

## Securities Act (The Hongkong and Shanghai Banking Corporation Limited) Exemption Notice 2014

Pursuant to section 70B of the Securities Act 1978, the Financial Markets Authority gives the following notice (to which is appended a statement of reasons of the Financial Markets Authority).

### Contents

|                  | Page |
|------------------|------|
| 1 Title          | 1    |
| 2 Commencement   | 1    |
| 3 Revocation     | 1    |
| 4 Interpretation | 1    |
| 5 Exemption      | 2    |
| 6 Condition      | 2    |

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### Notice

- Title**  
This notice is the Securities Act (The Hongkong and Shanghai Banking Corporation Limited) Exemption Notice 2014.
- Commencement**  
This notice comes into force on 2 May 2014.
- Revocation**  
This notice is revoked on the close of 31 July 2015.
- Interpretation**
  - (1) In this notice, unless the context otherwise requires,—  
**Act** means the Securities Act 1978  
**approved auditor** means an accountant who is qualified under the law of Hong Kong to give an opinion as to whether specified financial statements comply with HKFRS  
**Hong Kong Financial Reporting Standards ('HKFRS')** is a collective term which includes all applicable individual Hong Kong Reporting Standards, Hong Kong Accounting Standards, and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, that comply with IFRS as adopted by Hong Kong

**HSBC** means The Hongkong and Shanghai Banking Corporation Limited, a company incorporated in Hong Kong

**IFRS** means-

- (a) International Financial Reporting Standards and International Accounting Standards that have been issued or adopted by the International Accounting Standards Board in accordance with the constitution of the International Financial Reporting Standards Foundation; and
- (b) final interpretations by the International Financial Reporting Standards Interpretations Committee approved by the International Accounting Standards Board in accordance with that constitution

**Regulations** means the Securities Regulations 2009

**specified financial statements** means the specified financial statements, as defined in the Financial Reporting Act (The Hongkong and Shanghai Banking Corporation Limited) Exemption Notice 2014, of HSBC that comply with the conditions in clause 7 of that Notice

- (2) Any term or expression that is defined in the Act or the Regulations and used, but not defined, in this notice has the same meaning as in the Act or the Regulations.

**5 Exemption**

HSBC and every person acting on its behalf are exempted from section 53E of the Act.

**6 Condition**

The exemption in clause 5 is subject to the condition that the specified financial statements are audited at least once a year by an approved auditor.

Dated at Wellington this 30<sup>th</sup> day of April 2014.



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Simone Robbers  
Head of Primary Regulatory Operations  
Financial Markets Authority

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**Statement of reasons**

This notice comes into force on 2 May 2014 and is revoked on 31 July 2015.

This notice exempts The Hongkong and Shanghai Banking Corporation Limited (**HSBC**) from section 53E of the Securities Act 1978 (the **Act**). Section 53E requires the financial statements of issuers to be audited by a qualified auditor at least once a year. The notice instead requires HSBC to have an audit at least once in each year by an auditor who is qualified under the laws of Hong Kong.

The Financial Markets Authority (**FMA**), after satisfying itself as to the matters set out in section 70B(2) of the Act, considers that it is appropriate to grant the exemptions because—

- HSBC is an issuer in New Zealand for the purposes of the Financial Reporting Act 1993 (**FRA**), and so, in the absence of an exemption, would have ongoing financial reporting requirements under that Act:
- HSBC will have been exempted from the requirements of the FRA to prepare, have audited and register financial statements, subject to conditions that require it to prepare financial statements in accordance with Hong Kong law and Hong Kong IFRS, have those financial statements audited by a person qualified to act as an auditor in Hong Kong and register those audited financial statements in New Zealand. In addition to the audit requirements of the FRA, section 53E of the Securities Act 1978 imposes a further requirement for an annual audit. If HSBC were not granted an exemption from section 53E, it would be required to have an audit by a New Zealand licensed auditor or registered audit firm each year even though it had been exempted from the requirement in the FRA to do so:
- FMA has had regard to the financial reporting and audit requirements, and the auditor oversight regime under the law of Hong Kong where HSBC is incorporated. As a major international bank incorporated and based in Hong Kong, HSBC is regulated by and subject to the oversight of the Hong Kong Monetary Authority as its home regulator. FMA is satisfied that the financial reporting requirements and the nature and extent of regulatory oversight, for issuers are equivalent to those that exist for New Zealand issuers:
- additionally HSBC has had a similar exemption which expired on 30 June 2013. The requirements regarding the auditing of the financial statements are on the same basis as that which HSBC previously complied in terms of a similar exemption that expired on 30 June 2013. In these circumstances FMA considers that there will be no significant detriment to investors who are members of the public in New Zealand as a result of HSBC being audited by an auditor meeting the requirements of its home jurisdiction instead of a New Zealand licensed auditor or registered audit firm:
- the costs associated with a requirement that HSBC have its financial statements audited by a New Zealand licensed auditor or registered audit firm would outweigh the benefits to investors of

having available financial statements audited by a New Zealand licensed auditor or registered audit firm rather than the financial statements being audited by an auditor meeting Hong Kong requirements:

- the exemption addresses particular difficulties experienced by HSBC which will have been exempted from the requirements of the FRA to have its financial statements audited by a licensed auditor or registered audit firm. Accordingly, we are satisfied that the extent of the exemption is not broader than is reasonably necessary to address the matters that gave rise to the exemption.
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