	3,080
At 30 June / 1 July 2023	606	624	1,751	-	2,981
At 30 June 2024	783	536	1,483	-	2,802

There are no restrictions over the titles of the FMA's property, plant and equipment nor are any items of property, plant or equipment pledged as security for liabilities.

Capital commitments

The amount of contractual commitments for the acquisition of property, plant and equipment is $nil (2023: $nil).

Note 7 - Intangible assets

Software acquisition and development

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include software development employee costs and an appropriate portion of relevant overheads. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with development and maintenance of the FMA's website are recognised as expenses when incurred.

Software as a Service arrangements (SaaS)

Costs incurred in configuring or customising SaaS application are recognised as an intangible asset only if the FMA receives rights beyond a right of access to the application that creates an asset that the FMA can control and from which it expects to benefit. Costs, including ongoing fees for use of software, that do not result in an intangible asset or a software finance lease are expensed as a service contract as incurred.

If the configuration and customisation services delivered are distinct from the delivery of the SaaS access services (performed by the FMA or its contractors), they are expensed as incurred.

Otherwise, if configuration and customisation services delivered are not distinct from the delivery of the SaaS access services (performed by the SaaS provider or their subcontractor), they are recognised as a prepaid asset and expensed over the expected term of the SaaS arrangement.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date when the asset is derecognised. The amortisation charge for each financial year is expensed in the surplus or deficit.

Computer software is amortised as follows:

Computer software	*to be amortised over three to ten years (10% -33.33%), based on the expected useful life of each asset*

Impairment of intangible assets

Intangible assets that have finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Given that the FMA's intangible assets are not held with the primary objective of generating a commercial return, these assets are classified as non-cash generating assets, and therefore the value in use of these assets is measured on the basis of depreciated replacement cost.

An impairment loss is recognised in the statement of comprehensive revenue and expense whenever the carrying amount of an asset exceeds its recoverable amount. Any reversal of impairment losses is also recognised in the statement of comprehensive revenue and expense.

	Computer software $000s	Capital work in progress $000s	Total $000s
COST			
Intangible assets at 1 July 2022	17,173	255	17,428
Additions	-	1,793	1,793
Disposals	(5,637)	-	(5,637)
Transfers from capital work in progress	1,344	(1,344)	-
Balance at 30 June 2023/1 July 2023	**12,880**	**704**	**13,584**
Additions	-	1,898	1,898
Disposals	(160)	-	(160)
Transfers from capital work in progress	2,454	(2,454)	-
Balance at 30 June 2024	**15,174**	**148**	**15,322**
ACCUMULATED DEPRECIATION			
Intangible assets at 1 July 2022	(12,605)	-	(12,605)
Amortisation expense	(1,941)	-	(1,941)
Disposals	5,629	-	5,629
Balance at 30 June 2023/1 July 2023	**(8,917)**	**-**	**(8,917)**
Amortisation expense	(3,201)	-	(3,201)
Disposals	160	-	160
Balance at 30 June 2024	**(11,958)**	**-**	**(11,958)**
IMPAIRMENT PROVISION			
Costs provided at 1 July 2022	(10)	-	(10)
Additional costs provided	-	-	-
Write off	10	-	10
Balance at 30 June 2023/1 July 2023	**-**	**-**	**-**
Additional costs provided	-	-	-
Write off	-	-	-
Balance at 30 June 2024	**-**	**-**	**-**
CARRYING AMOUNTS			
At 1 July 2022	4,558	255	4,813
At 30 June / 1 July 2023	3,963	704	4,667
At 30 June 2024	3,216	148	3,364

There are no restrictions over the titles of the FMA's intangible assets nor are any intangible assets pledged as security for liabilities.

Impairment of property, plant and equipment, and intangible assets

During the current year, an impairment of $nil (2023: $nil) has been recognised in respect of intangible assets.

Capital commitments

The amount of contractual commitments for the acquisition of intangible assets is $nil (2023: $nil).

