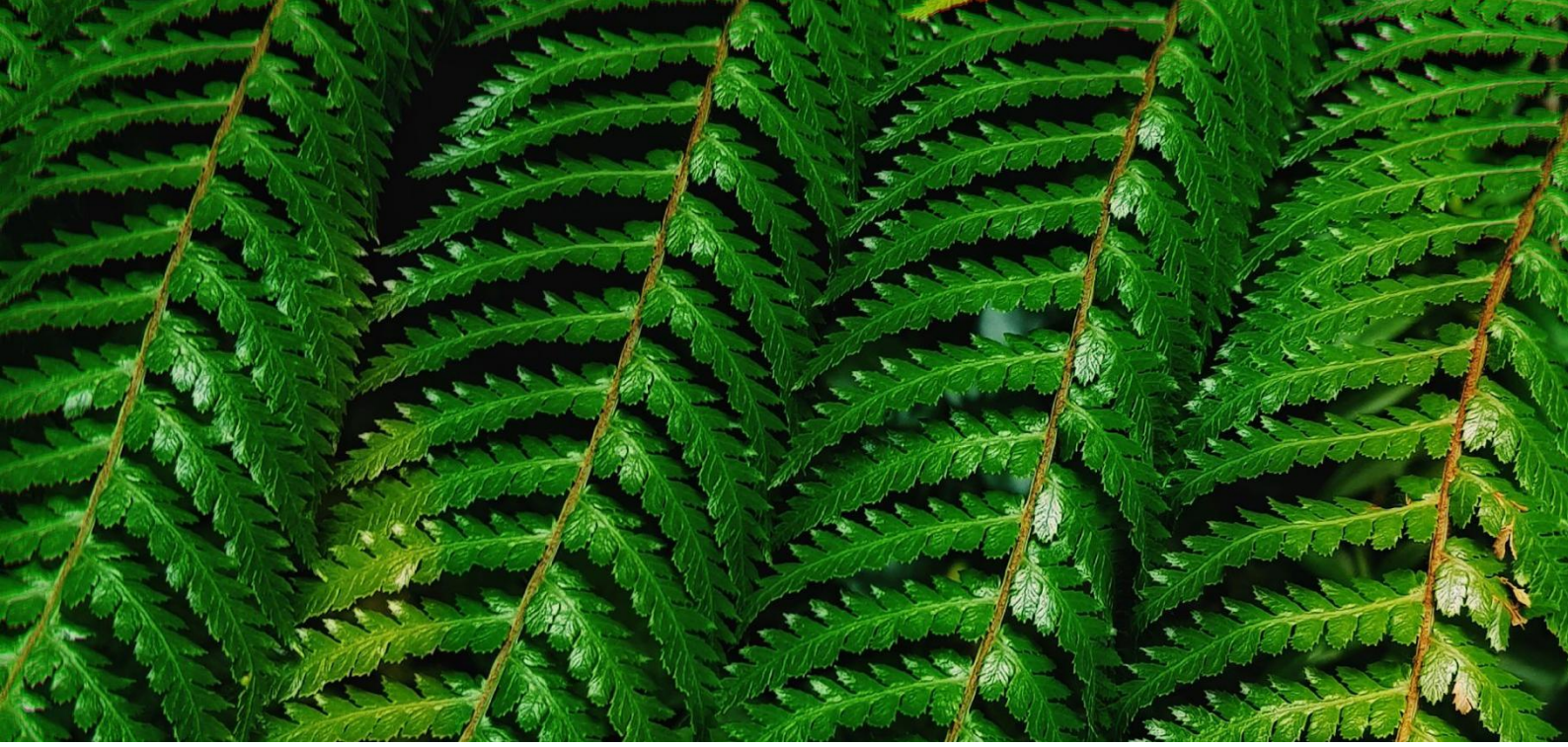

MARCH 2026

Collation of feedback: Tokenisation in financial markets

Collation of written feedback from our 2025 consultation on tokenisation in financial markets

FMA
FINANCIAL MARKETS AUTHORITY
TE MANA TĀTAI HOKOHOKO

Introduction

We would like to thank all submitters for their feedback on our discussion paper on tokenisation in financial markets.

We received 22 written submissions from a wide range of market participants and other interested parties, including businesses, exchanges, fund managers, banks, law firms and industry groups. We appreciate the points raised and the effort put into each submission.

This document contains a collation of the written submissions. We have withheld some information in accordance with the Official Information Act 1982 and the Privacy Act 2020.

We have also published a summary report setting out the key themes raised in the submissions and our response.

Submissions

1. Andhov, Alexandra
2. ANZ Bank New Zealand Limited
3. Chapman Tripp
4. Commonwealth Bank of Australia
5. Corporate Trustees Association
6. Cygnus Law
7. Easy Crypto
8. FinTechNZ
9. Fisher Funds
10. GiveEx Limited
11. Hudson Gavin Martin
12. Lane Neave
13. New Zealand Banking Association
14. New Zealand Financial Markets Association
15. New Zealand Law Society
16. NZX
17. Payments NZ
18. Ripple Labs
19. Securities Industry Association
20. World Gold Council

Feedback form

Tokenisation in financial markets

Please submit this feedback form electronically in both PDF and MS Word formats and email it to us at consultation@fma.govt.nz with 'Tokenisation in financial markets: [your organisation's name]' in the subject line. Thank you. **Submissions close on Friday 31 October 2025.**

Date: 20th October 2025 Number of pages: 7

Name of submitter: Professor Alexandra Andhov

Company or entity: University of Auckland

Organisation type: University / Education

Contact name (if different):

Contact email and phone: [redacted]

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Release of information under the Official Information Act

Once submitted, your feedback becomes official information, and can be requested under the Official Information Act 1982 (OIA).

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If you do not want your submission feedback released as part of an OIA request, please check the box below and provide the reasons why (for example, privacy or commercial sensitivity).

The FMA will take your reasons into account when responding to OIA requests.

☐ I would like my submission (or identifiable parts of my submission) to be kept confidential for the purposes of an OIA request, and have stated my reasons for this, for consideration by the FMA.

I would like my submission (or identifiable parts of my submission) to be kept confidential because… insert reasoning here.

Question number	Response
Q1	**Key Barriers:** • Interoperability challenges**:** Lack of standardisation across different blockchain protocols and tokenisation platforms creates fragmentation and limits the potential for seamless asset transfer and trading • Market infrastructure gaps: Insufficient secondary market liquidity, limited number of trading venues, and underdeveloped price discovery mechanisms for tokenised assets • Digital identity and KYC/AML coordination**:** No standardised approach for portable digital identity across platforms, requiring repeated onboarding processes • Custodial solutions maturity**:** Limited availability of custody solutions that market participants trust, particularly for hybrid custody models • Knowledge and skills gap**:** Shortage of professionals who understand both traditional finance and blockchain technology **Key Opportunities:** • Fractional ownership and accessibility: Lowering minimum investment thresholds for assets like real estate, private equity, and fine art • 24/7 markets and settlement improvements**:** Potential for continuous trading and near-instantaneous settlement reducing counterparty risk • Programmable assets**:** Smart contracts enabling automated compliance, dividend distribution, and corporate actions • Cost reduction**:** Disintermediation potential and automation reducing transaction costs over time
Q3	The FMA's role should focus on enabling market development while managing risks and protecting consumer - acting as a facilitator rather than gatekeeper for non-regulatory issues, and ensuring the domestic market can participate in global tokenisation trends without being disadvantaged by local market structure limitations. **Addressing Market Coordination Failures:** • Convening industry working groups**:** Bring together market participants to develop shared standards for tokenisation, similar to how securities numbering systems (ISIN) were established • Facilitating sandboxes and pilot programs: Continue with the sandbox activites, include more tokenization entities and create safe environments for experimentation that allow learning without full regulatory burden, enabling evidence-based policy • Providing guidance on interpretation: Clarify how existing regulations apply to tokenised activities to reduce legal uncertainty that creates adoption barriers **Knowledge Building and Capacity:** • Commissioning research**:** Partner with universities and industry to produce evidence-based research on tokenisation impacts, risks, and benefits for the local market;

	Additionally develop **case studies -** share anonymised examples of successful and unsuccessful tokenisation projects to help the market learn • Educational initiatives**:** Support financial literacy programs and professional development to build market capacity • International engagement**:** Participate in international forums to learn from other jurisdictions and contribute to global standard-setting (ie BIS) **Infrastructure Support:** • Encouraging standardisation: Without mandating specific technologies, promote interoperability standards and best practices • Publishing technology-neutral principles**:** Issue guidance on operational resilience, cybersecurity, and consumer protection that applies regardless of technology choice **Monitoring:** • Market surveillance adaptation**:** Develop capabilities to monitor tokenised markets effectively, potentially sharing insights about market structure evolution • Data collection: Gather data on tokenisation activity to inform policy and provide market transparency
Q4	**Smart Contract Vulnerabilities and Execution Risks** • Code errors can lead to automatic execution of unintended transactions with potentially irreversible consequences. Unlike traditional systems where errors can be identified and reversed, the immutability of blockchain technology means mistakes in smart contracts may result in permanent financial losses, and there need to be legal remedies for such mistakes. • Mismatches between coded terms and intended contract terms can arise, particularly when verbal agreements differ from what's programmed. Investors may lack the technical expertise to audit code themselves, creating reliance on third parties without formal auditing standards. **Oracle Manipulation and Data Integrity** • Smart contracts depend on "oracles" (third-party data providers) to connect off-chain information to on-chain execution. These create new points of vulnerability where manipulated or incorrect data feeds could trigger inappropriate automated actions affecting investor holdings. Even more so, if these oracles are outside of the control / outside of the NZ context. **Transparency Paradox** • While blockchain offers transparency of transactions, the underlying code complexity and governance structures of tokenised platforms may actually reduce meaningful transparency for average investors compared to traditional regulated disclosures. **Liquidity and Valuation Risks** • Tokenised assets may exhibit liquidity mismatches where the token appears more liquid than the underlying asset, creating run risks during stress periods. Price discovery mechanisms may be immature, leading to significant discrepancies between token prices and reference asset values.

