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To: Ministry of Business, Innovation and Employment

On: Capital Markets Reforms Phase Two

15/09/2026

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Introduction

This is Chapman Tripp's submission on the *Capital Market Reforms Phase Two discussion document* published by the Ministry of Business, Innovation and Employment (**MBIE**) on 14 July 2026.

We are happy for this submission to be published.

About Chapman Tripp

Our equity capital markets team provides advice across all aspects of equity capital raisings, acting on the country's most significant and complex deals, including many of New Zealand's initial public offerings (**IPOs**) and NZX Main Board listings.

Our debt capital markets team also advises on retail bond offers.

Several teams have extensive experience advising on wholesale offers, and other exclusions under Schedule 1 of the Financial Markets Conduct Act 2013 (**FMC Act**) and associated compliance requirements set out in the Financial Markets Conduct Regulations 2014 (**FMC Regulations**).

We routinely advise numerous NZX-listed issuers on their ongoing corporate law and listing rule obligations. We are therefore well placed to comment on the matters raised in the review.

Our approach to this submission

The views expressed in this submission represent those of Chapman Tripp alone.

Chapman Tripp submission on Ministry of Business, Innovation and Employment Capital Market Reforms Phase Two discussion document

New Zealand's approach to capital markets regulation

What regulatory settings would you like to see considered for change in the next phase?

Introduction

We appreciate the specific proposals in the Discussion Paper and the willingness of the Ministry of Business, Innovation and Employment (**MBIE**) and the Government to consult on ways to encourage listings on the NZX (and other licensed markets), and to support New Zealand's capital markets more broadly.

We have focused our submission on legal, regulatory and tax incentives - and removing corresponding disincentives - for New Zealand companies seeking to raise public capital.

To make New Zealand's public markets more accessible and competitive, we consider fundamental reform is also required across broader interconnected settings governing liability, disclosure, class actions, statutory defences and issuance costs.

Our responses in the following chapters include a number of additional details or refinements to each of the areas MBIE has consulted on. In this section we comment on the most substantive further areas for consideration, either as part of Phase Two or a future phase. In the Appendix we list a number of additional technical changes.

Recognise importance of equity and debt capital markets, and innovation

0.1 We recommend a targeted amendment to section 3 of the Financial Markets Conduct Act 2013 (**FMC Act**) to explicitly recognise the importance of New Zealand's equity and debt capital markets, and efficient capital formation, as an express main purpose in section 3 of the FMC Act.

We further recommend the existing additional purpose in section 4 of the FMC Act of promoting "innovation and flexibility" in financial markets be elevated into the main purpose in section 3 FMC Act.

Finally, we recommend equivalent changes be made to the purposes of the Financial Markets Authority (**FMA**) in section 3 of the Financial Markets Authority Act 2011 (**FMA Act**).

These changes are more than symbolic. The FMA will be required to actively consider and be guided by these amendments to the purpose of the two Acts when exercising FMA's statutory powers and functions - including granting exemptions, exercising designation powers and considering licensed-market rule changes.

In essence, with respect to each case, the FMA should be required to consider emerging trends and conduct and the likely impact on the accessibility, competitiveness, innovation and development of New Zealand's equity and debt capital markets, alongside investor confidence and market integrity.

Replace prescriptive PDSs with concise, decision-useful disclosure

The current Product Disclosure Statement (**PDS**) regime requires fundamental reform for equity and debt securities, and for managed investment scheme disclosures under Schedule 5 of the Financial Markets Conduct Regulations 2014 (**FMC Regulations**).

The current PDS content requirements in the context of equity, debt and non-managed fund managed investment schemes are disproportionate and prescriptive, producing lengthy disclosure documents that do not reflect how investors actually make decisions. We question whether this current complex statutory disclosure regime is achieving its intended investor-protection purpose.

Further, the significant cost of this regime can deter issuers from undertaking retail offers — in some cases leading them to prepare documents under Australian law instead.

We support replacing the current PDS in these contexts with a concise "Key Information Summary PDS", supplemented by detailed information on the Disclose register and the website maintained by or on behalf of the issuer/offeror. This core document should be readable, readily accessible (including digitally) and better reflect how retail investors assess the merits of an offer.

For offers of equity securities or debt securities that rank equally with, or ahead of, existing securities we recommend an expansion of the current "same class" or quoted financial product (**QFP**) regime in place of a simplified disclosure PDS. This would enable an issue of financial products that are quoted, or will be quoted, to proceed after publication of a "cleansing notice" and term-sheet style disclosure.

Such changes would be innovative and should position New Zealand as a leader in meaningful and accessible IPO and QFP disclosures.

Liability regime

Our recommended disclosure reforms should be accompanied by reform of the civil liability settings for continuous disclosure and the statutory defences available to issuers, directors and others involved in preparing a PDS and preparing financial statements.

New Zealand's strict liability settings for continuous disclosure are disproportionate and do not align with other jurisdictions, notably Australia, which typically feature a fault or intention element before civil liability is made out.

The lack of an appropriate fault element, combined with the increase in representative actions and the growth of litigation funding in New Zealand, heightens the risk of speculative class action proceedings and contributes to lengthy and costly defensive disclosure.

We recommend moving to fault-based liability more aligned with Australia (but further improved), so that an issuer only contravenes its continuous disclosure obligations if it has knowingly, recklessly or dishonestly failed to notify the market of relevant information.

For directors and other persons, liability should only arise where there is a fault element, such as where the director acted dishonestly.

Deemed director liability for both disclosure and financial reporting contraventions should be removed in favour of the modified accessory liability regime, which more proportionately connects liability to a director's own conduct.

The existing statutory defences require reform to adequately recognise reasonable steps and reasonable reliance on suitably qualified employees, internal specialists and external advisers.

In particular, the section 499 FMC Act defence should be expanded to allow issuers and offerors to place reasonable reliance on their directors and employees, consistent with the approach in sections 130 and 138 of the Companies Act 1993.

The formulations of "all inquiries" in section 500 and "all reasonable steps" in section 503(2)(b) should be amended to "inquiries that are reasonable" and "reasonable steps" respectively, reducing the excessive process burden that currently contributes to defensive and unnecessarily complex disclosure.

The Phase 1 amendments to prospective financial information (**PFI**) disclosure requirements from June 2025 are welcomed. This change could be further enhanced in Phase Two by extending the changes to PFI for initial public offers of issuers not seeking a listing and to initial public offers be managed investment schemes that are not managed funds.

Incentivisation and removing barriers

We recommend a review of current settings, including section 496 of the FMC Act[1], to consider whether those settings create inappropriate incentives for litigation funders to pursue class actions and, if so, consider measures to ensure that funded claims are proportionate and meritorious. Managing such proceedings involves significant cost and management time for issuers, including where the issuer ultimately succeeds.

Alongside removing disincentives, the Government could consider targeted taxation or other incentives for issuers.

The Government could also examine whether unnecessary barriers prevent greater investment in New Zealand companies by KiwiSaver and superannuation funds, while preserving fund managers' fiduciary obligations and responsibility for investment decisions.

If appropriate incentives enabled a greater proportion of domestic savings to be invested productively in New Zealand, both the country and fund beneficiaries could benefit. This may lessen the leak of NZ funds to international investments.

Based on current public disclosures, only approximately 10% of KiwiSaver funds and 4% of the NZ Super Fund's portfolio are invested in New Zealand-listed equities. The potential scale of the opportunity is therefore material.

Efficient cross-border offers and ownership structures

We recommend an assessment of opportunities for reciprocal recognition of offer documents with suitable overseas markets, including Singapore. The focus should be to reduce unnecessary duplication for issuers seeking capital across borders while retaining clear responsibility for disclosure, effective regulatory cooperation and appropriate investor protections.

[1] Section 496 of the FMC Act provides that defective disclosure contraventions are treated as causing a person to suffer loss or damage unless the contrary is proved. This can enable a claim to be made even if an investor did not rely on the disclosure when making their investment decision.

Taxation

The most important further area for reform is the tax treatment of initial public offerings (**IPOs**) and ongoing direct investment in New Zealand's capital markets.

We are aware of and support the six tax reform proposals provided by NZX to Government[2], including tax relief (deductions rather than tax credits) for IPO-related costs, extension of portfolio investment entity (**PIE**) tax rules to direct investment in quoted financial products (whether listed by NZX or Catalist or a future licensed financial product market), and application of the ASX tax free demerger rules to NZX-listed issuer demergers.

Corporate law reform

Further targeted law reform is also required, including the Companies Act 1993[i] and Limited Partnerships Act settings, and financial-reporting requirements.

In particular, the focus should be where these create disproportionate cost, unnecessary duplication or barriers to capital raising, restructuring, investment structures or the transition from private to public markets. In addition the targeted reform should preserve appropriate investor, shareholder and creditor protections.

We fully support MBIE's separate work with Hon Cameron Brewer to modernise, simplify and digitise the Companies Act 1993[3].

Takeovers Act 1993 and Takeovers Code

On 4 December 2024, the Cabinet Economic Policy Committee (**ECO**) had agreed that the Phase Two reforms should include consideration of changes to takeovers law based on non-contentious recommendations by the Takeovers Panel, to be pursued as a priority (ECO-24-MIN-0296, paragraph 14.1). The Takeovers Panels' recommendations include:

- **Technical Amendments to the Code** (April 2022): All of the recommended proposals are non-contentious. Most simply require changes to the Takeovers Code by amendment to the Schedule to the Takeovers Regulations 2000 rather than changes to the Takeovers Act 1993

- **Regulatory Alignment and Deal Protection Devices** (February 2025): While the provisions giving the Takeovers Panel a role in approving deal-protection advices was only supported by a minority of submitters, most of the changes for closer alignment between takeover offers or other code-regulated transactions under the Takeovers Code, and scheme so arrangement effected under Part 15 of the Companies Act 1993, are not contentious.

  Moreover, as has been observed in some recent transactions, some different approaches between takeovers and schemes can lead to some anomalous outcomes, such as the Rule 38 defensive tactic prohibition in the Code not applying to schemes of arrangement.[4]

  Most significantly, the Takeovers Panel's position is that Rule 64 of the Code (restricting misleading conduct) does not apply to schemes, which means that the Financial Markets Authority (FMA) may need to take action for misleading conduct during the course of schemes of arrangement, rather than the Takeovers Panel which has more specialist expertise (this particular misalignment was not covered in the Panel's recommendation).