Changes in accounting estimates

During the financial year ended 30 June 2024, FMA reassessed the useful life of its core on-premises CRM system, ClaRE, following the decision to migrate to cloud. ClaRE's useful life is expected to conclude in April 2025, approximately one month after the estimated completion of the migration in March 2025. As a result of this reassessment, the useful life of ClaRE has been shortened, and the amortisation period has been adjusted accordingly, leading to higher amortisation expenditure by an additional $1.2m for FY2024. This change is also expected to result in an additional expense of approximately $1.4m for FY2025 compared to the pre-reassessment of useful life. There are no cash impacts in either the 2024 or 2025 financial year.

Note 8 – Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit over the lease term as an integral part of the total lease expense.

Operating leases as lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	Grey Street L2		Takutai Square		Grey Street L7		Awly Building L1		Total	
	2024 $000s	2023 $000s	2024 $000s	2023 $000s	2024 $000s	2023 $000s	2024 $000s	2023 $000s	2024 $000s	2023 $000s
Not later than one year	541	541	2,352	2,278	160	155	45	-	3,098	2,974
Later than one year and not later than five years	45	587	10,197	9,876	-	160	4	-	10,246	10,623
Later than five years	-	-	1,588	4,261	-	-	-	-	1,588	4,261
Total non-cancellable operating leases	**586**	**1,128**	**14,137**	**16,415**	**160**	**315**	**49**	**-**	**14,932**	**17,858**

The FMA had four leased properties as at 30 June 2024.

Grey Street in Wellington:

(Two lease agreements with two different landlords)

Level 2

In June 2020, the FMA signed a deed of variation of lease for level 2 and the new lease term is commencing on 01 July 2021 and expiring on 01 August 2025. For the lease make-good provision, the FMA has assumed it will vacate the premises at the end of the lease term being 2025.

Level 7

In March 2020, the FMA signed a new lease for part of level 7 within the same building in order to support headcount growth in the Wellington office. The lease commenced on 1 March 2020 and expires on 1 July 2025. For the lease make-good provision, it is assumed that it will vacate the premises at the end of the lease term being 2025.

Auckland offices:

Takutai Square

In February 2021, the FMA signed a deed of variation of lease for the Takutai Square office. The variation of lease covers leasing an additional floor on level 4, extends lease period on all floors (levels 4, 5 and 6) for a new nine year lease term from the variation date, and a reduced per sqm lease rate that applies to all three floors. The new lease term is from 01 February 2021 to 31 January 2030. For the lease make-good provision, it is assumed that it will vacate the premises at the end of the new lease term being 2030.

Christchurch Office:

Awly Building

In July 2023, the FMA has signed a lease in Christchurch CBD to provide workspace for the Christchurch team. The initial lease term was from 17 July 2023 to 31 July 2024, and it has since been extended for an additional year. There is no make-good provision made for this lease, as the work done to the premises is minimal.

Note 9 – Occupancy lease liabilities

Occupancy incentives

Lease incentive payments received are recorded as a liability and amortised over the life of the lease. The current balance is relating to the lease agreement with the sublessor for the L7, Grey St.

Deferred rental liability

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, which will create a deferred rental liability during the initial stages of the lease as the lease agreement provides for rent free from the beginning of the new lease term and future rent increases. The current balance is relating to three newly signed lease agreements: Takutai Square office (Feb 2021), Grey Street L7 (Mar 2020) and Grey Street L2 (Jun 2020).

Movements for each type of lease liability are as follows:

	Occupancy incentives $000s	Deferred rental $000s	Total $000s
Balance at 1 July 2022	4	1,135	1,139
Reclassification	-	-	-
Additional Provision made	-	113	113
Amortisation	(1)	(22)	(23)
Unused amounts reversed	-	-	-
Balance at 30 June 2023	**3**	**1,226**	**1,229**
Balance at 1 July 2023	3	1,226	1,229
Reclassification	-	-	-
Additional Provision made	-	43	43
Amortisation	(1)	(31)	(32)
Unused amounts reversed	-	-	-
Balance at 30 June 2024	**2**	**1,238**	**1,240**