- Secondary markets for tokenised assets are currently fragmented with limited depth, potentially trapping investors during market stress.

Fraudulent Issuance and Misrepresentation

- Lower barriers to issuance through tokenisation could facilitate fraudulent offerings that appear legitimate, particularly targeting less sophisticated investors through promises of fractional ownership in high-value assets.
- Investment scams involving fake tokenised assets are proliferating, including sophisticated "pig butchering" schemes combining social engineering with fraudulent token investments.

Consumer Understanding Gap

- Tokenised products involve layered complexity (underlying asset + token mechanics + platform rules + smart contract logic) that most retail investors might struggle to comprehend. This information asymmetry leaves investors vulnerable to misselling and unsuitable investments.
- The "trustless" narrative around blockchain can mislead investors into believing they face no counterparty risks when substantial dependencies on third parties actually exist.

Multi-Jurisdictional Complexity

- Tokenisation enables assets to move across borders near-instantaneously, creating ambiguity about which jurisdiction's laws apply. In cases of default, insolvency, or disputes, the legal treatment of tokenised assets may be unclear or inconsistent across jurisdictions.
- Governance structures for token arrangements often involve multiple entities across different jurisdictions with unclear lines of accountability. When things go wrong, investors may struggle to identify who is responsible and will ask FMA for support and clarity.

Conflicts of Interest from Function Integration

- Token platforms may combine issuance, trading, clearing, settlement, and custody within a single entity or closely connected entities, creating conflicts of interest that traditional market structures deliberately separate. This vertical integration concentrates risks and reduces checks and balances.
- Platform operators may have incentives that diverge from investor interests, particularly regarding liquidity provision, pricing, or access policies.

Governance Decision-Making

- For permissioned platforms, governance decisions about technology upgrades, security protocols, or rule changes may involve stakeholders with competing interests. Achieving consensus can be difficult, and retail investors typically have no voice in these critical decisions.
- Unclear risk appetite frameworks and responsibility allocation may mean inadequate risk management during adverse circumstances.
- The governance decision-making will become even more complex if some of the solution become completely decentralized.

Dual Custody Challenge

	• Tokenised assets create custody risks at two levels: the token itself (on-chain custody) and the underlying asset (off-chain custody). Investors face risks at both levels, and the relationship between token and underlying asset custody may not be straightforward. • If underlying assets are held off-chain by custodians while tokens trade on-chain, the separation creates reconciliation challenges and potential for custody failures where token holders cannot access underlying assets. • 24/7 operation without circuit breakers or trading halts means stress can propagate continuously without the cooling-off periods traditional markets provide.
Q5	**a) Financial Transactions** • Tokenised payment rails for faster, cheaper transactions with Australia, Asia-Pacific trading partners, and remittance corridors • Automated delivery-versus-payment for agricultural exports using smart contracts to release payment upon verified shipment/delivery • Trade finance tokenisation to improve supply chain financing for SME exporters who struggle to access traditional trade credit • Real-time FX settlement reducing currency risk and transaction costs for importers/exporters **Benefits for NZ**: Could significantly reduce the 3-5 day settlement times and high costs (often 3-7% of transaction value) currently faced by NZ businesses in cross-border trade. **b) Capital Market Infrastructure** New Zealand's corporate bond market is relatively underdeveloped with limited liquidity, particularly for SME issuers. **Specific Applications (some of these already exist)**: • Tokenised NZ government bonds with automated coupon payments and settlement, potentially creating more efficient repo markets • SME bond tokenisation reducing issuance costs and improving secondary market liquidity for smaller corporate issuers • Automated compliance for wholesale investor requirements, reducing administrative burden while maintaining investor protection **Benefits for NZ**: Could deepen capital markets, reduce funding costs for businesses and councils, and improve market liquidity. **c) KiwiSaver** **Relevance**: KiwiSaver represents approximately NZD 100 billion in retirement savings with most New Zealanders participating. Operational efficiencies here have significant system-wide benefits. **Specific Applications**: • Tokenised fund units enabling faster, cheaper switching between KiwiSaver providers (currently takes weeks and involves significant reconciliation) • Automated rebalancing using smart contracts to maintain target asset allocations without manual intervention

	• Direct investment options where KiwiSaver members could allocate portions to specific tokenised assets while maintaining fund structure benefits • Real-time unit pricing and settlement rather than daily pricing cycles • Automated tax reporting and compliance (particularly relevant given NZ's complex portfolio investment entity rules) **Benefits for NZ**: Could reduce friction in the retirement system, lower costs, and increase member engagement with retirement savings. **d) Infrastructure Projects** **Relevance**: New Zealand faces significant infrastructure deficits requiring billions in investment, while institutional and retail capital seeks long-term stable returns. **Specific Applications**: • Tokenised infrastructure bonds for projects like roads, water systems, or renewable energy with automated toll/revenue sharing • Direct retail participation in infrastructure projects at lower minimum investment levels • Increased transparency lifecycle tracking of infrastructure assets for maintenance and replacement planning **Benefits for NZ**: Could mobilize domestic savings for infrastructure development, reduce reliance on offshore capital, and improve infrastructure transparency.

Feedback summary –

1. Terminology – it might be advisable for the FMA to use the same terminology as BIS – ie (https://www.bis.org/publ/qtrpdf/r_qt2003c.pdf); also in regard to the virtual asset / asset-referenced tokens / utility tokens, e-money tokens – a further clarity would be advisable (ie MiCA);

Thank you for your feedback – we appreciate your time and input.

TOKENISATION IN FINANCIAL MARKETS

ANZ BANK NEW ZEALAND LIMITED

14 November 2025

Confidential

1 Introduction

1.1 ANZ Bank New Zealand Limited and ANZ Banking Group Limited (**ANZ**) welcomes the opportunity to provide feedback to the Financial Markets Authority (**FMA**) on the Tokenisation in Financial Markets (**Discussion Paper**).

1.2 As a regional leader in digital assets and tokenisation, ANZ is committed to supporting innovation and regulatory clarity in New Zealand's evolving financial markets. We look forward to ongoing engagement with the FMA and industry stakeholders to help shape a robust, future-ready framework.

2 Contact details

2.1 Please contact [redacted] if you would like to discuss the contents of this response.

3 Confidentiality

3.1 ANZ confirms that this submission may be published in full. We do not seek confidentiality in any part of this document and consent to its release under the Official Information Act or any applicable disclosure requirements.

4 Summary

4.1 ANZ supports the FMA's objective to promote and facilitate the development of fair, efficient, and transparent financial markets. With New Zealand at the early stages of exploring digital assets and distributed ledger technologies (**DLT**), ANZ acknowledges FMA's advocacy to investigate the opportunities and risks associated with tokenisation.

4.2 We commend the FMA's proactive approach to exploring tokenisation and DLT, and we encourage continued open dialogue as the regulatory landscape evolves. Drawing on our experience with regional and global pilots, ANZ is well positioned to share insights and collaborate on standards development, governance, and risk management.

5 Key Themes

5.1 **Supporting Innovation:** ANZ advocates for a regulatory environment that enables innovation and experimentation, while maintaining strong consumer protections. We are encouraged by the exploration of use cases and concepts, particularly in the wholesale space.

5.2 **Flexible Technology-Neutral Regulation:** ANZ supports principles-based regulation, with targeted bespoke provisions for tokenisation as needed. We recommend leveraging global regulations and frameworks, including rules for stablecoins, to ensure adaptive business models are supported.

5.3 **International Alignment:** ANZ actively benchmarks against global standards and participates in cross-border pilots, ensuring New Zealand remains connected to international best practices. We have contributed to initiatives such as MAS Project Guardian, Hong Kong's eHKD+, RBA Project Acacia, Chainlink CCIP and Swift interoperability experiments.

5.4 **Collaboration and Engagement:** ANZ is committed to ongoing engagement with the FMA, other regulators, and industry partners to advance tokenisation and digital asset adoption. We are open to sharing insights from our pilots and partnerships to help shape a robust regulatory framework.

6 Consultation Questions and ANZ Responses

6.1 The following section provides ANZ's high-level and summarised responses to the FMA's consultation questions. These responses expand upon the key themes outlined above and offer insights into ANZ's activities and strategic direction. We have included responses to the consultation questions in the Appendix.

6.2 ANZ's digital strategy is evolving and is based on the working hypothesis that tokenisation and decentralised networks or DLT represent new financial market infrastructure and a new form factor (i.e. tokens) for transacting value. Accordingly, we apply and manage the associated non-financial risks which are based on the general principle of 'same activity, same risk, same regulation'.

