



NEW ZEALAND'S EXCHANGE
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Financial Markets Authority
Level 2, 1 Grey Street,
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by email only: consultation@fma.govt.nz

NZX Submission on proposed financial reporting exemptions for FMC reporting entities in liquidation, receivership or voluntary administration

NZX Limited (**NZX**) submits this response to the Financial Markets Authority (**FMA**) consultation paper 'Proposed financial reporting exemptions for FMC reporting entities in liquidation, receivership or voluntary administration' (**Consultation Document**).

We thank the FMA for the opportunity to make this submission and to contribute to the Government's work of providing relief to Financial Market Conduct (**FMC**) reporting entities which become insolvent.

Nothing in this submission is confidential.

Response to consultation

We support the FMA's agenda to create relief for FMC reporting entities, which are undergoing insolvency, from continuing to produce audited financial statements that are in parallel with an external administrator's reports. We agree with the FMA's rationale that such an undertaking would increase costs involved with the preparation of such audited financial reports at the detriment of creditors and investors.

The FMA is currently proposing the following relief for FMC reporting entities undergoing insolvency either in the form of liquidation, voluntary administration, or receivership:

1. Class exemption relief for FMC reporting entities where a liquidator has been appointed. In such cases, FMC reporting entities will be exempted from FMC reporting requirements until the conclusion of the liquidation process;
2. Deferral relief for FMC reporting entities either where a voluntary administrator or receiver has been appointed. In such cases, relief from FMC reporting requirements will be deferred for 12 months starting from the point at which either a voluntary administrator or receiver was appointed; or
3. Case-by-case relief for FMC reporting entities undergoing insolvency that do not fall into the former two categories. FMC reporting entities seeking relief under this category will need to apply to the FMA and are subject to the FMA's discretion in determining whether or not such entities meet the various factors which necessitate relief for the purposes of the Financial Markets Conduct Act 2013.

We agree with the FMA's proposed financial reporting exemptions and agree that this will reduce the duplicity of financial reporting for stakeholders as well as alleviate the compliance burden for entities in an already difficult situation. We also consider that the proposed period of 12 months for a deferral relief is appropriate.

Currently, when listed entities are undergoing insolvency, the listed entity's securities are immediately suspended on the NZX as soon as a market announcement is made regarding their insolvency. However, while suspended the listed entity must still comply with the NZX Listing Rules by, among other obligations, publishing half year and full year financial information, we note that the FMA's proposed financial reporting exemptions will create a disconnect between the obligations of NZX's Listing Rules and the legislative position for listed entities. If this becomes the case, we will consider whether specific relief or changes are required under the Listing Rules.

Closing comments

We would like to thank the FMA for this opportunity to submit on these proposals and would welcome the opportunity to meet or discuss any aspect of this submission.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Jasveet Sandhu', written in a cursive style.

Jasveet Sandhu
Policy and Regulatory Affairs
NZX Limited