	Actual 2024 $000s	Actual 2023 $000s
NON-CURRENT PORTION		
Occupancy incentives	-	2
Deferred rental	1,208	1,204
Total non-current portion	**1,208**	**1,206**
CURRENT PORTION		
Occupancy incentives	1	1
Deferred rental	31	22
Total current portion	**32**	**23**
Total lease liabilities	**1,240**	**1,229**

Note 10 – Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event and it is probable that an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

	Actual 2024 $000s	Actual 2023 $000s
NON-CURRENT PORTION		
Lease make-good	1,714	1,661
Total non-current portion	**1,714**	**1,661**
Total provisions	**1,714**	**1,661**

Lease make-good provision

In respect of certain leases, the FMA is required at the expiry of the lease term to make good any damage caused to the premises and to remove any fixtures or fittings installed by the FMA. Information about the FMA's leasing arrangements is disclosed in Note 10.

Movements for each class of provision are as follows:

	Lease make-good provision $000s
Balance at 1 July 2022	1,661
Additional provisions made	-
Amounts used	-
Unused amounts reversed	-
Balance at 30 June 2023	**1,661**
Balance at 1 July 2023	1,661
Additional provisions made	53
Amounts used	-
Unused amounts reversed	-
Balance at 30 June 2024	**1,714**

The anticipated costs required to make-good both leased properties have been provided for in full.

Note 11 – Receivables and prepayments

Short-term receivables are recorded at the amount due, less an allowance for credit losses. The FMA applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

	Actual 2024 $000s	Actual 2023 $000s
Trade debtors	2,523	2,059
Other receivables	342	131
Total debtors and other receivables	**2,865**	**2,190**
Prepayments	2,337	1,378
Total receivables	**5,202**	**3,568**
TOTAL DEBTORS AND OTHER RECEIVABLES COMPRISE:		
Receivables from services provided (exchange transactions)	706	238
Receivables from grants (non-exchange transactions)	2,159	1,952
Total debtors and other receivables	**2,865**	**2,190**

The ageing profile of trade debtors at year-end is detailed below:

	2024 $000s	2023 $000s
Not past due	2,405	1,693
Past due one to 30 days	85	205
Past due 31 to 60 days	27	78
Past due 61 to 90 days	-	13
Past due over 90 days	6	70
Total trade debtors	**2,523**	**2,059**

All trade debtors greater than 30 days in age are considered to be past due. The impairment assessment is performed on a collective basis.

No individual impairment has been recognised during the current year (2023: $Nil).

Note 12 - Creditors and other payables

Short-term creditors and other payables are recorded at their face value as they are non-interest bearing and are generally settled within 30 days.

	Note	Actual 2024 $000s	Actual 2023 $000s
CURRENT			
Trade creditors		1,443	1,942
Accrued expenses and other payables		1,549	1,880
Revenue in advance		17	9
Litigation grant received in advance	2	1,838	1,662
Total current creditors and other payables		**4,847**	**5,493**
NON-CURRENT			
Accrued expenses and other payables		-	-
Total non-current creditors and other payables		**-**	**-**
TOTAL CURRENT CREDITORS AND OTHER PAYABLES COMPRISE:			
Creditors and other payables under exchange transactions		3,009	3,831
Creditors and other payables under non-exchange transactions		1,838	1,662
Total current creditors and other payables		**4,847**	**5,493**

Note 13 - Reconciliation of the net surplus / (deficit) from operations with the net cash flows from operating activities

	Actual 2024 $000s	Actual 2023 $000s
REPORTING SURPLUS / (DEFICIT)	**2,851**	**5,998**
Add non-cash items:		
- allocation of lease incentives	(1)	(1)
- allocation of deferred rental	13	89
- allocation of make good provision	-	-
- depreciation and amortisation	4,041	2,732
- impairment losses	-	-
- (gain)/loss on disposal of fixed assets	25	3
- non cash other income	-	-
Add / (less) movement in working capital:		
- increase / (decrease) in creditors	(600)	166
- (increase) / decrease in receivables	(2,109)	(1,428)
- increase / (decrease) in employee entitlements	477	525
Add / (less) movement in investing activities:		
- net loss / (gain) on sale of fixed assets	(1)	(8)
- increase / (decrease) in creditors relating to investing activities	159	(222)
Add / (less) movement in financing activities:		
- litigation fund (reserve) converted to litigation fund revenue	-	-
Net cash flows from operating activities	**4,855**	**7,854**

Note 14 - Contingencies

Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

Contingent liabilities

The FMA undertakes civil court action regularly. Should the FMA be unsuccessful in any case, costs could be awarded against it. Cost awards are at the court's discretion.