6.3 ANZ continues to pursue the transition of financial market infrastructure, as it evolves from being internet-protocol based to one of 'tokenised' protocols. We believe that DLT has potential to overcome inefficiencies in the functioning of markets, reduce transaction cost and risk, enable atomic DvP/PvP with faster, always-on settlement, improve capital raising, streamline compliance, and broaden investor access to asset classes.

6.4 ANZ believes the underlying DLT infrastructure will be efficient, fast, secure, underpinned by multiple decentralised networks. Interoperability between public and private blockchains and with existing Financial Market Infrastructure, is therefore a design priority. ANZ advanced this goal by collaborating with Chainlink to test its Cross-Chain Interoperability Protocol (CCIP), participating in Swift's tokenised-asset interoperability experiments, and joining MAS's Project Guardian to advance cross-chain and tokenised-asset use cases.

6.5 ANZ's "test-and-learn" approach has delivered live, real-value customer transactions that contributed to a cumulative capability build while validating technical feasibility, obligations, risks, and control effectiveness, all of which would be of value to FMA. ANZ focuses on wholesale and institutional use-cases, participating in client and/or regulator-led pilots across Australia, Hong Kong and Singapore to learn.

Examples include:

6.5.1 Cross-chain Interoperability and Delivery-versus-Payment (**DvP**): ANZ used Chainlink CCIP to automate end-to-end, atomic DvP of tokenised assets across chains and currencies—delivering a tokenised asset on one chain while settling A$DC against an ANZ-issued NZD stablecoin on another, all via a single interface. CCIP Private Transactions preserved confidentiality and compliance, enabling straight-through processing, lower operational and settlement risk, and true cross-chain interoperability.

https://pages.chain.link/hubfs/e/anz-ccip-cross-chain-tokenized-asset-settlement-case-study.pdf

6.5.2 In 2023 ANZ participated in Swift's interoperability experiments which used existing Swift connectivity and Chainlink's CCIP to demonstrate transfers of tokenised value across public and private blockchains, showing a path to reuse banks' current infrastructure rather than bespoke integrations, reducing integration overhead for FI's.

Swift have recognised that tokenisation is rapidly gaining traction with the potential to transform the global financial industry. It's fueling a proliferation of digital networks and currencies and creating need for bank-grade infrastructure to unlock the benefits of digital finance at scale. To address this, Swift is developing a neutral, blockchain-based shared ledger for the mutual benefit of global finance. Swift has commenced working with a group of global financial institutions, including ANZ, to design and build the ledger, focused on a first use case of real-time 24/7 cross-border payments.

Swift to add blockchain-based ledger to its infrastructure stack in groundbreaking move to accelerate and scale benefits of digital finance across more than 200 countries and territories worldwide | Swift

6.5.3 Upcoming tokenised Trade Payables and Tokenised Bonds pilots under Australia's Project Acacia. These pilots explore how digital money, including wholesale CBDC, can support wholesale tokenised asset markets by unlocking efficiencies, liquidity, and resilience in the country's financial system.
ANZ's tokenised bond proof-of-concept demonstrates that the enabling technology, including permissioned blockchain infrastructure, smart contracts, and digital settlement assets, is mature and capable of supporting secure, efficient, and programmable financial instruments. However, the path to scaled adoption is shaped more by regulatory, legal, and ecosystem factors than by technical limitations.

The adoption of new settlement infrastructure services was driven by the potential to reduce costs, improve speed to market, improve transparency and enable future automation of reporting including rate-setting disclosures. Over time, such infrastructure may also facilitate access to new investor markets. However, existing regulatory constraints may limit flexibility in structuring new services. Additionally, insights from international initiatives like Project Pine suggest that widespread tokenisation could reshape monetary policy operations, though further research is needed to understand its implications for market structure and central bank frameworks. Work continues.

6.5.4 ANZ has a range of other initiatives where our insights and experiences could be shared with FMA, including; the eHKD Pilot in Hong Kong where ANZ and Visa tested DvP settlement using e-HKD and tokenised deposits to enable Australia-based investors to purchase tokenised fund units from Hong Kong asset managers, aiming for near-real-time interbank, cross-border settlement with interoperability between public and permissioned blockchains.

ANZ is open to sharing its insights from these and other experiences with FMA.

6.6 To unlock the benefits of tokenisation, the market needs clearer regulatory frameworks, institutional grade infrastructure for digital settlement, trusted on/off ramps for converting digital assets, robust custody and compliance standards, and interoperability between legacy and distributed systems to maintain resilience and investor confidence.

6.7 Well-regulated tokenised forms of money can facilitate safe and secure access to the tokenised economy. The adoption of these instruments, among other things, requires safekeeping of assets via private key management capabilities (i.e. digital asset custody). Clear regulatory frameworks for these safeguards are essential to foster innovation under licensed, supervised conditions with appropriate user protection.

6.8 We maintain the view that digital currencies will co-exist in multiple forms, including payment stablecoins and tokenised bank deposits. Today's digital asset ecosystem is fragmented across different blockchains and platforms, making it difficult for users and businesses to move assets freely between networks. To scale and integrate with traditional systems, interoperability and broad ecosystem engagement are essential.

Appendix Section	FMA Questions		ANZ Response
Market Opportunities & Risks	1	What are the main market barriers and opportunities for domestic tokenisation activity in financial markets?	**Barriers:** Regulatory uncertainty, limited institutional grade infrastructure for digital settlement, the novelty and complexity of the technology, immature markets and low liquidity/adoption due to early-stage development and interoperability challenges, as well as limited investor education. **Opportunities:** Tokenisation can enhance efficiency, informational transparency and auditability; reduce post-trade costs, enable atomic DvP/PvP, broaden investor access through fractionalization, and enable product innovation. More timely and complete information available in tokenised settings could help to digitise markets, both wholesale and retail, and boost economic efficiency. That said the main four areas of focus are: • **Reduced cost, risks and improved capital efficiency** due to streamlines processes, shorter settlement cycles, advanced automation, shared computing and/or fewer intermediaries. • **Access to markets 24x7x365** and infrastructure that operates on 24x7 basis without cut-off or "business hours" with ability to finalise transactions in near real-time. • **Greater financial agility.** Greater ability to respond quickly to market conditions through real-time settlement, improved liquidity management, and flexible asset structures. • **Improved efficiency, transformation and automation**. Token programmability has the potential to cut through layers of manual processes currently embedded in the trade and other digit asset lifecycles. • **Enhanced security** as adherence to rules can be pre-programmed and auto-executing without the need to relying on a trusted party to act with integrity.
	2	What do you see as the operational and technology challenges for adoption of tokenisation by your business or the market?	• **Integration with Existing Market Infrastructure** Current clearing and settlement systems are not designed for tokenised assets. Bridging legacy systems with distributed ledgers requires significant investment and interoperability standards. • **Operational resilience, cybersecurity,** and ensuring robust custody and compliance frameworks, to maintain trust and systemic stability. • **Interoperability.** Communication between different technologies, both 'on' and 'off' chain, will also be critical to limiting fragmentation between assets traded across different venues. This could otherwise result in different prices and ownership information existing in relation to the same underlying asset. And investors may seek the assurance that if the 'on chain' network malfunctions, they still have recourse to the underlying asset recorded and held 'off chain'. • **Skills and Change Management** Tokenisation demands new technical capabilities (smart contract development, DLT integration) and operational processes, requiring workforce upskilling and market change.

Appendix Section	FMA Questions		ANZ Response
	3	What role (if any) do you see for the FMA relating to these barriers and challenges, and any opportunities?	FMA can provide clear guidance, foster industry collaboration, and support regulatory sandboxes for innovation. Pilots are also a unique opportunity to explore how tokenised assets and digital money can unlock new efficiencies, liquidity, and resilience. By enabling New Zealand's participation in global unified ledger style infrastructures while retaining local conduct/consumer protections is an opportunity worthy of exploration.
	4	Thinking about issues like market conduct, investor protection, governance and custody, what are the main consumer and investor risks you see in the market relating to tokenisation compared to traditional offerings?	Risks include product complexity, lack of transparency, cyber threats, and potential for fraud or market abuse. Enhanced disclosure and customer education are also essential. Regulatory uncertainty and compliance obligations are a perennial regulatory challenge to ensure innovation can flourish in a way that is consistent with financial stability and consumer protection. Some innovations in tokenised finance have occurred in a grey zone, on the edge of the regulatory perimeter. A common theme globally is uncertainty around governance and risk management responsibilities. For example if a smart contract on a programmable ledger goes awry, cross-border and anti-money laundering responsibilities do not disappear, but who is accountable? Only a small number of jurisdictions have established new regulatory frameworks supporting tokenised asset markets, while others have observed that innovations in tokenised finance should operate within existing regulatory frameworks. Understanding these positions in a NZ context will be important. We have inhouse experts who would be able to work with the FMA to flesh out these matters, to ensure the associated positive conduct, when offering new products, including associated strong governance will ensure that the risks mentioned above (market abuse, fraud, misleading disclosures) provides and assures the FMA that the application of DLT framework is well managed from the outset. The embedded paper below "Digital Assets – vulnerabilities and their classifications" (co-authored by one of ANZ's own) references, identifies, reviews, and categorises these risks. It draws on a systematic review of literature and classifies the vulnerabilities by layer-network layer, consensus layer, protocol layer, and enablement layer. Plenty to digest and with an opportunity to leverage within the New Zealand plan.  Digital assets - vulnerabilities and the
	5	What role do you see for tokenisation in the	Tokenisation will drive efficiency, broaden access, and enable new asset classes. Promising use cases include tokenised bonds, real estate, managed funds, and payment solutions. Pilots in general are a unique