	• **Civil Enforcement under the Takeovers Act** (September 2025): All of the recommended proposals are non-contentious. Most of the changes should also be made to equivalent provisions of the FMC Act. • **Compulsory acquisition threshold**: We recommend reducing the current 90% dominant-ownership threshold for compulsory acquisition under the Takeovers Code to 85%, particularly in light of the increasing proportion of listed-company share registers held by passive or index-tracking funds.
0.2	Do you support the three objectives for change framing this document? What objectives would you recommend to guide considerations of future changes?
	We support the objectives of the Phase Two reforms and consider that they will also be appropriate to frame the development of future proposals. We think New Zealand needs to go beyond "alignment" with comparable jurisdictions, especially Australia, to instead pursue "alignment plus". Our market is smaller market and has greater difficulty attracting capital. We also need to be "competitive plus". To enable these objectives, we support a more permissive legislative and regulatory framework than those of competing jurisdictions, with proportionate requirements that make it materially easier and more cost-effective to raise and invest capital in New Zealand. This need to be the explicit objective of reform, while maintaining investor confidence, market integrity and effective accountability for misconduct. We strongly support broadening the objectives to ensure the regulatory regime is future-proofed and remains adaptable to technological change. This should include enabling responsible digital innovation and the effective use of emerging technologies, including artificial intelligence.
0.3	Are there aspects of the current FMC regime we have not mentioned in our overview that are limiting our capital markets?
	While we do not think a "root and branch" reform is needed, we support some pruning, as several new areas have been added to the FMC Act since 2013, and they do not all coherently fit together. The Appendix sets out some more technical corrections and other changes consistent with the Phase Two objectives.

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[2] Letter from NZX to Hon Simon Watts, Minister of Revenue, 10 April 2025, together with NZIER: *Tax policy in an imperfect world: Practical proposal to boost productive investment in New Zealand*, September 2025

[3] See MBIE webpage *Modernising the Companies Act 1993 and making other improvements for business*, the *July 2024 Cabinet Paper* and *April 2025 Cabinet Paper*.

[4] Takeovers Panel, *Guidance Note: Defensive Tactics*, October 2025, paragraph 5.1

	Has our general overview of current trends in domestic and global capital markets left out anything particularly relevant for considering the strength of New Zealand's capital markets?
0.4	**International competition for issuers and capital** Many jurisdictions are actively reforming their capital markets. New Zealand risks falling further behind comparable markets in attracting issuers, investment, and capital if significant reform is not undertaken with purpose. Reform must look to position New Zealand's capital markets to remain internationally competitive as markets continue to evolve. **Competition to manage internationally mobile capital** We think that consideration should be given to how New Zealand could compete to host the management and administration of internationally mobile investment capital. Serving overseas clients could expand demand for New Zealand investment management, custody, administration, technology and professional services. In addition, an increased pool of investment professionals in New Zealand could improve connections with New Zealand businesses seeking capital. **Global growth of private capital** The issues facing New Zealand capital markets are in many cases not unique. In general, capital markets outside the US and China are experiencing declining levels of new issuance/IPOs, a consolidation of investor and broker interest into the larger and more liquid listed companies and in many cases a net reduction in the number of listed companies due to the significant growth in global private capital/equity funding driving take private activity. We need to ensure that any New Zealand company contemplating expansion or listing considers the NZX as the most welcoming, attractive, and easy to deal with before looking to larger offshore markets. The NZX needs to make dual listing easier to manage, introduce the ability for Founders to retain a level of control with different classes of shares and promote KiwiSaver investments in emerging capital. We support the current NZX initiatives to simplify listing and compliance for small to medium-sized enterprises. We also think that venture/private equity/private capital should be encouraged to co-exist with public equity. In essence, it should be a natural progression (from private capital to public capital as entities continue to grow in profitability, assets and reach of their business(es) and need greater liquidity and better price discovery . We also recognise that sometimes business models fail and issuers need go back down the "equity ladder". Therefore, we support private equity taking private listed companies that have not been successful. We consider this to be a healthy dynamic (as long as investors are fully informed in the takeover decision-making process). **Market infrastructure and technological change** Reform should also consider the implications of longer global trading hours, consolidation of exchanges and clearing infrastructure, and arrangements that connect issuers with investors across multiple markets. New Zealand's competitiveness should be assessed against these developments, including their potential effects on the value of our time-zone position and the scale needed to provide efficient market services.

	The overview should also recognise the continuing evolution of global market infrastructure, including the international transition towards shorter settlement cycles such as T+1. New Zealand should maintain close alignment with Australia and other key markets where practicable, while ensuring that any transition is carefully coordinated across the market. As noted below, we support rationalise of clearing facilities in New Zealand. Technological developments are similarly relevant. Tokenisation and distributed-ledger technologies could change how financial products are issued, traded, held and settled. The regulatory framework should be sufficiently flexible and technology-neutral to encourage and accommodate responsible innovation in these areas, while maintaining appropriate standards of investor protection and market integrity.
0.5	Taking into account current trends and developments in capital markets, do you think the FMC Act needs a more fundamental review? Where would you focus such a review? Do you think the purposes outlined above remain appropriate? If not, how would you change them?
	As per above, we do not think that a fundamental review of the FMC Act is required. The focus should be on this initiative and other changes to open and foster the capital markets as a priority.
0.6	If you could address 2-3 strategic priorities with substantial impact in the FMC regime, what would they be?
	We agree with the strategic priorities set out in the Phase Two consultation in terms of (1) simplifying disclosure settings, (2) creating more proportionate liability settings in relation to continuous disclosure obligations, and (3) efforts to support greater research and visibility for smaller entities as the most important Phase Two changes. However we think a number of other changes can be made, including those listed in the Appendix, to modernise and improve New Zealand capital market regulatory settings to be more "fit for purpose".
0.7	How do you perceive the position of New Zealand's capital markets in the global context? What strengths do our capital markets offer? What positioning do you think we should aspire to? What does ambition look like to you?
	New Zealand equity and debt markets New Zealand's listed equity market is significantly smaller and more concentrated than other markets internationally. We consider it is significantly behind comparable jurisdictions and not adequately capturing New Zealand companies' innovation and global growth aspirations. This underperformance reinforces the urgency of the reforms addressed in this submission, alongside the broader programme of future reforms outlined in this section. New Zealand needs a more ambitious approach to attracting issuers, investors and capital, supporting listings and strengthening secondary-market participation. Conversely, the listed debt market punches above its weight, and is in many ways market-leading, providing access to retail investors with a range of bonds, and some subordinated debt. We expect the simplified QFP term sheet disclosure proposal (with no PDS) should generate more diversified, debt products and foster innovation. The current "same class" only regime drives you to do the same as last time, making it more difficult and expensive for issuers' to vary product terms or to develop new debt market products.

	New Zealand should look to Ireland as a case study. Ireland has demonstrated that a succession of innovative tax policies, pension launches and investment product innovations, can create a vibrant equity culture. **New Zealand natural home for growth companies** The NZX needs to be more attractive for growth companies ensuring global growth investors look to New Zealand capital markets for investment. We expect this will encourage more New Zealand success stories to list on the NZX. We note a complete absence of New Zealand unicorn companies on the NZX (e.g., Rocket Lab, Halter, Crimson Education). This needs to start with a full review of the ecosystem. Retail investors in New Zealand have become less active in New Zealand share offerings over the last 10 years, and New Zealand institutional/KiwiSaver funds, as a whole, spend less time reviewing small-cap opportunities.
0.8	What competitive strengths do you think New Zealand could build toward with regulatory change, and what change is needed?
	New Zealand's strong founder-led and co-operative sectors could provide a competitive strength that differentiate us from other countries.
0.9	This document and discussion are focussed primarily on regulatory change. Are there non-regulatory steps you think the Government could take to support capital markets?

	We have three suggestions at the Government's disposal to support New Zealand's capital markets:
	
	• undertake a listed Government bond programme. This would help the Crown minimise its borrowing costs over the longer term and capture and stimulate investor demand. In order for this to operate practically from the Crown's perspective, we note this will require certain FMC Act amendments, including:
	    • making it clear that the whole-of-Government would not be treated as a climate reporting entity as a consequence, as that is impractical; and
	    • an exemption from, or modification of, the continuous disclosure regime.
	
	• explore options to facilitate the consolidation of the depository system. New Zealand is an international outlier in that it has two separate securities depositories, one operated by NZ Clear and the other by NZX Clearing, creating the opportunity for localised stock shunting from one to the other. This duplication creates inefficiencies and additional costs for market participants
	
	• provide financial support for broker research for issuers coming to market, similar to the Singapore Grant for Equity Market Support (**GEMS**) programme.
	
	Extension of mixed-ownership model programme
	
	The Government could consider partial listing of further Government owned assets through the reinvigoration of the mixed-ownership model programme.
	
	The Government could also, and encourage local government council-controlled organisations, seaports and airports, and electricity distribution businesses, to better access capital at lower cost through the public market, while retaining community ownership and control.

These initiatives would each provide a source of capital for expansion, network growth and resilience, enable a more efficient use of balance sheet capacity, and encourage further direct retail participation in New Zealand's capital markets.

0.10 What non-regulatory steps do you think the sector could lead to support capital markets?

Proportionate pathways for smaller issuers

Prescriptive governance and periodic reporting requirements can impose costs and administrative burdens disproportionate to an issuer's size and complexity, discouraging otherwise suitable companies from seeking a public listing.

The NZX's recent review of tiered compliance is welcomed as an opportunity to make public-market participation more accessible. Listing, governance and reporting obligations should reflect an issuer's scale and circumstances and the benefit to investors.

The design and presentation of proportionate settings are fundamental. Access to relief should be straightforward with clear disclosure of the obligations that apply. Care is needed to avoid designations that inadvertently suggest inferior investment quality or discourage otherwise suitable issuers from using the relief. NZX's work should be coordinated with the Government's wider capital-market reforms, recognising that companies need both an affordable route to listing and a market that supports subsequent capital raising, research coverage, investor participation and liquidity.