No actions as at reporting date are likely to have a material effect on the FMA's financial position (2023: $nil).

Contingent assets

The FMA undertakes civil court action from time to time. Should the FMA be successful in any case, costs could be awarded to it. Cost awards are at the court's discretion.

The FMA may also seek pecuniary penalties. Any monies paid to the FMA by way of costs or penalties are returned to the Crown, after deduction of FMA's costs in bringing proceedings.

There were no contingent assets as at the balance date 30 June 2024. (2023: $nil)

Note 15 – Events after the balance date

There were no significant events after the balance date.

Note 16 – Going concern

There is currently no indication of anything that would affect the FMA's ability to continue as a going concern.

Note 17 – Financial instruments

Financial instrument categories

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

	Actual 2024 $000s	Actual 2023 $000s
Financial liabilities measured at amortised cost		
Payables (excluding deferred revenue, taxes payable and grants received subject to conditions)	3,009	3,831
Total financial liabilities measured at amortised cost	**3,009**	**3,831**
Financial assets measured at amortised cost		
Cash and cash equivalents	10,772	10,174
Receivables	2,865	2,190
Investment - term deposits	8,000	6,000
Total financial assets measured at amortised cost	**21,637**	**18,364**

Financial instrument risks

The FMA's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The FMA has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure to those instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

The only market risk to which the FMA is subject is interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Considering the FMA's exposure to interest rate risk arises from term investments only, the exposure to such risk is limited.

Term deposits are made for periods less than, equal to, or greater than three months depending on the cash requirements of the FMA, and earn interest at the respective short-term deposit rates.

Interest rate risk

The FMA's exposure to fair value interest rate risk is limited to its term deposits which are held at fixed rates of interest and, the FMA does not hold any term deposits with a variable interest rate. The FMA does not actively manage its exposure to fair value interest rate risk.

The FMA's investment policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements.

Credit risk

Credit risk represents the risk that a third party will default on its obligations to the FMA, causing it to incur a loss. Financial instruments that subject FMA to credit risk consist of bank balances, bank term deposits, and trade and other receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

Cash and deposits are held with Westpac New Zealand Limited, Bank of New Zealand Limited, ASB Bank Limited, and ANZ Bank New Zealand Limited. They are all registered banks in New Zealand and their credit ratings are:

	Standard & Poors
ANZ Bank New Zealand Limited	AA-
ASB Bank Limited	AA-
Bank of New Zealand	AA-
Westpac New Zealand Limited	AA-

The FMA does not require collateral or security to support financial instruments. Trade receivables mainly relate to receivables from the Government so exposure to this risk is very low.

The FMA holds a credit card facility of a $400k credit limit with Master Card through Westpac New Zealand Limited.

Liquidity risk

Liquidity risk represents the FMA's ability to meet its contractual obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the ability to close out market positions.

The FMA mostly manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

The FMA's creditors are mainly those reported as trade and other payables. The FMA aims to pay these within normal commercial terms as noted on creditors' invoices, if not earlier.

The FMA has cash and other short-term deposits that it can use to meet its ongoing payment obligations.

Contractual maturity analysis of financial liabilities:

As the FMA's creditors are mainly those reported as trade and other payables, the FMA will pay these within six months of incurring the liability.

Note 18 – Capital management

The FMA's capital is its equity, which is comprised of accumulated funds and capital contribution. Equity is represented by net assets.

The FMA is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives.

The FMA manages its equity as a byproduct of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure that the FMA effectively achieves its objectives and purpose, while remaining a going concern.