Appendix Section	FMA Questions		ANZ Response
		future of New Zealand's financial markets? What current or emerging use cases for tokenisation are most relevant or promising in the New Zealand market?	opportunity to explore how tokenised assets and digital money could work and while these can unlock new efficiencies, liquidity, and resilience they will also help inform perceived challenges associated with regulation and compliance and offer insight as to how obstacles can be tackled.
Regulatory Settings & Approach	6	Do you consider that the current law helps or hinders domestic tokenisation activity, and why?	Current law is technology-neutral, however it lacks clarity for novel tokenised products, which can hinder innovation. Applicable laws, e.g. related to financial markets, privacy, credit contracts, anti-money laundering and tax should be reviewed, if not already, to reflect the broadening demand for clarity around treatment of various asset classes. The laws of New Zealand should also not hinder wholesale tokenisation activity and global interoperability is critical if New Zealand is to successfully bring the future of financial markets into the digital world. ANZ supports the use of the FMA's sandbox to provide greater certainty around which laws and standards apply, recognising that asset clarification will also help bring certainty, avoid fragmentation across chains and provide confidence to the approach taken.
	7	Does financial markets legislation exclude or appropriately capture products and services relating to tokenisation, and why?	Some products/services fall outside existing frameworks, creating uncertainty and uneven consumer protection.
	8	Do you have any views on whether specific tokens (or tokens with certain characteristics) or specific services associated with tokens or tokenisation are appropriately included or excluded from	Legislation should focus on economic substance and risk profile, not just form. Clarity on inclusion/exclusion is needed for stablecoins, utility tokens, and decentralised autonomous organisations among other things. Instruments, including tokens that behave like financial products—for example, those conferring ownership, profit rights, or redemption claims—should clearly fall within the scope of financial markets legislation, regardless of the technology used. At the same time, utility, governance, or payment tokens with no investment or profit element may warrant proportionate or separate treatment, provided consumer-protection and AML/CFT standards are still met. Improved transparency, controls and understanding of these characteristics across the regulatory landscape would be welcomed.

Appendix Section	FMA Questions		ANZ Response
		financial markets legislation?	Consider regulatory perimeter clarity for tokenisation services (issuance, custody, exchange) so innovation can occur under a supervised and licensed framework.
Future State	9	Do you consider that a bespoke regulatory framework for tokenisation is desirable? Or would refinements to the existing principles-based framework be sufficient, or a combination of both?	A combination is preferred as a principled based framework merged with targeted bespoke provisions for tokenisation will help drive innovation and speed of adoption. ANZ supports the FMA's commitment to being a technology-neutral regulator and a principles-based approach that focuses on the economic function and risks of the token, rather than the technology itself, will be important. For example, how would the FMA guide or clarify how tokenised debt/equity/fund units and tokenised deposits map to existing FMC categories and custody obligations? In theory, tokenised forms should meet the same selling/consumer protection standards as the underlying product. We will be able to share our learnings from previous regulatory engagements and proof of concepts.
	10	Do you have any observations about the overall coherence of how virtual assets are treated across regulatory systems, such as payments, financial markets, tax, AML/CFT?	Greater coherence and harmonisation are needed across payments, tax, AML/CFT, and financial markets regulation. For example stablecoins allow for new features that haven't traditionally been available. Smart contracts enable, among other things, automated portfolio rebalancing, instant settlement, and the ability to use tokenized assets as payment vehicles. There are also broader considerations, such as AML/KYC controls which could leverage New Zealand's Digital Identity Services Trust Framework Act for reusable credentials and consent based data sharing - reducing onboarding friction and fraud while supporting portability in tokenised markets.
	11	What changes (if any) do you consider may be necessary or desirable to explore for existing financial markets legislation to improve business confidence, and promote and facilitate innovation, market access and function, and	Clear definitions, streamlined licensing, and guidance on custody and disclosure for tokenised assets are essential to build confidence and enable innovation. Removing regulatory duplication and simplifying the ecosystem would encourage greater participation and associated use case innovation. For example ANZ would support minimum custody standards (segregation, resilience RTOs, incident reporting) echoing MAS technology risk guidance, plus plain-English disclosures explaining token rights vs. underlying asset rights (title vs. benefit; voting; recourse; settlement finality). The final regime must not be overly prescriptive or focused purely on retail, which could limit the institutional or wholesale adoption necessary to drive major market transformations (and indeed where ANZ has seen the most interest).

Appendix Section	FMA Questions		ANZ Response
		investor protection?	We also support requirements for operational resilience (“same risk/same rules” ethos), e.g. business continuity across chains, cyber controls, chain-outage handling and market-abuse monitoring. Absent a clear digital-asset regime, New Zealand could see a measured shift of some deposits, particularly non-interest-bearing balances, into USD-stablecoin venues, which could potentially have an impact on banks’ funding mix. As global digital-asset markets expand, and USD-denominated stablecoins dominate trading and yield opportunities, capital may increasingly migrate from NZ bank deposits to offshore, USD-linked platforms. Considering and monitoring this is important to maintain financial stability and competitiveness as markets evolve over time.
	12	What approaches do you consider may be necessary or desirable from the FMA as the regulator to improve market confidence and investor protections for tokenisation initiatives, and why?	FMA should provide ongoing guidance, facilitate industry engagement, support pilot programs and regulatory sandboxes. Enhancing market transparency and leveraging global trends and removing barriers will help drive new products and services and for the NZ financial markets to mature. ANZ is also founding member of the Digital Finance Cooperative Research Centre (DFCRC) in Australia. The DFCRC brings together fintech, industry, research, and regulatory stakeholders to capitalise on the financial sector transformation arising from the digitisation of assets. ANZ maintains a strong focus on collaboration and partnerships as key enablers to create the necessary network effects that will drive the adoption of digital assets. This approach would also bring confidence to New Zealand’s evolving framework. In order to obtain scale there needs to be certainty around the "tokenised money" used for settlement. In other words, solutions that inherently build trust e.g. tokenised bank deposits (or if the RBNZ wished to explore the wholesale use of a central bank digital currency (**CBDC**). Again ANZ would support the expanded use of the regulatory sandbox, and or class exemptions/designations for tightly scoped, wholesale pilots. e.g. recommend that FMA enable pilots that demonstrate on chain DvP/PvP across jurisdictions. As the ecosystem matures there are a range of components that would assist in maturing the New Zealand market, e.g. short-form Guidance/FAQs clarifying FMC Act application to: (a) tokenised fund units; (b) tokenised bonds (on-chain registries); (c) tokenised deposits/stablecoins used for settlement; (d) custody requirements for virtual assets; (e) licensing expectations for platforms offering secondary trading, consistent with technology-neutral settings.
	13	Given international regulatory and market activity (see Appendix), do	Adopt global standards, collaborate with international regulators, and clarify cross-border compliance requirements. The ongoing wholesale developments are equally, if not more important than retail if we are to truly leverage this opportunity.

Appendix Section	FMA Questions		ANZ Response
		you have views on how the regulatory system should manage cross-border and jurisdictional issues?	New Zealand must demonstrate the interoperability and stability of the proposed ecosystem, thus ensuring regulatory cooperation on the settlement layer. ANZ would be open to sharing our learnings from the interoperability frameworks emerging from Project Guardian/FCA and international bodies (IOSCO), to enable New Zealand entities to leverage global / cross-border networks without bespoke, New Zealand only rules that increase cost.
	14	Do you have any other observations or comments about tokenisation in financial markets?	Tokenisation presents a significant opportunity for NZ's financial sector. Ongoing dialogue and adaptive regulation will be key to success. We also note the potential convergence with RBNZ whose recent consultation on CBDC are a complementary instrument to stablecoin and tokenisation allowing private-sector experimentation and interoperability with CBDCs advancements. ANZ suggests that FMA prioritise relevant pilots (e.g., tokenised payables for exporters; tokenised fixed income with New Zealand participants) to evidence benefits with RBNZ and FMA coordination and oversight. An aligned regulatory approach will avoid unwanted duplication and a smooth transition into the digital advancements across financial markets in New Zealand.

chapman tripp

Memorandum

31 October 2025

Financial Markets Authority (*FMA*) –
Te Mana Tātai Hokohoko

consultation@fma.govt.nz

By Email

SUBMISSION: TOKENISATION IN NEW ZEALAND'S FINANCIAL MARKETS

1 Thank you for the opportunity to provide this submission on the current use and future potential of tokenisation in New Zealand's financial markets, as described in the discussion paper on *"Tokenisation in financial markets"* dated September 2025 (*Discussion Paper*).

2 We view tokenisation as a positive step forward for New Zealand financial markets and innovation in emerging technologies. Taking a long-term view to ensure the market and regulatory environment will be fit for purpose into the future, we strongly support the consultation to explore the opportunities, risks, and regulatory challenges associated with the use of tokenisation and distributed ledger technology (*DLT*) in New Zealand's financial markets.