Coordinate market-led and government reform

Market operators can play an important role by reviewing their listing rules and market practices to provide more proportionate and accessible pathways to public-market participation, particularly for smaller and growth companies. We encourage NZX and other participants across the capital-markets ecosystem to continue exploring ways to reduce unnecessary cost and complexity for smaller issuers, while maintaining appropriate and proportionate standards of disclosure, governance and investor protection. Industry can support this work by providing anonymised examples of international mandates or activities that could be managed from New Zealand, identifying the barriers involved and estimating the associated services income and employment. Evidence should distinguish new activity from business that would occur here under existing settings.

Industry-led evidence and capability building

Industry bodies could help convene wealth managers, fund managers, custodians, administrators and specialist advisers to identify practical requirements and test proposed settings. That work could include service-provider capability, client due diligence, reporting, professional development and connections between international investors and New Zealand companies. It should complement the sector's continuing efforts to improve research coverage, investor engagement and support for listed issuers.

0.11 Please provide any other thoughts you would like to share with the Government on capital markets regulation.

Assess cumulative regulatory and infrastructure costs

The cumulative effect of regulatory levies and other market-infrastructure charges should also be assessed against the objective of reducing the cost of capital-market participation. Cost-recovery arrangements should be proportionate and transparent about the activities being funded and the costs ultimately borne by issuers, intermediaries and investors.

Reinstate dedicated FMA capital-markets capability

The FMA needs to reinstate capital markets as a distinct area of organisational capability, led by a senior experienced Head of Capital Markets reporting directly to the FMA Chief Executive.

The function should be accountable for ensuring that regulatory policy and decision-making are informed by practical capital-markets expertise and support the development of New Zealand's equity and debt markets, without diminishing the FMA's investor-protection, supervision or enforcement responsibilities.

1. Product Disclosure Statements	
1.1	Do you think current PDS requirements are proportionate (aligning requirements with risks)? Do you think current requirements are meeting the purpose of the PDS?
	The content requirements for an equity or debt PDS are disproportionate. They require lengthy template-based disclosures and detailed information which is better suited for lodgement on the Disclose Register and at a suitable URL on a website maintained by or on behalf of the issuer/offeror.
1.2	Please share any evidence, research or insights you may have on investor (or intermediary) use of the PDS.
	The feedback recorded in the *Capital Markets 2029* consultation indicated that the PDS is unnecessarily long and complex for a retail audience and that emerging market practice is for advisers to prepare their own simplified fact sheets for investors. The FMA's 2018 survey on usefulness of the PDS[5] in 2018 also found: - the PDS can be repetitive and long - investors struggle to find key information to help their decision making - investors typically access a PDS online, and - investors are happy to do additional research.
1.3	Do you agree with the problem definition in relation to the PDS? Which, to you, are the most pressing issues to be addressed?
	The PDS is unnecessarily long and complex for retail investors. We have consistently engaged with MBIE to advocate for reform of the PDS regime. In our view, the most pressing issue is the volume and prescriptive nature (including prescribed ordering) of the mandatory disclosure requirements, which can result in important information being obscured by less material content. Further, it reduces the effectiveness of the PDS as a disclosure document and limits its usefulness for retail investors or adaption for international offers. We support initiatives that promote clearer, more concise and more investor-focused disclosure, consistent with the purposes of the FMC Act to promote confident and informed participation of investors in the financial markets.
1.4	Do you know of companies which have considered listing financial products (including on NZX) that have chosen not to do so, where the PDS requirements were part of that decision? Or which have made wholesale-only offers to avoid the costs and delays of PDS?
	We are aware of issuers that have elected not to proceed with a listing due, at least in part, to the time, cost and complexity associated with preparing a PDS, with the requirement to include prospective financial information (**PFI**) also being a key concern. While the 2025 reforms have substantially addressed that issue, the PDS and disclose register entry content requirements continue to impose material compliance costs and remain a deterrent to some potential issuers from considering a public offer and listing.

5 Financial Markets Authority, *Product disclosure statements: understanding investors' information needs*, April 2018

	An example of excessive cost, or marginal benefit, is the requirement to include three years of historical financial information, or reconstructed/pro-forma financial information, in the PDS and registry entry. These New Zealand requirements are at odds with the Australian requirements that only require inclusion of the most recent financial statements. We are aware of at least one New Zealand incorporated issuer with a dual listing on NZX and ASX that chose to produce an Australian prospectus and extend that document into New Zealand under mutual recognition, rather than choosing New Zealand as the primary jurisdiction and extend the offer into Australia under mutual recognition. Practical application of the due diligence process can contribute to these costs. In our experience, advisers in New Zealand can adopt a conservative approach to disclosure and verification resulting in longer and more complex offer documents. We consider this is due to the current New Zealand regulatory settings, including the substantiation requirement in section 23 of the FMC Act (which requires that, even if a statement is not misleading or deceptive, it must have reasonable grounds). We note Australian law for equity and debt disclosure does not include the substantiation requirement. Robust due diligence is an important investor protection mechanism, but the interaction between prescriptive disclosure requirements and risk-averse market practice can increase the cost and complexity of accessing public markets. More broadly, these factors may encourage some issuers to favour wholesale offers over retail offers, limiting opportunities for retail investor participation in capital raising and listed markets or alternatively, as noted above, to choose to prepare their documents under Australian law and offer into New Zealand under mutual recognition.
1.5	Do you think the current PDS requirements could be reduced without compromising retail investor confidence and protections?
	Yes, provided key information remains readily accessible and appropriately signposted. A term sheet-style 'key information' PDS is more likely to be read and understood by retail investors than a lengthy disclosure document containing substantial amounts of standardised or boilerplate content. The Key Information Summary (**KIS**) is likely to be of greatest relevance to retail investors when making an investment decision. The PDS should focus on presenting this information clearly and concisely, while directing investors to the Disclose Register for more detailed supporting information about the issuing group, issuer-specific risks, taxation information and detailed descriptions of the offer terms. As the Discussion Document notes, many retail investors will act on the advice of licensed financial advice providers, their advisers, and communications prepared by them. A number of investors have granted discretionary investment management authority in favour of their respective financial advice provider and therefore do not need to actually receive the PDS themselves. Advisers are already subject to professional standards and conduct obligations that require them to undertake appropriate due diligence and provide suitable advice. We consider advisers are equally likely to review information contained on the Disclose Register as information contained in the PDS when assessing an offer and advising clients. Accordingly, relocating detailed disclosure to the Disclose Register should not materially reduce the information available to investors.

	The FMA's 2018 survey on usefulness of the PDS[6] in 2018 found: • the PDS can be repetitive and long • investors struggle to find key information to help their decision making • investors typically access a PDS online, and • investors are happy to do additional research Feedback to the *Capital Markets 2029* industry review in 2019 found that: • the PDS is unnecessarily long and complex for retail audiences for IPOs of equity securities • while the PDS is designed for a retail audience, in most IPOs it is generally advisers and institutions making investment decisions, and • a market practice has emerged of issuers or investment advisers preparing a simplified Fact Sheet for retail investors to accompany the PDS, which draw key information from the PDS and Disclosure offer register. This has meant the PDS has become a more compliance orientated document.
1.6	Which of the preliminary options do you support for further development, and why? • If you support B, which sub-option do you support? • If you support C, which sections would you remove or reduce and/or, which instruments do you think it should apply to (such as the debt to overseas investors scenario or other specific types of offers)?
	We support Option B(ii), being the replacement of the current PDS with a Key Information Summary (**KIS**) based disclosure, with prescribed supporting information made available on the Disclose register entry, and on a website maintained by or on behalf of the issuer/offeror. In our view, this strikes the most appropriate balance between providing retail investors with clear, accessible information about an offer while making more detailed information available to advisers, sophisticated investors and other market participants. We consider that investors are significantly more likely to engage with, and derive value from, a concise disclosure document focused on key information than a lengthy and complex PDS. We also support Option C(ii), being the removal of the simplified PDS in favour of a term-sheet style disclosure document for offers by listed issuers of prior ranking debt or equity securities by revoking regulations 49G to 49I of the FMC Regulations with an expanded clause 19 of Schedule 1 FMC Act exclusion to cover all offers of quoted equity or debt securities (**QFP offers**) that rank equally with, or in priority to existing quoted securities. This approach would not limit availability of, and access to, the Approved Issuer Levy (**AIL**) regime as QFP offers would already fall into the exception in section 86IB(1)(b)(i) of the Stamp and Cheque Duties Act 1971. The Option C(ii) proposal will also encourage product innovation by extending the QFP regime to financial products with different terms, but the same or prior ranking to other quoted financial products.

[6] Financial Markets Authority, *Product disclosure statements: understanding investors' information needs*, April 2018

	As a refinement to Option C(ii), we encourage MBIE to also consider whether the QFP regime could be extended to apply to an initial offer of debt securities that are intended to be quoted where the issuer has not previously been listed. An extension of this nature could facilitate abbreviated disclosure for these offers while preserving issuers' ability to access the AIL regime. This would support the policy objective of reducing unnecessary disclosure costs and complexity for accessing the New Zealand debt capital market. For the purposes of the AIL regime, we note the Taxation (annual Rates for 2026-2027, FBT Simplification, Foreign investment Funds, and Remedial Measures) Bill was tabled last week. Part 6 of the Bill includes (amongst other things) a proposal to introduce a new Approved Issuer Levy Act to replace those remaining provisions of the Stamp and Cheque Duties Act which have not already been repealed, to re-enact the AIL regime without substantive change. Our proposal to replace the "Simplified Disclosure PDS" regime with an expanded exclusion under clause 19 of Schedule 1 of the FMC Act will mean that AIL 0% treatment will apply to all classes of quoted debt securities. We also suggest that MBIE support changes to the AIL regime (with Inland Revenue), so additional categories of non-'regulated offers' may be specified in the FMC Regulations as qualifying for 0% AIL. This could include some relevant domestic NZD wholesale issuances.
1.7	If the full PDS were reduced, which parts do you think are most important to retain?
	We consider that the following sections of the PDS are generally most useful for investors: key information summary, purpose of the offer, timetable, how to apply, and link to the Disclose Register.
1.8	Do you think the adaptation of the PDS requirements to a 'digital-first' format should be a government priority? Do you know of examples in other jurisdictions?
	The PDS requirements should be technology neutral, rather than 'digital-first'. The distribution manner of the disclosure information is important and should cater to the investment community as a whole. While many investors will prefer to receive their communications on a smart phone, others may prefer to continue to receive the information in a printed format. Accordingly, any move toward digitisation should ensure that appropriate information is produced in a format that is suitable for both displaying on a smart phone (or similar) and printing in hard copy for the less technologically inclined sophisticated investor. We also think that the FMC Regulations are unnecessarily prescriptive – requiring a full-page PDF or A4 page format (regulations 22 and 23) and specifying the placement and order of content in an equity security or debt security PDS (regulation 28 which says the "Key Information Statement" (**KIS**) must be at the "start" of the PDS, and regulation 34(1)(b) which prescribes that additional information only appear after prescribed questions are answered). Such prescription can make the PDS less readable, disturb the flow of the document and lead to repetition of earlier answers. Further, specific ordering rules assume a traditional printed document, whereas digital technology through hyperlinks and the like can make a digital PDS more navigable.