Note 19 – Explanation of major variances against budget

Statement of Financial Performance

Summary

The 2023/24 full-year results show an overall surplus of $2.851million, compared to a budgeted deficit of $0.945million. This favourable outcome is primarily due to revenue exceeding the budget. For more details, please see the explanation for the revenue below.

(a) Revenue

Budget variances in revenue arises from the following factors:

- The government grant exceeded budget because the funding for the CoFI system build, which was budgeted as a capital contribution, was received as operating funding.
- Litigation fund revenue exceeded budget due to increased activity on the eligible litigation cases.
- Interest income exceeded budget due to higher interest rates applied on increased bank balances.
- Other revenue exceeded budget due to one-off cost recoveries from successful litigation cases that were not budgeted for at the time of SPE, namely CBL, Kiwi Bank, Vero and Medical Assurance Society.

(b) Expenditure

Budget variances in expenditures can be attributed to the following factors:

- Personnel expenses are higher than budgeted due to overspending on salaries. The overspend is driven by a lower vacancy rate than expected and the conversion of contractors into permanent staff. However, this is partially offset by underspending in the following areas:
  a. Contractor staff, primarily due to some delays in ICT projects, and
  b. Redundancy payments and recruitment related costs.
- Depreciation and amortisation are higher than budgeted, primarily due to the reassessment of the useful life of the ClaRE system. This reassessment, along with the actual timing of capitalisation for a system-related project, differed from the original budget assumption. Please refer to Note 7 - intangibles for more details regarding the ClaRE reassessment.
- Other operating expenditure remained below budget, largely driven by underspends in ICT-related costs resulting from reduced usage of hosting and other support services. Expert fees, travel and other staff engagement expenditures also ended lower than the budget.
- Litigation fund expenditure exceeded budget due to increased activity on the eligible litigation cases during the year.

Statement of Financial Position

Cash and Term Deposits

- At the reporting date, FMA maintained a higher bank balance than initially budgeted, attributed to a favourable net cash inflow. This inflow is driven by one-off additional funding for the CoFI System build, which exceeded the budgeted amount, increased interest income, unbudgeted cost recoveries from litigation cases, and underspending in other operating expenditures as mentioned above. These favourable cash inflows are committed to the future priorities and system modernisation in the upcoming period.
- Litigation fund cash balance is higher than the budget due to the variations in the budget assumptions for the opening bank balance, timing and the amount of litigation funding injection during the period.

Receivables and prepayments

Receivables and prepayments balances are higher than the budget, primarily driven by:

- Higher prepayment balance due to the timing of annual software licensing commitments, which differed to budget assumptions.
- Latest litigation funding top-up remaining receivable at the end of FY23/24.

Liabilities

Current liabilities are higher than the budget, which is driven by higher closing accounts payable and accrual balances, and litigation grant received in advance as of the reporting date.

Equity

- Accumulated funds in equity are higher than budgeted as a result of the current year's and prior year's net surpluses being higher than expected.
- Capital contributions are lower than budgeted due to a change in the accounting treatment of the one-off funding injection for the CoFI System build. Initially secured as CAPEX and budgeted as an equity injection, the CoFI system is now classified as operating expenditure following our decision to migrate CRM to the cloud. Consequently, it is now treated as OPEX funding.

Statement of Cash Flows

Cash flows from operating activities are more than the budget, primary due to overall operating revenue received for the period being higher than the budget. This is offset by higher-than-expected supplier expenditures due to a higher-than-expected closing balance for AP and accruals at the end of the last financial year.

Cash flows from investing activities are lower than the budget, primary due to more investment in term deposit than the budget assumptions. During the year, FMA invested in term deposits across various banks (Westpac, ANZ and ASB) with an average term of 9 months and an average annual interest rate of 6%.

Cash flows from financing activities are lower than the budget due to a combination of the timing of FMA requesting capital injection and a change in the accounting treatment of the one-off funding injection for the CoFI System build.

AUCKLAND – Level 5, Ernst & Young Building | 2 Takutai Square, Britomart | PO Box 106 672 | Auckland 1143

WELLINGTON – Level 2 | 1 Grey Street | PO Box 1179 | Wellington 6140