3 Firstly, we highlight three key messages addressed in our submission, and summarised in more detail in this cover letter:

3.1 **Keeping pace with global developments**: New Zealand must align with rapid international advances in tokenisation and stablecoin regulation, including in the institutional/wholesale space, to stay competitive. While we do not need to (and should not) look to re-invent approaches being developed elsewhere, New Zealand should be looking to keep pace so that innovation can flourish in New Zealand, and such innovation can easily expand into offshore markets.

3.2 **Expansion of remit**: Regulation should expressly consider stablecoins and digital currencies as a core component of tokenised asset development, and a key building block for longer term tokenised asset use cases.

3.3 **Cross-sectoral approach**: A collaborative pilot involving multiple regulators and industry will provide practical insights and guide targeted regulatory updates. Given our size, New Zealand's markets have a unique combination of retail and wholesale participants. Retail-focused regulation needs to also appropriately cater for, and facilitate, institutional growth and innovation. This requires an aligned approach across the FMA and the RBNZ.

Keeping pace with global developments

4 Global change is happening at pace and without action, New Zealand risks being left behind.

5 As tokenisation and stablecoin development gathers momentum, we need a forward-looking regulatory approach to allow New Zealand's financial markets to hold their own, maintain the interest of – and ability to interact with – offshore capital, and continue to be fair, efficient, and competitive.

6 Even relatively minor developments of domestic regulatory and monetary policy settings could have a big impact on New Zealand's ability to compete and adapt in both wholesale and retail financial markets. This is particularly relevant if New Zealand wishes to foster local innovation and integrate with global digital asset ecosystems in step with increasing international activity.

7 Proactive alignment of regulatory and policy settings with global developments is key. Overseas jurisdictions are rapidly developing their approaches to tokenised assets, providing valuable insights for New Zealand.

8 The Monetary Authority of Singapore is leading Project Guardian, an international collaborative initiative with the financial industry to trial asset tokenisation in financial markets. Operating as a cross-border sandbox, it brings together regulators and market participants to develop standards, risk management, and regulatory frameworks, and to test tokenised financial products such as funds, bonds, and stablecoins across multiple jurisdictions and currencies.

9 Australia has also made significant progress through Project Acacia, an initiative exploring the development of Australia's wholesale tokenised asset markets supported by the regulators and industry, including the Reserve Bank of Australia, Expansion of remit to include consideration of stablecoins and digital currencies.

Expanding the remit

10 Globally, much of the regulatory drive in the digital asset space is focused on institutional opportunities, particularly in relation to stablecoins and central bank digital currencies.

11 Since 2023, major jurisdictions such as the EU, Japan, Singapore, and the UAE have implemented stablecoin regulations focused on matters such as reserves, custody and redemption rights. In 2025, the Trump administration's support for stablecoin development further accelerated regulatory momentum in the US, including through the passage of the GENIUS Act. The US House of Representatives has also passed the Digital Asset Market Clarity Act, now before the Senate, which aims to establish a broader regulatory framework for digital assets.

12 The GENIUS Act is expected to become a benchmark for stablecoin oversight, as compliance will be required for international market participants wishing to access the US market. Hong Kong, Brazil, Australia and the UK are also progressing or finalising their own stablecoin regulation. We believe that the GENIUS Act is likely to

have a wider impact, driving broader global progress in tokenisation and digital asset innovation generally.

13 In our view, the impact of the Discussion Paper and ongoing work in this space would be strengthened with meaningful involvement by a broader network of regulators, including the Reserve Bank of New Zealand – Te Pūtea Matua (*RBNZ*) which has a legislative mandate to monitor technology developments in money. Key reasons for this include:

13.1 *Interconnected systems:* Stablecoins and other tokenised assets often use the same underlying technology. Stablecoins can be used to efficiently settle transactions involving tokenised financial products. This interconnectedness makes it sensible to consider regulatory approaches in tandem.

13.2 *Market integrity:* A shared approach to developing frameworks for asset tokenisation and digital currencies will result in consistent standards supporting reliable digital financial markets.

13.3 *Consistent risk management:* Given their shared technological foundations and the similar considerations on other matters, such as custody and AML/CFT, it is sensible and efficient to consider the risk management of stablecoins in tandem.

Cross sectoral approach

14 We would support assembly of a coalition of regulators and industry to develop a pilot or sandbox programme—similar to Australia's Project Acacia—to test tokenised assets and digital settlement mechanisms, focusing initially on wholesale/institutional applications, in a supervised, real-world setting. As identified in the Discussion Paper, different types of tokenised assets may require tailored regulatory approaches. A pilot programme would generate practical examples to guide sensible and strategic decision-making, both at the regulator and industry level.

15 It is possible that New Zealand's existing legal and regulatory frameworks may only require minor adjustments to accommodate innovations in tokenisation. A domestic pilot with regulatory exemptions and close oversight would provide practical insights and help identify where legislative changes may be required.

16 We have responded to the individual questions from the Discussion Paper below.

17 Our submission does not purport to represent the views of our clients.

18 We are happy to engage further on these matters. If you would like to discuss any aspect of this submission, please contact:

[redacted]

Yours sincerely

[redacted]

Feedback form

Tokenisation in financial markets

Please submit this feedback form electronically in both PDF and MS Word formats and email it to us at consultation@fma.govt.nz with 'Tokenisation in financial markets: [your organisation's name]' in the subject line. Thank you. **Submissions close on Friday 31 October 2025.**

Date: **31 October 2025** Number of pages: **13**

Name of submitter: [redacted]

Company or entity: **Chapman Tripp**

Organisation type: **Law Firm**

Contact name (if different):

Contact email and phone: [redacted]

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Question number	Response
Market opportunities and risks	
Q1. In your view, what are the main market barriers and opportunities for domestic tokenisation activity in financial markets?	Global advances in stablecoins and digital infrastructure hold the potential to enhance cross-border payments, enabling real-time, cost-effective transactions. However, investment costs for digital infrastructure are substantial and development requires coordinated efforts from multiple stakeholders moving in the same direction at the same time. We highlight three key opportunities that could be leveraged to address market deterrents to domestic tokenisation activity in New Zealand's financial markets: 1. **Regulatory clarity around digital infrastructure** A clear signal from New Zealand's regulators, including the FMA and the RBNZ, as to their openness to the investigation of tokenisation, digitisation and blockchain technologies in this space will be critical to encouraging participation of businesses and financial institutions in the exploratory work during this foundational stage. Currently, tokenisation activity in New Zealand is relatively limited compared to international examples, concentrated with a relatively narrow set of industry participants, as they must navigate uncertain and unclear rules and regulations. We believe that the impact of the consultation and ongoing work in the tokenisation space will be strengthened with meaningful involvement by a broader network of regulators, including the RBNZ who have a legislative mandate to monitor technology developments in money under section 116 of the Reserve Bank of New Zealand Act 2021. The RBNZ has signalled interest in supporting the development of New Zealand's digital economy through the ongoing work on the *Future of Money – Te Moni Anamata,* which comprises discussion around the possibility of central bank digital currency (CBDC) and private sector innovations in cryptoassets and stablecoins. Global innovations in digital representations of money have been largely driven by institutional interest. We are seeing the issue of US dollar-based stablecoins being issued by banks, non-bank payment institutions and market infrastructure providers, each with its own backing models. As transactions in regulated and foreign stablecoins gain traction in New Zealand, we recognise the risks to our financial system and monetary sovereignty if money itself shifts into a digital token format that lives outside of New Zealand banking and regulatory systems. Instead of being an entry in a domestic bank's ledger, stablecoins are a token on a blockchain that can move instantly and globally and, for those that are foreign dollar-based, directly compete with a country's money and financial infrastructure. We consider that understanding how stablecoins and other forms of virtual assets can support innovation while providing stability for the financial system should be a strategic focus for the FMA and RBNZ working in tandem.

Question number	Response
	A concerted effort of the FMA and RBNZ in the investigation of tokenisation in New Zealand can culminate in integrated thinking, solutions and actions that have industry-wide impact. 2. **Overseas initiatives and development** We agree with observations in the Discussion Paper, with respect to the increase in use cases internationally for tokenisation to reduce friction in markets and transactions, and support real-time trading, payment and settlement, in a secure and scalable way. Our experience indicates that cross-border payments, and short settlement timings across jurisdictions, are increasingly integral to the funding of our banks and financial institutions. We expect this trend to continue. In our work, we are increasingly exposed to the growing focus internationally on the potential use of institutional digitisation and blockchain technology to reduce settlement times and costs and to increase transparency, including with respect to cross-border payments. Given that a number of our significant financial institutions form part of larger, overseas-owned groups of companies, we see real opportunities for New Zealand financial institutions to benefit from the lessons learned from investigative initiatives[1] that their broader groups are involved in overseas. Banks in particular may be well positioned to leverage their relationships with overseas counterparts to facilitate these developments. 3. **Digital bonds** Building on the points above, digital bonds provide a clear initial use case for tokenised assets in New Zealand. They are inherently tradeable, so changes can initially be focused on the form of register used (rather than re-evaluating the nature of the product more generally), they can interact with and provide test cases for stablecoin development, and they stand to benefit from shorter settlement times. Reducing between pricing of an issuance or secondary market trade to settlement is a well-known existing concern that has significant work internationally to improve over recent years.
Q2. What do you see as the operational and technology challenges for adoption of tokenisation by your business or the market?	New Zealand's economy is relatively small, limiting economies of scale. This means that friction created by regulatory barriers (and uncertainty that regulation or interpretation may change adversely after an investment is made) can quickly prevent innovation from being commercially viable. We consider that stronger, more supportive regulatory signals in New Zealand could stimulate greater participation in, and commitment to, exploring the adoption

1 Notably, Project Acacia is a joint initiative between the Reserve Bank of Australia (*RBA*) and the Digital Finance Cooperative Research Centre (*DFCRC*), supported by the Australian Securities and Investments Commission (*ASIC*), the Australian Prudential Regulation Authority (*APRA*), and the Australian Treasury. The initiative aims to explore the settlement of tokenised assets using various forms of digital money, including stablecoins, tokenised deposits, and a wholesale central bank digital currency (*wCBDC*) on both public and private DLTs. Lead use case participants in this project include Australia and New Zealand Banking Corporation, Commonwealth Bank of Australia and Westpac Banking Corporation.