	Several foreign jurisdictions already encourage the use of digital offering documents. We understand that this approach will be taken in the US by the SEC (Proposed Regulation E-Delivery (16 July 2026)) and in Europe (where a prospectus is not considered to be lodged unless it is made available on the issuer's website (see Article 21 of the Prospectus Regulations 2017/1129, recital 62)).
1.9	In your experience, what requirements in the Act and Regulations are preventing the PDS from being more digital friendly? How much regulatory change would be needed?
	The FMC Act and FMC Regulations restrict flexibility in the manner and order in which some PDS and Register Entries are disclosed and restrict page length for the KIS and PDS. While these requirements facilitate comparisons between different financial products, which is useful for managed investment scheme disclosure, (including for KiwiSaver) products, they do not suit the equity security and debt security context, where the nature of the issuer, business segment(s) and relatively low prevalence of offers, means more flexibility in presentation is warranted instead of the current prescription. We agree it is important that the disclosure regime should enable equal access to information for investors who may be less digitally capable. However, we consider this issue can be overstated and is essentially transitional in a society where car parks can require a smartphone and an App for payment and given recent Government and non-governmental organisational efforts, including through Sorted, and the educational curriculum, to improve financial literacy and understanding.
1.10	If you have experience making financial offers digital friendly, how have you done this (app, website, portal, etc.) and how have you managed this while still meeting PDS requirements?
	N/A
1.11	Are there overseas models of PDS that you think the Government should consider?
	No, other countries primary offering documents also suffer similar, or more acute issues. For example Australian IPO prospectuses distributed to retail investors can exceed more than 200 pages, and in some cases suffer from repetition.
1.12	Please share any other comments, evidence or data you have on PDS requirements.
	We think the FMA's 2018 survey remains a very good reference point for the investor perspective and understand the 2025 unpublished survey reached similar conclusions.

2. Civil liabilities for directors and issuers	
2.1	Do you agree with the problem definition around current settings for director liabilities? Please provide evidence or examples.
	Yes. New Zealand's strict legislative liability settings for breach of the continuous disclosure obligations are disproportionate to the benefits gained and do not currently align with other jurisdictions, which typically feature a fault or intention element. This places New Zealand's capital markets at a significant disadvantage by creating an impediment to listing and delivers poor corporate governance outcomes by restricting the director candidate pool and creating inefficiencies through high D&O (director and officer) insurance premia. These issues were highlighted in the market participant feedback informing the *Growing New Zealand's Capital Markets 2029 Report* and in the 2026 OECD Economic Survey on New Zealand, which references New Zealand's comparatively high D&O insurance and compliance costs.[7] It is important that New Zealand's settings are aligned with Australia in this area. Australia requires that an issuer must "know, or [be] reckless or negligent with respect to whether, the information would, if it were generally available, have a material effect"[8] on the price or value of the quoted financial product before there is a contravention of a continuous disclosure obligation. The lack of an appropriate fault element in New Zealand heightens the risk that issuers and directors will be exposed to speculative class action proceedings driven by litigation funders. We comment on this at 2.5. Such actions have been a feature of the Australian landscape for some while (despite the greater protections of its liability regime) and are now increasing at pace in New Zealand. Unless we change our law, our issuers and their directors will be particularly vulnerable.
2.2	How significant are civil liability settings compared with other factors affecting public market participation, such as market depth, liquidity, access to private capital, listing costs, ongoing compliance costs, and broader economic conditions?
	We consider that the current settings are a significant issue because they act as a barrier to listing and participation in New Zealand's capital markets and contribute to the inefficient allocation of capital, including through high insurance premia for all issuers.
2.3	Which option do you support (A or B) for potential change to liability in relation to continuous disclosure contravention for directors and other persons? Please indicate a preferred sub-option as well if relevant. Please give your main reasons.
	We support option B(i) - narrowing the requirements for when a director is regarded as being 'involved', in a contravention such that liability will only arise where there is a 'fault' element (e.g. where the director acted dishonestly) as this would lower the likelihood of proceedings being taken against directors in inappropriate circumstances.

7 OECD Economic Surveys: New Zealand 2026 *Towards a more affordable, secure and sustainable electricity system: OECD Economic Surveys: New Zealand 2026 | OECD*, page 128

8 *Section 674A, Corporations Act 2001 (Aust)*

	This could be achieved by amending section 272 to include that the director does not contravene or become involved in a continuous disclosure contravention if they: (a) took reasonable steps to ensure that the listed issuer complied with the obligation or term or condition; and (b) after doing so, believed on reasonable grounds that the listed issuer was complying with the obligation or term or condition; and (c) was acting honestly. Alternatively, section 533 could be amended to require that in relation to a contravention of the continuous disclosure obligations (in addition to the factors at section 533(1)), a person is only 'involved' if they acted dishonestly. We consider either approach to be more effective than adjusting the statutory defences available to directors and other persons who may have been involved in an issuer's contravention, given that the burden of proof relating to a defence sits with the director. In our opinion, the prospect of proceedings leads to defensive governance practices and increases insurance premia. Additionally, the costs of defending against proceedings can be significant even where a defence is available. The primary liability settings for issuers should also be amended to provide that, for a director to be 'involved' in a contravention, the issuer must have been found to have contravened the provision first. This would be an effective way to ameliorate the negative consequences we highlight in 2.1 for both issuers and directors, while retaining proportionate protections for investors. At 2.6 we outline our views on how issuer liability could be changed by amending section 270. At 2.7 we outline an alternative whereby the 'no-contravention' exception could be extended to apply to issuers (noting that this is not our preference).
2.4	Do you have a preference not reflected in the options in relation to continuous disclosure contravention for directors and other persons?
	N/A
2.5	Are there any other issues or impacts the Government should consider in relation to liability for continuous disclosure contraventions for directors and other persons?
	We are aware of an increase in the number of representative actions being brought in New Zealand in recent years[9] and of a general recognition that our current settings are inadequate. The Law Commission recommended legislative reform of class actions and litigation funding in 2022, including changes to reduce the risk of speculative allegations being brought against defendants.[10] The Law Commission's report has yet to be acted on. We consider the combination of the current liability settings relating to continuous disclosure obligations under the FMC Act and the inaction with respect to the Law Commission's recommendations has the potential to further impair growth in New Zealand's capital markets.

9 Law Commission, *Class Actions and Litigation Funding*, (CAL-LIF 2020), at 310.

10 Above, specifically recommendations 30, 36, and 104 were aimed at discouraging speculative allegations.

2.6	Which option do you support (C or D) for potential change to liability in relation to continuous disclosure contravention for issuers? Please indicate a preferred sub-option as well if relevant. Please give your main reasons.
	We support option D(iii) – moving to a fault-based standard through amendments to section 270 to align with the Australian approach. The effect of this change being that an issuer only contravenes its continuous disclosure obligation if it has 'knowingly, recklessly, or dishonestly' failed to notify the market of the relevant information. This would introduce a more proportionate liability framework by ensuring that enforcement is targeted at conduct involving a failure to meet reasonable standards of care, rather than imposing liability in circumstances where an issuer has acted diligently and in good faith. Ensuring issuer liability settings were better calibrated to distinguish between genuine misconduct and inadvertent compliance failures. As noted under 2.3, using a fault-based standard for issuer liability would have a flow on effect by making director/other person prosecutions under section 270 less likely, given that an issuer must be found to have contravened its continuous disclosure obligations before another person can be deemed to have been 'involved' in the contravention. In our view, this change would help to deliver regulatory proportionality, make NZX more globally competitive and contribute towards a more dynamic equity ladder.
2.7	Do you have a preference not reflected in the options in relation to continuous disclosure contravention for issuers?
	Amending the continuous disclosure obligation in section 270 so that there is only a contravention if an issuer acts in a knowing, reckless or negligent manner is a more proportionate change than amending the 'no-contravention' exception in section 272. The effect of the section 270 amendment would be that the FMA (or other party bringing proceedings) would need to establish an element of fault from the outset, rather than simply having to prove that the no-contravention exception does not apply (if raised by the defendant). An alternative option would be to amend section 272 so that that the 'no-contravention' exception applies to issuers as well as to directors and other persons. This amendment would be more complex as there may be different standards of fault that should apply to directors and issuers. We consider the change to section 270 would be a more proportionate change than amending the 'no contravention' exception is section 272.
2.8	Are there any other issues or impacts the Government should consider in relation to liability for continuous disclosure contraventions for issuers?
	As noted above, the increase in representative actions.
2.9	Do you think changes to deemed director liability should be considered in relation to all markets, or for NZX only?
	To the extent that other markets have continuous disclosure obligations, our view is that any changes to deemed director liability should be considered for these markets also. We also consider that deemed director liability should be removed for PDS and financial statements prepared by all issuers, and instead the FMC Act impose liability through the accessory liability regime.