Question number	Response
	of tokenisation by businesses and the market. As noted in our cover letter, we support a cross-industry pilot or sandbox, with regulatory exemptions and close oversight, to help develop practical regulatory responses to innovation and demonstrate regulator openness to developments in this area.
Q3. What role (if any) do you see for the FMA relating to these barriers and challenges, and any opportunities?	We view the coordinated role of the FMA and RBNZ as working closely with industry and supporting the development of a New Zealand-led initiative or pilot, addressing institutional and economy-wide initiatives, similar to those launched and ongoing in Australia and Singapore.[2] We believe that clear, coordinated signals from New Zealand's regulators, including the FMA and the RBNZ, as to their openness to the investigation of tokenisation, digitisation and blockchain technologies are key to encouraging interested parties to contribute to this policy development. In considering the role that tokenisation may play in New Zealand's markets, we believe the FMA should bear in mind the unique combination of retail and wholesale participants to ensure that retail-focused regulation appropriately caters for and facilitates institutional growth and innovation. This requires an aligned approach across the FMA and the RBNZ.
Q4. Thinking about issues like market conduct, investor protection, governance and custody, what are the main consumer and investor risks you see in the market relating to tokenisation compared to traditional offerings?	The novelty of distributed ledger technologies (DLTs) in tokenised markets presents some operational vulnerabilities and governance considerations. Scalability, settlement finality, and ensuring smooth interoperability between DLT and traditional systems are areas that require further development and thought, alongside building cybersecurity resilience. Decentralisation of DLTs can make it more challenging to assign accountability and navigate and enforce regulation. For example, we anticipate that financial institutions would want to be able to use tokenised assets as collateral in traditional markets, and vice versa. Accordingly. traditional and DLT systems must be sufficiently interoperable to provide for this as well as alignment in ownership recognition across ecosystems, for example where "real-world" assets are being tokenised.
Q5. What role do you see for tokenisation in the future of New Zealand's financial markets? What current or emerging use cases for tokenisation are most relevant or promising in the New Zealand market?	See our response to Q1 in relation to 'Overseas initiatives and development'. Tokenisation has recently found significant institutional and general use cases in stablecoin development across global markets, and is increasingly being explored internationally as a way to modernise financial infrastructure, increase market efficiency, broaden investor access and speed up institutional cross-border payments. While activity in digital securities issuance and cross-border payment innovation remains modest compared to traditional activity, over the last 18 months we have

2 Refer to footnote 2 above in relation to Project Acacia in Australia. See also Project Guardian, which is a Singapore-led international industry initiative in collaboration with policymakers and the financial industry to enhance liquidity and efficiency of financial markets through asset tokenisation. Participating financial institutions include the Australia and New Zealand Banking Group, and policymakers include the International Monetary Fund (*IMF*), World Bank, the Monetary Authority of Singapore and the Financial Conduct Authority (UK).

Question number	Response
	seen significant momentum offshore, with major financial centres moving from pilot projects to live offers. • The Eurozone has seen central banks and market infrastructure providers successfully issue digital bonds using blockchain technology. In Asia, Singapore and Hong Kong have established frameworks to support the issuance of and broader market adoption of digital bonds. • Other jurisdictions, including Switzerland, the United Kingdom, and the United States, are also developing or refining comprehensive regulatory regimes to facilitate tokenisation while maintaining investor protections and market integrity. • Closer to home, Australia's Project Acacia is a joint effort between major financial regulators and industry participants. The project focuses on how digital money and settlement infrastructure can support the development of wholesale tokenised asset markets. It has recently announced that it is moving into a testing phase, involving 24 specific use-cases. In our view, one of the most significant opportunities for tokenisation in New Zealand's financial market is its potential to improve payment systems by reducing friction, enabling secure, scalable, real-time trading, payment and settlement.
Regulatory settings and approach – Current settings	
Q6. Do you consider that the current law helps or hinders domestic tokenisation activity, and why?	In our view, it is possible that current laws do not require significant change to support domestic tokenisation activity; and it may be that only minor adjustments may be necessary (we include an example of this in relation to Question 11 below). In any event, a cross-industry pilot or sandbox programme, with regulatory exemptions and close oversight, would provide a practical way to investigate how tokenisation initiatives can operate within existing frameworks. This approach would help ensure that any future legislative changes are well-informed, targeted, and proportionate. One of the current regulatory settings we have identified under the Financial Markets Conduct Act 2013 (*FMC Act*) as a potential barrier to domestic tokenisation activity is the scope of the legal definition of "financial products", which could capture tokens or tokenised assets, and therefore impose disproportionately onerous licensing requirements under section 310 of the FMC Act which would otherwise apply to traditional operators of a financial product market in New Zealand. Looking towards digitising the New Zealand wholesale money markets, we support the FMA's focus and recognition of: • the promotion of innovation and flexibility in the financial markets, by facilitating the establishment of a new financial product market with appropriate regulatory settings; and

Question number	Response
	• the purpose set out in section 229 of the FMC Act to encourage a diversity of financial product markets that take account of the differing needs and objectives of issuers and investors.
Q7. Does financial markets legislation exclude or appropriately capture products and services relating to tokenisation, and why?	One potential regulatory barrier to tokenisation under the FMC Act is the broad definition of "financial products", which may include tokens or tokenised assets. This could trigger licensing requirements under section 310, originally designed for traditional financial product market operators, which may be unduly onerous or inappropriate in the tokenisation context. Section 229 of the FMC Act highlights the importance of encouraging a diversity of financial product markets that cater to the varying needs and objectives of issuers and investors. Striking the right balance between effective regulation and fostering innovation is essential in this context. We recommend introducing a pilot or sandbox programme to give regulators and market participants practical experience with tokenisation to ensure that regulatory settings are appropriate to the specific needs and risks of tokenisation activity in New Zealand.
Q8. Do you have any views on whether specific tokens (or tokens with certain characteristics) or specific services associated with tokens or tokenisation are appropriately included or excluded from financial markets legislation?	We believe that this question would be best answered with the informed and practical experience of a pilot or sandbox programme.
Regulatory settings and approach – Future state	
Q9. Do you consider that a bespoke regulatory framework for tokenisation is desirable? Or would refinements to the existing principles-based framework be sufficient, or a combination of both?	At this stage, we believe it may be preferable to refine the existing principles-based framework rather than introduce bespoke regulation for tokenisation. At these initial stages, our view is that it may be preferable to make targeted amendments to existing legislation to capture tokenised financial products and services, to provide clarity on the regulatory position in respect of these products and services, and to provide a clear and encouraging signal to industry members on development in this space. This approach would also allow for the continued evolution of the regulatory regime in line with market developments, without the risk of creating unnecessary complexity or fragmentation. However, as outlined above, we believe that a pilot or sandbox programme would be instrumental in ensuring that any legislative response is appropriate and proportionate.
Q10. Do you have any observations about the overall coherence of how virtual assets are treated across regulatory systems, such as	From an AML/CFT perspective, the use of private or permissioned DLT may generally allow for integration with existing regulatory requirements. We understand that large, established institutions typically structure their virtual asset platforms to ensure that all participants are subject to appropriate due diligence at onboarding and on an ongoing basis, including with respect to transaction

Question number	Response
payments, financial markets, tax, AML/CFT?	monitoring. The transparency and auditability offered by permissioned DLTs can even enhance compliance monitoring, supporting the overall regulatory regime. In New Zealand, the legislative approach to virtual assets has largely involved targeted amendments to existing laws (for example in relation to AML), rather than wholesale reform or the introduction of bespoke frameworks. This approach focuses on enabling virtual assets to be brought within the scope of established regulatory requirements in an incremental manner.
Q11. What changes (if any) do you consider may be necessary or desirable to explore for existing financial markets legislation to improve business confidence, and promote and facilitate innovation, market access and function, and investor protection?	At a general level, in order to prioritise interoperability, we consider that New Zealand should look to regulatory developments in both Australia and the United States to facilitate further stablecoin development and encourage uptake. This would include consideration of non-cash payment facility licensing and related regulatory relief, similar to Australia. We further consider that regulatory clarity is essential to business confidence and the promotion of innovation within, and access to, New Zealand's financial markets. Without a clear regulatory signal, local and international market participants face uncertainty and may be reluctant to commence or increase investment in tokenisation operations here. The signal of a clear regulatory pathway informed by developments and activities in overseas jurisdictions, may help attract established global players to New Zealand, encourage local innovation, and support New Zealand's financial markets to hold their own. This will be key to maintaining the interest of – and ability to interact with – offshore capital. Lastly, in relation to digital bonds and similar, we consider that (at a minimum) changes should be made to contemplate registry functions and transfers occurring on blockchain, rather than current provisions which effectively require a centralised register and written transfer instruments. We have previously submitted on this point in relation to ongoing changes in the Financial Markets Conduct Amendment Bill.
Q12. What approaches do you consider may be necessary or desirable from the FMA as the regulator to improve market confidence and investor protections for tokenisation initiatives, and why?	We refer to our response to Q11 and emphasise in particular the need for a clear regulatory signal to the market so that proven market players and local innovators, subject to broader regulatory requirements, can feel encouraged and supported to enter, establish or expand operations in the New Zealand market.
Q13. Given international regulatory and market activity (see Appendix), do you have views on how the regulatory system should manage cross-border and jurisdictional issues?	We believe cross-border and jurisdictional considerations would be more appropriately navigated by prioritising interoperability, and a pragmatic approach to a regulatory framework that aligns and integrates well with overseas practice and standards, rather than re-investing approaches developed overseas. As noted in our response to Q1, we see opportunities for New Zealand financial institutions to benefit from approaches informed by overseas initiatives like