2.10	Which option do you support (E, F, or G) for potential change to deemed director liability? Please indicate a preferred sub-option as well if relevant. Please give your main reasons.
	We support option G(iii). In our view, deemed director liability for both disclosure and financial reporting contraventions is unbalanced and contributes to the negative outcomes that we have outlined in 2.1. Removing deemed liability for these contraventions should facilitate delegation of oversight for the preparation of offering materials and financial reporting and should better align the liability settings with those applying to offers of wholesale debt securities or financial instruments by New Zealand listed issuers offshore. Although defences for deemed director liability exist, the time and cost involved in defending proceedings means that they contribute to the negative outcomes we have outlined in 2.1. We note that there is already (and would still be) liability (including compensatory orders under section 497) for directors if they are 'involved' in a contravention under section 533. This would be more proportionate and could contribute to a more dynamic equity ladder by encouraging companies to list, quality individuals taking up directorship roles, and contributing to a decrease in director and officer insurance costs.
2.11	Do you have a preference not reflected in the options in relation to deemed director liability?
	N/A
2.12	Do you have other comments on what the Government should consider in relation to deemed director liability?
	N/A
2.13	Are there international models you would like the Government to consider?
	We want closer alignment with Australia on deemed director liability and the liability settings for continuous disclosure breaches. But we submit we need to go further. There are other proposals in our submission which are specific to the FMC Act and do not have an Australian counterpart. We consider that these changes would ensure New Zealand's regulatory settings around continuous disclosure and director liability are proportionate and would contribute to making our capital markets more competitive in the global context.
2.14	Please share any other comments, evidence or data you have on civil liabilities.
	We consider two aspects of the defences applying could be improved. First, for the issuer/offeror, the section 499 FMC Act defence does not allow an issuer/offeror to have reasonable reliance on a director or employee of the issuer/offeror (see s 499(2)). While we acknowledge a similar exclusion applies in other statutes (such as the Fair Trading Act), it is as odds with the general approach to delegation under section 130 of the Companies Act 1993 and by analogy the director's duty under sections 137 and 138 of the Companies Act 1993 which allow directors to rely on competent employees, advisers and fellow directors, in discharging their duties.

The Companies Act 1993 delegation and director's duties construct better allows for delegation of some decision-making to people with particular expertise, or efficient allocation of time (for example director members of an audit committee will typically have more accounting and financial expertise and will directly interrogate management, and discuss matters with an auditor, to a greater degree than other directors not on the committee).

Second, the section 500 FMC Act defence requires "all inquiries" which are reasonable in the circumstances, which imposes a significant process burden. In our view "inquiries that are reasonable in the circumstances" would be a more suitable formulation. Similarly, the section 503(2)(b) defence currently requires "all reasonable steps" to be taken, which can lead to excessive process and cost in a financial product offering process. A more suitable formulation would be "reasonable steps".

We further consider that section 23 FMC Act should be repealed. This section creates a standalone basis for liability in addition to the prohibition on misleading or deceptive conduct in section 19 FMC Act even where statements are not misleading (including by omission). The necessary investor protection exists in section 19 FMC Act and the disclosure and liability provisions of the FMC Act.

3. Catalist market threshold and audit requirements	
3.1	Do you think Catalist's current entry threshold (below $60 million market capitalisation) and exit threshold (two years after reaching $100 million market capitalisation) are still appropriate, having regard to its intended role and purpose? Please explain.
	We support removing Catalist's entry threshold and increasing its exit threshold to $250 million. Removing the entry threshold would enable growth companies to consider Catalist and not be excluded on the basis of market capitalisation at the time of listing. In addition, Catalist may provide a more viable alternative for venture-backed companies that might otherwise undertake later-stage private funding rounds. Raising the exit threshold to $250 million would allow Catalist issuers to grow and mature on Catalist before transitioning to the NZX. A lower exit threshold risks forcing premature transitions before issuers have achieved the scale and liquidity needed to make the move commercially attractive. Broader access to public capital would extend participation in growth-stage investment opportunities beyond venture capital and other private-market. It would also improve market visibility, price discovery and access to future funding for participating companies. It would foster competition between market operators that could encourage innovation in listing pathways and issuer services, while maintaining appropriate investor protections. We support retaining the requirement that the exit threshold be exceeded for two years before an issuer must transition. This would avoid an exit being triggered by a temporary increase in valuation and allow time for an orderly transition.
3.2	Do you consider that the original policy rationale for Catalist—as a stepping-stone market addressing a funding gap for small growth companies raising $2-20 million—should be expanded? If so, what types of issuers or needs should Catalist be designed to support, and why do you consider the associated regulatory concessions remain justified?
	We support the role that Catalist plays as a stepping stone market, and its intention to provide a platform for small New Zealand companies to grow before migrating to the NZX Main Board. We note there is potential for regulatory arbitrage to be created between the NZX and Catalist markets if different thresholds are applied to the permissible size of a Catalist issuer and the size of an issuer who is eligible to participate on NZX's markets as a small to medium enterprise issuer. Alignment will be required to ensure a coherent and competitive listing ecosystem.
3.3	If you support change, which option do you prefer and why? How do you think your preferred option would affect businesses considering listing on Catalist, businesses currently listed on NZX, and investors?
	As noted above, we support removing the entry threshold and raising the exit threshold. Catalist is a growth market and once a Catalist issuer reaches a sufficient size may no longer be appropriate for it to remain listed with the concessionary alternative continuous disclosure settings. Voluntarily migration to the NZX Main Board or to ASX may become more attractive once NZX has implemented the proposed tiered compliance framework that is currently under consultation, although our submission to NZX on its proposals said that many of the setting changes should apply to all NZX listed equity issuers.

3.4	How would changing the thresholds affect Catalist's role relative to NZX and the wider capital market pathways and options for growing businesses?
	NZX is currently consulting on the introduction of a small to medium sized enterprise issuer regime. This initiative is designed to support NZX's ability to enable growth companies to come to market and to retain issuers that might otherwise be looking to 'step-down' by imposing more proportionate settings which are designed to preserve investor confidence while supporting these issuers to raise capital through the public markets.
3.5	If thresholds are changed, should any additional safeguards or conditions apply to manage risks (such as regulatory arbitrage or reduced investor confidence)? If so, what should they be?
	N/A
3.6	Do you think the FMA should consider amending the exemption notice that enables businesses listed on Catalist to raise up to $2 million without a product disclosure statement, if the crowdfunding and peer-to-peer lending limits with which the exemption notice aligns are raised (see issue 5)?
	We think the threshold should be lifted to $5 million, consistent with our suggestions on the Schedule 1 FMC Act exclusions discussion in Chapter 6 of the Discussion document and we accordingly consider equivalent changes should be made to the exclusion for small offers in clause 12 of Schedule 1 of the FMC Act, to avoid regulatory arbitrage.
3.7	Which option do you prefer in relation to audit requirement standards? If you agree with the removal of the IFRS Tier 2 requirements, what standard should apply instead?
	We support Option E. We do not support removing the IFRS Tier 2 requirements in favour of a regime that would permit unaudited financial statements for Catalist issuers. Catalist should continue to require financial statements to be prepared under internationally recognised reporting standards. Under clause 12 of the Financial Markets Conduct (Catalist Public Market) Regulations 2021, Catalist issuers and their directors are subject to the financial statement preparation requirements, and sanctions, provided for in Part 11 of the Companies Act 1993, rather than the more onerous requirements of Part 7 of the Financial Markets Conduct Act 2013. This also means that a qualified FMC auditor must undertake audit services for the FMC Reporting entity, rather than a slightly broader range of qualified auditors (and audit firms) under the Companies Act 1993. We consider equivalent relief should be available to issuers listed on NZX's markets that have market capitalisation of not more than the market capitalisation set for Catalist (as above, we suggest $250 million). In particular, NZX listed issuers should be permitted to rely on Tier 2 compliant financial statements when seeking quotation, rather than being subject to more onerous requirements than comparable issuers on Catalist.

3.8	If you agree that some businesses should not be required to produce audited accounts prior to initial listing on Catalist, which firms should that apply to (e.g., all, or only a specific size measured by number of investors, or shareholders, or voting shareholders)?
	We do not consider that the number of investors, shareholders or voting shareholders is the correct criterion by which to assess whether audited financial statements should be required. Audited financial statements are fundamental and should be considered a non-negotiable, they provide comfort to shareholders and other stakeholders that the financial information provided is sufficiently robust. This approach is consistent with most international exchange growth markets (for example: London's AIM Rules, the Tokyo Stock Exchange Growth Market, Nasdaq First North Markets and SGX Catalist).
3.9	Please share any other comments, evidence or data you have on changes to Catalist settings.
	N/A

4. USX audit requirements	
4.1	Do you think USX's current audit requirements are proportionate for the type of market USX operates and the issuers that use it? Please explain.
	We consider the USX's current audit requirements are proportionate and should be retained, except that is a USX is not "large" shareholders of a USX issuer participating on the Catalist platform should not be prevented from opting-out of the audit requirement under the Companies Act 1993. For "large" companies, audited financial statements provide an important level of assurance for retail investors participating in a market that is not subject to the full licensed-market regime under the FMC Act.
4.2	If you support change for USX, which option do you prefer? Why?
	We support Option C, for companies that are not "large" under the Companies Act 1993.
4.3	If an External Review Board review engagement were allowed for some USX issuers, what criteria should determine eligibility? For example, should this depend on issuer size, shareholder numbers, annual fundraising, trading activity or something else?
	Given that it is the cost impost that is the driver for the consideration of alternative audit requirements we consider that the most appropriate criterion is the size and resources of the issuer.
4.4	If audit requirements are reduced for some USX issuers, should the same criteria also apply on Catalist? Why or why not?
	No. The risk profile of the persons who trade on the USX and Catalist markets are fundamentally different and Catalist has chosen to seek a licence, and hold itself out as a licensed financial product market. USX is more targeted at more sophisticated investors undertaking private and OTC trading, rather than board retail investor access due to the lack of liquidity on the platform. Investors who participate in USX are made aware that the standard protections relating to market conduct (e.g. insider trading and market manipulation protections) do not apply. Catalist is a licensed market which enables retail participation. The risks associated with allowing these types of investors to invest on the basis of unaudited financial statements are greater given that they are less sophisticated than wholesale investors.
4.5	What broader evidence or practical examples should the Government consider when assessing whether current audit requirements are affecting issuer participation, investor confidence, or the role of smaller markets more generally?
	N/A
4.6	Please share any other comments, evidence or data you have on USX settings.
	N/A