Question number	Response
	Australia's Project Acacia, which includes participants with group companies in New Zealand. We encourage the FMA, and other New Zealand regulators, to engage with their international counterparts to support cross-border tokenisation activity and build domestic market confidence.
Q14. Do you have any other observations or comments about tokenisation in financial markets?	In our view, it is vital that New Zealand takes a long-term view to ensure our market and regulatory environment are fit for purpose into the future. We strongly support the consultation to explore the opportunities, risks, and regulatory challenges associated with the use of tokenisation and DLT in New Zealand's retail and wholesale financial markets. We believe that ongoing work in furtherance of the matters discussed in the Discussion Paper will be more effective with meaningful involvement from other regulators, including the RBNZ, as a whole-of-economy approach is needed to support innovation in digital assets and means of payment. Broader regulatory involvement will promote regulatory coordination, provide clarity, and help future-proof New Zealand's financial infrastructure as tokenisation becomes more mainstream.
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Tokenisation in financial markets

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Date: 24 October 2025 Number of pages: 8

Name of submitter: [redacted]

Company or entity: Commonwealth Bank of Australia, New Zealand branch

Organisation type: Bank

Contact name (if different): [redacted]

Contact email and phone: [redacted]

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Question number	Response

Q1. In your view, what are the main market barriers and opportunities for domestic tokenisation activity in financial markets?	• The main market barriers include:
	  ○ Regulatory uncertainty – lack of clear legal frameworks and challenges in applying existing regulations to new technologies
	  ○ Technology and integration costs – cost of initial investment in infrastructure and system upgrades, and complexity in integrating legacy systems with new tokenised platforms.
	  ○ Market readiness and adoption – uncertainty around demand and willingness of financial institutions to adopt tokenised models. Collaboration and education will be key.
	  ○ Controls and regulation of custodians and suitable exchanges.
	  ○ Lack of incentive for incumbent operators of marketplaces to upgrade technology where they are monopolies or have significant market share
	• Opportunities include:
	  ○ Efficiency gains – tokenisation could significantly reduce transaction costs and settlement times, and enhance collateral mobility and velocity
	  ○ Innovation – tokenisation could enable new types of financial instruments to be created, and supported in a flexible and automated settlement process
	  ○ Improved transparency and risk management – real-time visibility of asset ownership and transaction history, with better collateral management and reduced counterparty risk
	  ○ Cross-border potential – international transactions could be streamlined, and NZ could align with evolving global standards and frameworks
	  ○ Increased market resilience – smart contracts could enable 24/7 settlement capability and reduced reliance on intermediaries, with the potential to improve liquidity and reduce systemic risk.

Q2. What do you see as the operational and technology challenges for adoption of tokenisation by your business or the market?	• The main operational and technology challenges for adoption of tokenisation include:
	  ○ Integration with legacy systems – legacy systems would need to be adapted or replaced to support real-time, programmable settlement and enable 24/7 settlement.
	  ○ Settlement finality – ensuring finality of settlement in tokenised environments may be complex, unless supported by legislative measures.
	  ○ Operational risk may increase with smart contracts

	○ Liquidity and collateral management – tokenised markets may require new approaches to managing intraday liquidity and collateral. New systems may be required to monitor and respond to movements. ○ Platform interoperability – there are many distributed ledger technologies in use, and we would need to ensure we can operate across required platforms. ○ Cybersecurity risk – tokenised systems would introduce new cybersecurity risks. ○ Automation - smart contracts would require robust governance, auditing and testing.
Q3. What role (if any) do you see for the FMA relating to these barriers and challenges, and any opportunities?	• FMA could leverage emerging international technical and operational standards for tokenised platforms and promote interoperability across different distributed ledger technologies, to reduce fragmentation and integration costs. • FMA could work closely with RBNZ to align regulatory frameworks with tokenisation, leveraging international experience in comparable jurisdictions. • FMA could work with RBA and other overseas regulators to ensure consistency or harmonisation with international regulations. • FMA could invite financial institutions and other market participants to participate in real-world trials to identify practical challenges and refine solutions. • FMA could set expectations for cybersecurity, operational resilience and settlement finality in tokenised environments and provide oversight and assurance frameworks for smart contracts. • FMA could establish transaction monitoring procedures to ensure compliance with regulatory requirements.
Q4. Thinking about issues like market conduct, investor protection, governance and custody, what are the main consumer and investor risks you see in the market relating to tokenisation compared to traditional offerings?	• In principle, regulation should be technology neutral. Tokenised markets be regulated to ensure consistency with established market standards for conduct, protection, governance and custody versus reinvent new ones. • Custody is one area where the risks compared to traditional offerings are different due to the difference in the way tokenised assets are held, e.g. the security of private keys is critical to the safe custody of digital assets. This means that regulation of custody may need specific provisions relating to digital asset custody to achieve the same outcome as existing traditional custody requirements. • Market conduct ○ Limited regulatory guidance relating to distributed ledger technologies (DLT) and tokenisation could lead to opportunities for misconduct. ○ Risk of mis-selling or misunderstanding of tokenised products due to not all investors having access to technical and legal expertise. However, this can be resolved with regulation that requires appropriate

	documentation so that customers are informed, and which is aligned to existing rules for sale of non-tokenised financial products, and adjusted where necessary to outline specific risks.
	• Investor protection
	  ○ The cross-border nature of DLT platforms could make it difficult to enforce rights or recover assets
	  ○ Current disclosure requirements may not capture risks inherent in smart contracts, platforms, etc.
	  ○ We suggest that tokenisation is appropriate to wholesale only investors, and may not be appropriate for retail investors.
	• Governance
	  ○ The developers and operators of DLT platforms may not conduct the same level of due diligence checks as on traditional financial market infrastructure, which could lead to operational failures or cyber incidents.
	• Custody
	  ○ Loss, theft of compromise of private keys could result in irreversible loss of assets in tokenised systems.
	  ○ Uncertainty around strength of controls, insurance and ability to recover assets in the event of a cyberattack.
	  ○ The cross-border nature of DLT could make it harder to enforce AML and KYC requirements, increasing the risks of money laundering and sanction breaches.

Q5 What role do you see for tokenisation in the future of New Zealand's financial markets? What current or emerging use cases for tokenisation are most relevant or promising in the New Zealand market?	• Roles for tokenisation in the future of NZ's financial markets
	  ○ Tokenised bonds and equities could improve the efficiency of issuance and settlement, and in-life management. Other countries are developing regulatory frameworks to support tokenisation (e.g. Singapore, Hong Kong, Switzerland, UK and USA).
	  ○ Australia is progressing regulatory frameworks too:
	  ▪ RBA's Project Acacia is moving into testing phase for wholesale tokenised asset markets.
	  ▪ The draft Treasury Laws Amendment (Regulating Digital Asset, and Tokenised Custody, Platforms) Bill 2025 was released on 25 September 2025. It proposes to update Australia's financial services regulatory regime to capture custodial tokenisation activities and support innovation.
	  ▪ ASIC has registered the ASIC Corporations (Stablecoin Distribution Exemption) Instrument 2025/631, granting class relief for intermediaries engaging in the secondary distribution of a stablecoin issued by an AFSL issuer.
	  ▪ ASIC is consulting on a proposal to amend the ASIC Corporations (Stablecoin Distribution Exemption) Instrument 2025/631 (ASIC