5. Crowdfunding and peer-to-peer lending limits	
5.1	Do you think the current aggregate $2 million capital-raising limit should be increased for equity crowdfunding and P2P lending? If yes, please discuss why you think it should change (e.g., any practical constraints you think the current cap creates and how a higher limit might change the way businesses use crowdfunding or peer-to-peer lending).
	Yes, we would support increasing the issuer cap to $10 million (excluding amounts raised under other Schedule 1 FMC Act exclusions), but with a per investor cap of $50,000 each (unless an investor subscribes under another Schedule 1 FMC Act exclusion).
5.2	If the "small offers" category is removed from the aggregate, what limit do you think should apply to it separately?
	We think it should simply be removed from the Crowd funding cap.
5.3	Which option (A-D) do you support and why? If there are variables within the option, please be as specific as possible. (For example, if you support option B to raise the limit, please say what you think the new aggregate limit should be and why; if you support option C, please say what you think the separate limits should be.)
	We support Option B, with an increase in the crowd funding and per-to-peer lending caps, as long as there is an investor/lender cap of $50,000. We would also support amendment to the Credit Contracts and Consumer Finance Act 2003 (**CCCFA**), to remove the peer to peer lending regime from being treated as a provider of credit subject to the CCCFA (thus regulating the "platform fee"). This change could reverse the chilling effect of the Commerce Commissions litigation with Harmony. We are not aware of any significant peer-to-peer lending platforms emerging after that litigation stifled the innovation of peer-to-peer lending introduced by the FMC Act.
5.4	If you support Option D, do you have suggestions for how requirements could be tiered?
	N/A
5.5	If you support option E (an investor cap), how do you think that could be designed? Are there any other additional safeguards and retail investor protections you think should apply for larger raises?
	It should be kept simple and largely rely on the Crowd funding platform to manage compliance with the cap by relying on applicants declarations unless on actual notice an investor has sought to apply in excess of the cap.
5.6	If the cap is raised, what flow-on impacts do you foresee on other capital markets?
	It may make crowd-funding a more enduring "stepping stone" to Catalist and in time NZX or ASX (i.e. restore a step on the "equity ladder" which has become much less utilised due to the $2 million limit and the manner it is calculated (by also restricting small offers).
5.7	Please share any other comments, evidence or data you have on equity crowdfunding, P2P lending and 'small offers'.
	N/A
5.8	Are there overseas models you think the government should consider?
	N/A

6. Wholesale investor issues	
6.1	Do you have any evidence or experience of difficulties around the use of the eligible investor self-certification, or misuse of the self-certification approach? Please provide detail.
	We do not have reliable evidence of systemic misuse of eligible investor self-certification process. It appears most of the criticism of the regime has been limited to some high profile instances of abuse or anecdotal comment. We apprehend there may be some misalignment between the policy intention of the eligible investor category and its operation in practice. The category was intended to enable investors with sufficient relevant experience to participate in wholesale offers where they do not satisfy one of the other prescribed wholesale investor criteria. In practice, reliance on self-certification creates a risk that individuals may certify themselves to participate in a particular wholesale offer, even if their investment experience may not be sufficient to understand and assess the investment without the protections available to retail investors.
6.2	Do you consider that the wholesale investor regulatory framework provides adequate retail investor protections? Or do you consider that it presents a barrier to investment?
	We support fine-tuning enhancements that include additional more useful prescribed warning content and enhanced confirmer requirements. We consider extending the duration of eligible investor certificates and appropriately recognising the role of angel investors, could better enable companies to access capital efficiently at critical stages of their growth, consistent with the purpose of the wholesale investor regime. These changes could support the development of a stronger pipeline of growth companies and help address constraints in the early-stage funding ecosystem. We acknowledge that any expansion of the regime must be accompanied by appropriate safeguards. In particular, angel investors should be required to demonstrate membership of an appropriate industry association for a period. This is necessary both to maintain confidence in the wholesale investor regime and to ensure that reforms support capital formation without undermining the broader objective of fostering healthy public markets and encouraging companies to transition to public ownership where appropriate. We noted the conclusions of the *Australian Parliamentary Joint Committee on Corporations and Financial Services report into the Wholesale investor and wholesale client tests* in February 2025 that the equivalent exclusions in Australia are generally working well and do not need significant change. We think New Zealand's settings should remain closely aligned to the Australian settings.
6.3	Which option for change in relation to the wholesale eligible investor certification would you support (noting that the options are not mutually exclusive).
	We support refinement changes to strengthen the regime, including changes to give confidence to offerors that the persons to whom they are making an offer satisfy the wholesale investor definition, as the consequence of an investor failing to do so is that a full PDS must be prepared and lodged in relation to the offer. We consider that a person confirming an eligible investor certificate should be required to certify positively that they have considered the certifiers grounds. This could require the confirmer to consider whether the investor's stated experience genuinely supports the certification, rather than merely accepting an optimistic or inadequately supported self-assessment.

6.4	Which option do you prefer in relation to the period of validity for eligible investor certificates (currently 2 years)?
	We support removal of the requirement for the eligibility certificate to be renewed periodically, or alternatively for the 2 year period to become 5 years. We consider renewal to be unnecessary on the basis that the framework is amended to introduce further criteria that an investor must satisfy to self-certify that they are a wholesale investor and increase the obligations on the professionals who confirm the certificate. The current two-year validity period appears to be an arbitrary proxy for investor sophistication. An investor's ability to assess the merits and risks of an investment is generally derived from their experience, knowledge and capability, which are not characteristics that are likely to diminish in relation to an investor's ability to assess the value and risks of financial products.
6.5	Do you have any evidence or experience of concerning behaviours with the advertising of wholesale offers? What recommendations do you have for restricting this promotion?
	We do not have any direct evidence of concerning behaviours with the advertising of wholesale offers but have seen some instances of "wholesale offers" offered indiscriminately on platforms such as Facebook or in investment seminars open to the general public. Strengthening the eligible investor certification requirements could reduce this concern. In particular, requiring confirmers to consider an investor's grounds for confirming an investor's certification would make it more difficult for advertising to result in inadequately experienced investors being treated as wholesale. We would also support requiring advertisements to state prominently that: • the offer is available only to wholesale investors; • investors will not receive the disclosure and other protections applying to retail offers; and • an investor should not assume an offer is appropriate or low risk merely because they qualify as wholesale. Another approach would be to prohibit general solicitation of offers open predominantly to eligible investors, along the lines that apply to small offers. Wholesale status should be verified before any investment is accepted. Subject to these safeguards and effective enforcement, we do not consider that a blanket restriction on advertising legitimate wholesale offers is necessary.
6.6	Do you have concerns with other aspects of the wholesale regime (beyond eligible investor category and the promotion issues raised)? Do you think the $750,000 threshold for individual investment remains appropriate, or should it be adjusted?
	We consider there is no need to amend the $750,000 threshold. We consider it appropriate that the thresholds remain broadly comparable to those used in Australia, for example in relation to the test as to how much the investor intends to invest in the offer. We do not support introducing a separate sophistication test as an additional prerequisite for investors who already satisfy the objective large investor, investment activity or other asset-based wholesale investor criteria.

	Those criteria provide certainty for investors, advisers and offerors, and should not be undermined by an additional subjective assessment. The merits for retaining these as bright line tests is well described by the High Court in its 2025 judgement on eligible investor certificates. This is particularly important where an investor receives regulated financial advice that encompasses both the proposed investment and its place within the investor's wider portfolio. Under the existing financial advice regime, advice provided to a retail client must be suitable, having regard to its nature and scope and the client's circumstances, and the adviser must take reasonable steps to ensure that the client understands the advice. These obligations provide an appropriate mechanism for addressing suitability and concentration risks where advice of that nature is provided. We therefore recommends that MBIE retains the existing position that satisfaction of an objective wholesale investor category should not be subject to an additional subjective sophistication assessment. The settings should preserve appropriate access to private-market, alternative and other wholesale investment opportunities.
6.7	Please share any other comments, evidence or data you may have on wholesale settings.
	We think consideration could be given to excluding the value of "main home" (as defined in section YA of the Income Tax Act) from calculation of a "**large**" investor for the purpose of clause 39 of Schedule 1 of the FMC Act, since merely holding of residential real estate for the purposes of residence (rather than investment) should not be treated as an indicator of when an investor should be excluded from the requirement to receive disclosure under Part 3 of the FMC Act.

7.	Auditor liability
7.1	Do you agree with the scope of this issue as outlined above (i.e., limiting consideration to FMC audits and civil liability for unintentional wrongdoing)? If not, what else do you think should be considered?
	Yes. We note that it is consistent with the Law Commission recommendation in its *Liability of Multiple Defendants Report* 2014 that the liability of auditors conducting large audits should be capped in order that New Zealand audit firms and audit partners remain competitive against Australia and to reduce the risk associated with catastrophic loss. We also note that it was expected when the Auditor Regulation Act 2011 (**ARA**) was passed 15 years ago that the issue of auditor liability would be reviewed as an important counterbalance to the additional regulatory requirements the ARA imposed. We were involved with the preparation of the submission of the Sustaining the Audit Profession Working Group, comprising PwC, KPMG, EY, Deloitte, Grant Thornton, BDO and Baker Tilly Staples Rodway, and supports its commentary on auditor liability.
7.2	Do you agree with how the problem definition is summarised above? Please provide additional information and detail if you think this needs to be refined.
	Yes. The audit market in New Zealand is thin and at risk of getting thinner. Financial reporting increasingly involves areas of judgement and contestability, and the emergence of litigation funders increases the risk of hostile claims. Auditor liability reform will be important to ensuring that New Zealand can rebuild and retain audit capability.
7.3	The problem definition discussion above lists a number of issues that it is contended are faced by the audit market in New Zealand. Do you agree with these? Are there other issues we should consider? To what extent are these issues caused by the liability exposure of auditors? Are there other factors that are causing these? Please provide concrete evidence and data to support your response where possible.
	We think the problem definition is sufficient in terms both of scope and emphasis. We note that the Law Commission observed in its *Class actions* report 2022 that class actions posed high risks to auditors, including "higher premium costs and coverage challenges". The Commission did not recommend capping auditor liability or creating a special defence for audit firms, but it did recommend reforming continuous disclosure laws or directors' liability laws. As noted, we support the Sustaining the Audit Profession Working Group's analysis. In particular, the Working Group reports that the number of New Zealand-based licensed auditors has declined from 151 in 2011 to approximately 130, while overseas licensed auditors have increased from five to 36, and that five NZX-listed entities have appointed overseas auditors. This indicates that the liability settings affect domestic audit capacity, competition, regulatory oversight and capital-market resilience, not merely the allocation of loss following an audit failure.
7.4	Do you agree with how the options are summarised above? Are there other options we haven't considered? Please provide additional information and detail if you think these need to be refined.
	We do not support retention of the status quo. We agree with the Law Commission and the audit profession that it exposes auditors to disproportionate risk. We strongly support Option C and can see merit in Option B in conjunction with Option C.

7.5	Do you have a preferred option? If so, please give your reasons for preferring it (with reference, if possible, to how it would assist addressing the issues with the audit market in New Zealand) and provide as much information as you can in support of your preference, along with any other matters we would need to take into account when designing the detail of that option.
	Option C allows the company and the auditor to agree the auditor's liability as part of their contract. As the Phase Two Discussion Document notes, although this is currently prohibited by section 529 of the FMC Act, it is "quite standard" outside the FMC Act framework. We supported the CAANZ submission to the Financial Markets Conduct Amendment Bill in 2025 recommending an exception to s 529 in prescribed circumstances, and for s 548 to be amended to provide for regulations to be made prescribing the parameters of an auditor liability capping scheme. The rationale for section 529 was that banning company insurance or indemnification would provide stronger investor protection by ensuring the independence and objectivity of the auditor. However, the practical effect has been a decline in the number of licensed auditors completing FMC audits. This trend suggests an imbalance in the law which, if allowed to continue, will compromise the depth and quality of information available to the public and the public's confidence in the share market. Option B has the advantage that it caps the liability of auditors only. But it carries the disadvantage that plaintiffs will be unable to recover any losses above the cap, regardless of any responsibility the auditor may bear. This is not an unintended consequence. It is the price of delivering a more acceptable accountability regime for auditors in order to release the public benefits that will accrue from that. As the Discussion Document notes, Options B and C can work together or separately to reduce audit costs and to lower the barrier for listing in order to raise capital.
7.6	What are the risks associated with limiting liability for auditors in any of the ways indicated in Options B and C? For example, what would the impact on plaintiffs be? And where else might plaintiffs look to recover losses? Would audit quality suffer?
	Refer above.
7.7	Do you see any issues with introducing a capping scheme just for auditors where other professions – e.g., lawyers and accountants – would still be joint and severally liable for a loss where more than one party has a role?
	While equality of treatment would be an attractive case to make, we accept the distinction the Law Commission drew in its *Liability of Professional Service Providers* report 2022, saying: "[W]e consider that the arguments for and against capping liability are not necessarily the same for each profession. The case for auditors is strongly influenced not only by the "catastrophic collapse" argument but also by emerging trans-Tasman competition".
7.8	Are there any other issues relating to auditor regulation and the state of the audit market in New Zealand that you would like to bring to our attention?
	Not at this time.
7.9	Please share any other comments, evidence or data you have on auditor liabilities or related topics.
	We have nothing we wish to add.

8. Broker activity and visibility of offers

8.1	Do you agree with the problem definition? In your view, how significant are any issues relating to broker activity, research coverage, or issuer visibility in New Zealand capital markets, particularly for smaller listed companies? Please provide evidence or examples where possible.

Yes, we agree with the problem definition and consider that the issues are significant. In particular, the role of, and incentives for, brokers, analysts and research providers are constraining capital formation and flow, especially for smaller issuers.

Analysts and research providers: Research, in particular expert research, is costly. 'Expert' research, is defined by the FMA[11] as research published by teams with the necessary knowledge, experience and relationships to understand and model the risks, drivers, management and other critical aspects of listed securities. These are highly skilled professional analysts and researchers whose time comes at a premium, and therefore significant investment by the respective institutions. It is costly. The research effort is directed therefore toward the larger issuers that their respective institutional investors look to invest in. This creates visibility issues for the smaller and less established issuer. The absence of research can have a significant impact, in addition to limited visibility and therefore a lack of knowledge, it can also lead the market to view it less than favourably, perhaps as high risk, volatile or illiquid.

Broker activity: The role of the broker is very much constrained by the regulatory environment and respective compliance environment within which they service their clients. Brokers have limited ability to recommend investments outside the service scope agreed with their clients and the compliance framework of that service scope. This significantly limits broker activity in respect to IPOs and smaller listed issuers.

Regulatory framework: The New Zealand regulatory framework for the provision of financial advice and the interpretation of that framework by the industry creates the very conditions that give rise to this issue.

The financial services sector plays a key role in facilitating transactions, providing analysis and advice, supporting capital raising and producing research and market information. Due to the multifaceted nature of the sector, regulations and guidance are in place to ensure that New Zealand maintains a fair, efficient and transparent financial system that ensures client assets and property are safeguarded and properly segregated. However, this high level of regulation in the financial services sector has led to a conservative approach by participants to ensure licence obligations and regulatory frameworks are complied with.

The FMC Act imposes a number of requirements on licensed financial advice providers including (but are not limited to) taking reasonable steps to ensure the client understands the nature and scope of the advice; exercising care, diligence and skill at all times; offering financial products that comply with the FMC Act, and complying with licence obligations such as record keeping and the requirements of the Code of Professional Conduct for Financial Advice Services (**Adviser Code**).

[11] FMA Guidance February 2023 *Reasonable grounds for financial advice about financial products*

The Adviser Code then imposes further compliance requirements on the financial adviser, including to treat clients fairly and with integrity and that the advice provided is suitable. These obligations, and others within the Adviser Code, are in our opinion reasonable and in the best interests of the industry.

But the further commentary in Code Standard 3 with respect to suitability has caused uncertainty and friction for the industry. Code Standard 3 requires that, when considering suitability, there must be 'reasonable grounds' for the financial advice and continues to consider what amounts 'reasonable grounds'.

The FMA sought to provide comfort by publishing Guidance in February 2023 to clarify that the intention was not to discourage financial advice providers from giving opinions or recommendations without expert research (as that could limit choice) and that what constituted 'reasonable grounds' would depend on the nature and scope of the advice and the relevant circumstances.

However, the contingent nature of the 'reasonable grounds' definition failed to reassure an industry firmly focussed on compliance with the regulatory environment and scalability. We recommend a potential solution in our response to question 8.4.

The problem is compounded by the fact that most internal compliance frameworks require that any investment recommendation to a client be within the client's scope of service and supported by research from an approved research provider. Typically, compliance teams will be conservative in these judgements with the result that there is limited ability for investment in IPOs and smaller listed issuers.

8.2 To what extent do broker incentives or business models affect capital raising outcomes, particularly for smaller or growth-stage issuers?

To a significant extent in our view. There is limited financial incentive for brokers to support capital raising and the business models have reduced the demand for wide ranging research, which ultimately impacts on the coverage.

Funds management: The funds management industry has grown significantly and become more attractive to retail investors, enabling investment into diversified funds at lower cost based on the risk profile of the investor. Active management provides professionally managed portfolios for retail investors with the necessary protections. But there is limited interest in the smaller and growth stage issuers, beyond a specific fund focussed on that end of the market.

Passive investment: There is an increasing trend toward passive investment and exchange-traded funds (**ETFs**) in New Zealand, with offerings of lower fees, tax efficient structures, market diversification, lower volatility and limited ongoing management. But this style of investment favours the more established and larger listed issuers and requires limited research – to the disadvantage of small and growth-stage issuers.

Model portfolios: Licensed financial advice providers are increasingly using model portfolios, professionally managed asset portfolios based on risk allocation (risk profile and risk appetite) of the respective client. Model portfolios offer investors diversification and professional oversight and offer the licensed financial advice provider cost efficiency, time saving and scalability, consistency, risk control and mitigation. However, as with passive investments and ETFs, they reduce the demand for diversified research, particularly at the smaller or growth-stage end of the market.

	Compliance framework: The regulatory and compliance framework of financial services impacts negatively on smaller and growth-stage issuers. As noted above, 'approved research' is a common requirement for any equity investment recommendation in the financial services sector. In the absence of approved research, there is limited ability for investment within the compliance framework. **Research coverage:** Research coverage is largely driven by the fundamental economic concept of supply and demand. In the absence of demand for a particular stock, research into that stock becomes uneconomic.
8.3	Are there specific barriers that prevent brokers or other intermediaries from supporting IPOs, secondary market activity, or ongoing investor engagement for smaller issuers?
	Yes. **Lack of research and compliance requirements:** As noted above, it is common practice in the financial services sector for any recommendation to a client from an adviser, broker or intermediary to be accompanied or supported by 'research' from an approved research provider. The compliance team will determine the 'approved research provider' and the risk appetite of compliance teams tend to be conservative. Their focus is on ensuring that they are compliant with the Adviser Code, the requisite FMC licence obligations and other regulatory requirements, not on the growth of the capital markets industry. In the event there is no 'research' that has been provided by an 'approved research provider', which may be the case with some IPOs and secondary market activity, there is limited ability for that adviser, broker or intermediary to recommend and support that IPO. **Cost:** the costs associated with supporting IPOs, secondary market activity and ongoing investor engagement for smaller issuers are significant and are often uneconomic. Compliance is a significant and costly burden, creating a significant barrier. **Liquidity:** there is often limited investor engagement or interest in smaller issuer stock and therefore it is invariably illiquid. This results in limited resources being directed toward those stocks, reduced visibility and lower interest. Liquidity reduces further as a result.
8.4	What could various industry players do (collectively or individually) to address the issues?
	Licenced financial advice providers could invest more in the procurement of research and engage with multiple third-party research providers to obtain research on all listed issuers, not just those that are part of the model portfolios or ETFs. The concept of 'research' and 'approved research provider' could be standardised across the industry through the provision of FMA guidance. **Broking firms:** Broking firms could broaden the coverage of their research teams to include all listed issuers. The depth and extent of the research might be calibrated through a tiered system based on market capitalisation. This would require investment from the broking firms. **Investor education:** Existing platforms such as Sharesies should be encouraged to continue providing investor education material. This would be a cost to the platform but would provide a public benefit in the form of greater access to research for investors.

Investor education – NZX: The NZX might consider providing a centralised platform for investor education material. This would be a cost to the NZX but would provide greater access to research for investors.

Investor education – Government funded: The Government could provide a financial incentive scheme to strengthen the research ecosystem for IPOs and small to mid-cap issuers, similar to Singapore's Grant for Equity Market Support (**GEMS**) programme. (Refer question 8.6 for more detail).

Investor education – paid research: Independent researchers that prepare general information on listed issuers could be recognised as meeting the requisite research requirements. With respect to an IPO, this could be summarising what a prospectus states and identifying where there are claims that are unsubstantiated or potentially unable to be substantiated.

KiwiSaver providers: Default KiwiSaver providers could be required to support the local market in exchange for their default status by providing research and independent advice.

Listed issuers: Listed issuers could either prepare abridged factual reports that comply with the requirements of the FMC Act and/or engage third party providers to prepare research reports on the issuer's behalf. These could be freely and readily available to financial advisers and investors on the respective listed company website or a website maintained by or on behalf of the issuer. This would be a cost to the listed company but would provide greater access to research for investors.

AI research: Artificial Intelligence could play a role in the undertaking and provision of research through a centralised approved platform. Guidance from the FMA would be required with respect to AI research, but it is a potentially cost-effective and universally available option (see 8.5 below).

Regulatory change: We recommend that the Code Standard 3 commentary be amended to:

- delete 'reasonable grounds'
- reiterate the fair dealing provisions in the FMC Act for completeness, and
- set the parameters of what is sufficient for the purposes of 'suitability', being:
    - material assumptions underlying the advice
    - the financial advice product covered by the advice, and
    - the client's circumstances that are relevant to the advice, including needs, goals and risk tolerance.

In essence, the guidance would provide that research cannot be misleading or deceptive and that it must include material assumptions and be clear about for whom it is written.

In the event that there is no change to current compliance frameworks, licenced financial advice providers will need to be encouraged to approve alternative forms of research.

Regulatory guidance on IPOs: We recommend that specific guidance be developed in relation to financial advice in connection with IPOs. Chapman Tripp has previously shared its thoughts on potential guidance on IPO research, in particular the enforcement of Code Standard 3 and would be happy sharing this again.

	In the absence of such guidance, firms are reverting to Australian processes which are potentially more constrained than is required by the New Zealand market.
8.5	To what extent are the issues identified in this section driven by regulatory settings, as opposed to other structural factors? Do you see a role for government in addressing any of these issues? If so, what types of intervention (if any) should be considered, and what risks should be taken into account?
	Code Standard 3: We recommend a change to Code Standard 3 and the removal of 'reasonable grounds' requirement (see 8.4 above). **FMA guidance on research and AI research:** Further FMA guidance could be provided on Research, what are the key tenets to be considered Research and the interplay with the Code. In essence providing greater guidance and comfort for the industry and compliance teams that determine what amounts to approved research for compliance purposes. The intent behind the Guidance in 2023 was clear, however, the industry interpretation of the guidance does noes not align with that intent. **Government support:** The Government could consider providing financial support for IPOs and for research and for issuers below a threshold. Please see our comments with respect to international examples.
8.6	Are there international examples or models (for example, in relation to research coverage or broker incentives) that you consider relevant to New Zealand?
	The Australian Securities and Investments Commission (**ASIC**) is reviewing its Regulatory Guide 264 Sell-side research with the aim of moving to a simpler principles-based regime that will enable greater research input into the IPO process, facilitate capital raising activity and require licensees to put in place conflict management, inside information and independence arrangements. The Monetary Authority of Singapore's successful government-funded Grant for Equity Market Support (**GEMS**) research programme, introduced in 2019, has been extended several times since inception. GEMS was a S$75m three-year initiative to support listings on the SGX and strengthen the equity research ecosystem. GEMS is funded by Financial Sector Development Fund. It has two main components: • listing grants – these provide up to 70% co-funding of eligible expenses (capped at either S$1m or S$2m depending on whether the issuer's market capitalisation is under or over S$1bn), and • research grants – these provide funding support for pre-IPO, IPO, and post-IPO research reports, research dissemination and research on private companies with strong local presence. The UK Government launched the Investment Research Review in 2023 to consider the levels of financial services investment research in the UK and its contribution to UK capital markets competitiveness. Rachel Kent led the review and made seven recommendations in the report, including: (i) the establishment of a research platform that would provide a central facility for the promotion, sourcing and dissemination of research in particular in relation to smaller companies therefore improving accessibility; (ii) regulatory change to allow additional optionality for payment of research; (iii) involving academic institutions in supporting investment research initiatives; and (iv) reviewing the rules relating to investment research in the context of IPOs.

	Rachel Kent noted in the report that she was convinced the increased provision of investment research will create a stronger capital markets ecosystem. The Chancellor has welcomed the report and accepted all recommendations. The UK government commenced work on the recommendations and continues to be a work in progress. The Singapore and UK governments have taken different approaches to addressing declining research coverage and capital markets activity: Singapore through an interventionist and subsidy-driven approach, and the UK through regulatory reform. Both could be applied in New Zealand.
8.7	Please share any other comments, evidence or data you may have on broker activity and the promotion of small business investment opportunities.
	N/A

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Appendix 1: Additional technical changes

	Proposal	Implementation
	Financial Markets Conduct regime	
1.	Repeal the "exposure period" as it increases market risk and underwriting cost, FMA do not use the period to actually review PDSs, and FMA is not precluded from using its powers (including stop orders, warnings, to seek an injunction or to take civil action) in any event	Amend FMC Act by repealing ss 65 - 69
2.	Repeal section 82(2), as "reasonable grounds" is an unsuitable requirement for high growth/start-up businesses. In Australia, section C of Regulatory Guide 170 has the effect that no forward financial information can be included about such businesses, rather than information which emphasises the high risk nature, or difficulty formulating reasonable assumptions	Amend FMC Act by repealing ss 82(2) and 82(3)
3.	Move regulation 114A of the FMC Regulations (insider trading prohibitions do not apply to new issuance) into a new s 241(4) FMC Act. Make a similar clarification as a new section 263A FMC Act (so that it is clear the "market manipulation" provisions do not apply to communications in connection with new issuance)	Amend FMC Act by adding new ss 241(4) and 263A
4.	Expand the exclusion in s 381(e) FMC Act (unsolicited offers) to also cover off-market buybacks of quoted debt securities by an issuer or a subsidiary	Add new paragraph (e) to s 381 FMC Act
5.	Amend Part 7 FMC Act to incorporate our submissions on Amendment Paper 446 that were ruled out of scope of that Amendment Paper, particularly concerning the measurement of the **climate reporting entity** definition (currently the two preceding periods, rather than a recent period(s) (if any), the definition of **CRD records**, searching the climate-related disclosures register (regulation 252E of the FMC Regulations), and inclusion of a purpose clause at the start of Part 7	Amend Part 7 of the FMC Act and the FMC Regulations as suggested in our submissions
6.	Amend subpart 1 of Part 4 of FMC Regs (Market Manipulation) to adopt the changes to the greenshoe option as recommended by Mallesons in the ASIC public/private market reform consultation	FMC Regulations
7.	Repeal section 454(1) of the FMC Act (which deems an FMC Reporting entity to continue for the remainder of the accounting period once it ceases to have that status (e.g. following delisting or repayment of all debt securities))	FMC Act
8.	Incorporate the Financial Markets Conduct (Employee Share Purchase Schemes) Exemption Notice 2026 into Schedule 1 FMC Act	FMC Act
9.	Extend the June 2005 PFI changes to Schedule 5 managed investment schemes	Schedule 5 FMC Regulations
10.	Amend Director and Senior Manager disclosure regime to also cover unlisted options over, or securities convertible or exchangeable into, quoted financial products, and update the forms in Schedule 17 to also cover options/convertible securities such as performance share rights	FMC Act, Part 5 subpart 6, and Schedule 17 FMC Regulations
11.	Remove the requirement for licensed market annual reviews under sections 337(1) and 338(2) of the FMC Act, and instead only require every 3 years	FMC Act
12.	While the Financial Service Providers (Registration and Dispute Resolution) Act 2008 (FSP Act) currently requires the information to be provided, the FSP Act and regulations do not allow some important information to be searched or presented in search results. The FSP Act and/or regulations made under it should enable (a) the name and place of residence (but not full address) of directors and senior managers and (b) the name of controlling owners, to be searched, and presented in search results.	FSP Act and regulations

Proposal	Implementation
13. The Australian substantial security holder regime is being updated from December 2026 to (like New Zealand) require the disclosure of certain specified derivative interests. As part of that change a new single page form is being introduced to replace the current disclosure forms. In NZ we have three forms that were designed from a time (2014) when most announcements were distributed in text form, rather than the most common means of current distribution using PDF files. Accordingly we recommend Schedule 15 be replaced by a single form, which take s similar approach to the new Australian form (except where the legislation requires otherwise).	Amend Schedule 15 FMC Regulations
Other legislation	
14. Amend section 22 of the Limited Partnerships Act 2008 to enable transfers of quoted limited partnership interests through a licensed market, and a financial products register. Remove the requirement for a supervisor under Part 4 of the FMC Act in respected of a listed limited partnership, or a limited partnership that is intended to be listed, with its limited partnership interests quoted, to facilitate listings of NZ limited partnerships	Amend Limited Partnerships Act 2008 Amend FMC Act
15. Add powers to make no action statements or warnings to Takeovers Act 1993 (modelled on section 9(1)(a)(ii) Financial markets Authority Act 2011	Amend Takeovers Act 1993
16. Repeal the beneficial ownership test from s 7 Overseas Investment Act 2005 (so only test for listed issuers is the control test)	Amend Overseas Investment Act 2005

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