	Instrument 2025/631) to add a second Named Stablecoin and make some minor consequential and clarification changes ○ Tokenisation enables wholesale and retail investors to take fractional ownership in previously illiquid or high value assets (e.g. commercial real estate, infrastructure, private equity) which could broaden participation in capital markets. ○ Tokenisation could encourage innovation in the development of new technologies in New Zealand. ○ Controls and compliance could be automated into smart contracts, reducing operational risk. ○ Tokenisation of assets may be essential in a future global economy that has moved to DLT based systems, to ensure efficient capital flows and global competitiveness of NZ capital markets. ○ For tokenised markets to deliver the full set of benefits (efficiency, automation, programmability, automation) they need a compatible form of digital currency for settlement, whether than is CBDC, Deposit Tokens or Stablecoins. • Current or emerging use cases ○ Tokenisation of bonds and equities could improve issuance and settlement efficiency e.g. SIX digital exchange ○ Tokenisation of real estate, commodities and infrastructure could enable fractional ownership and enhance liquidity. ○ Tokenisation could simplify the administration of managed funds and automate compliance. ○ Tokenisation of money market funds e.g. Franklin Templeton's Benji fund ○ Tokenised repo transactions enable short term collateralised borrowing in minutes, enhancing liquidity management & collateral velocity (see JPM Kinexys or Broadridge solutions in US).
Q6. Do you consider that the current law helps or hinders domestic tokenisation activity, and why?	• New Zealand's Financial Markets Conduct Act (FMCA) does not explicitly reference tokenised products, so they may fall outside the scope of the FMCA. The FMCA allows the FMA to tailor regulatory treatment on a case-by-case basis, however, this is likely to be inefficient. It may be more efficient to update the FMCA to capture tokenisation activities in a similar way to Australia's Treasury Laws Amendment (Regulating Digital Asset, and Tokenised Custody, Platforms) Bill 2025.
Q7. Does financial markets legislation exclude or appropriately capture products and services relating to tokenisation, and why?	• The Financial Markets Conduct Act (FMCA) does not mention tokenisation within its definition of a 'financial product'. The Act defines a financial product as: "(1)(a) a debt security; or (b) an equity security; or (c) a managed investment product; or (d) a derivative". (2) If an interest or a right is declared by

	regulations not to be a security for the purposes of this Act, the interest or right is not a financial product for the purposes of this Act". • It does not exclude tokenised products and services, but it doesn't reference them either. • In Australia, regulators have often interpreted existing legislation relating to financial products as applying to tokenised products despite no explicit mention of tokenisation, as the fundamental principle is that regulation should be technology neutral. Sometimes a tokenised product is just an existing product represented on a different technology (e.g. a bond on blockchain is still a bond). Sometimes a tokenised product is truly a new product, so it sits outside existing laws. ASIC Information Sheet 225 assists businesses involved in tokenised products to understand their obligations under the Corporations Act 2001 and the Australian Securities and Investments Commission Act 2001.
Q8. Do have any views on whether specific tokens (or tokens with certain characteristics) or specific services associated with tokens or tokenisation are appropriately included or excluded from financial markets legislation?	• We think that security tokens representing rights or interests in assets (e.g. securities) should be included in financial markets legislation. • Legislative changes should be considered to capture tokens unless the legislation already captures them.
Q9. Do you consider that a bespoke regulatory framework for tokenisation is desirable? Or would refinements to the existing principles-based framework be sufficient, or a combination of both?	• We think that amendments to the existing established framework would be preferable, with refinements to clarify how tokenised financial products are treated; and appropriate additions/amendments for new risks (e.g. smart contract governance, custody). Alignment with international regulation is key.
Q10 Do you have any observations about the overall coherence of how virtual assets are treated across regulatory systems, such as payments, financial markets, tax, AML/CFT?	• Currently, there is fragmentation in the treatment of virtual assets across supervisors in New Zealand. • AML/CFT: Virtual Asset Service Providers (VASPs) are supervised by either the Department of Internal Affairs (DIA) or Financial Markets Authority (FMA) • Tax: IRD treats virtual assets as property • Payments: there is no clear framework for tokenised money or stablecoins.
Q11 What changes (if any) do you consider may be necessary or desirable to explore for existing financial markets legislation to improve business confidence, and promote and facilitate innovation, market access and function, and investor protection?	• We suggest that the FMCA is updated to include detail regarding how virtual assets are to be treated. • We recommend that FMA develops a safe space for participants to pilot the use of tokens in financial markets with a collaborative approach between market participants and regulators e.g. UK Sandbox, MAS approach. • We suggest that FMA develops guidelines and licensing pathways for industry participants in the digital assets ecosystem to establish minimum standards, e.g. providers of tokenised platforms and digital asset custodians e.g. In

	Australia, providers of a Digital Asset Platform must have an Australian Financial Markets Licence.
Q12 What approaches do you consider may be necessary or desirable from the FMA as the regulator to improve market confidence and investor protections for tokenisation initiatives, and why?	• Clarity of regulation protects investors by establishing minimum standards and enhances trust in tokenised product. • We would like FMA to issue guidance on the use of tokenised financial products and services in New Zealand. This should be developed through engagement with potential industry participants. • We recommend that FMA launches education on tokens for institutional and retail investors. • We recommend that FMA monitors international developments and adapts regulation and guidance accordingly, in conjunction with RBNZ, MBIE and DIA.
Q13 Given international regulatory and market activity (see Appendix), do you have views on how the regulatory system should manage cross-border and jurisdictional issues?	• We suggest that FMA should adopt global standards for the governance of virtual assets. In the IOSCO Policy Recommendations for Crypto and Digital Asset Markets (including DeFi) Umbrella Note, IOSCO said "Regardless of the organizational form, or technologies used, the persons and entities engaging in these activities should be treated in line with the guiding principle of 'same activity, same risk, same regulation/regulatory outcome.'" We believe this is important to the effective operation of these markets. • By using globally aligned standards, this should enable virtual assets to be traded across multiple jurisdictions.
Q14 Do you have any other observations or comments about tokenisation in financial markets?	• Several jurisdictions are moving from pilot phase to production. To remain globally competitive, we recommend FMA should develop a safe space for New Zealand industry participants to practice and pilot the use of tokens in financial markets.
Feedback summary *– if you wish to highlight anything in particular*	
Please note: Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.	
Thank you for your feedback – we appreciate your time and input.	

Feedback form

Tokenisation in financial markets

Please submit this feedback form electronically in both PDF and MS Word formats and email it to us at consultation@fma.govt.nz with 'Tokenisation in financial markets: [your organisation's name]' in the subject line. Thank you. **Submissions close on Friday 31 October 2025.**

Date: 29 October 2025 Number of pages: 7

Name of submitter:

Company or entity: Corporate Trustees Association

Organisation type: Industry association for the licensed supervisors

Contact name (if different):

Contact email and phone: info@cta.org.nz [redacted]

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☐ I would like my submission (or identifiable parts of my submission) to be kept confidential for the purposes of an OIA request, and have stated my reasons for this, for consideration by the FMA.

I would like my submission (or identifiable parts of my submission) to be kept confidential because… insert reasoning here.

Question number	Response
Q1 *In your view, what are the main market barriers and opportunities for domestic tokenisation activity in financial markets?*	The main opportunity for tokenisation in New Zealand is its potential to create a more efficient, liquid, and accessible financial system. Tokenisation can reduce friction in the trading of illiquid assets like private equity, forestry rights, and commercial property, allowing for fractional ownership and a broader investor base. It can also streamline capital raising for small to medium-sized enterprises (SMEs) by lowering issuance costs and administrative burdens. This could democratise investment opportunities, providing retail investors with access to asset classes previously reserved for wholesale investors. The primary barriers, however, can be significant, especially where regulatory principles are not easily applied to virtual assets. Uncertainty in the regulatory framework could potentially be a major hurdle (addressed in our responses to questions 6-14). Market participants are hesitant to innovate when there is inadequate certainty or guidance on how existing legislation applies. This is compounded by a general lack of technical understanding and trust in the underlying technology (distributed ledger technology or DLT) among potential investors and traditional financial institutions. In addition self-custody by investors can present additional difficulties and risks. The cost of building bespoke infrastructure, integrating with legacy systems, and ensuring compliance with multiple regulatory regimes (e.g., AML/CFT, financial markets, tax) is also a significant barrier for local businesses.
Q2 *What do you see as the operational and technology challenges for adoption of tokenisation by your business or the market?*	The operational and technology challenges for supervising products adopting tokenisation are substantial. A key challenge is the need for a robust and secure technological infrastructure to manage and monitor issued tokens and some of the tokenised assets. This includes secure private key management and a system for on-chain and off-chain reconciliation to ensure the digital representation of an asset is always aligned with the real-world asset. We must also develop new internal capabilities and expertise to understand the intricacies of smart contracts, DLT protocols, and the unique risks they present. The concept of self-custody by investors is a particularly thorny issue. While it may reduce costs, it also shifts a significant burden and risk to the investor. As supervisors, we can provide a trusted, institutional-grade custody solution. This includes acting as the custodian of the real-world assets (such as physical property deeds, cash, or financial instruments) that back the tokens. This would provide a layer of security and investor confidence that is difficult to achieve in a purely decentralised system. Our established role as a trusted third party, with existing governance structures and a proven track record, is a valuable asset in this evolving landscape. Supervisors would need to discuss with FMA the technology investment if FMA expected Supervisors to provide Custody of tokens directly to investors. We are not aware of any local Custodian offering this service, such as holding client assets and crypto keys. If custody of client tokens were required, this would likely need to be supported by a global player, with potentially limited protection from fraud. There are real technology gaps to consider for local custody (even supported by a global sub-custody arrangement) of crypto assets for investors.

Q3 *What role (if any) do you see for the FMA relating to these barriers and challenges, and any opportunities?*	The FMA could play a crucial role in addressing these barriers and challenges by providing clear, practical guidance on how existing financial markets legislation applies to tokenised products and/or a clear regulatory framework for issuers and service providers. For example: What are FMA's expectations in respect to how tokens will be issued and backed? How involved should the Supervisor/Trustee be? Supervisors might hold and safeguard an underlying asset, but what other guardrails are required in respect to the token issuance. This would provide the regulatory certainty needed to encourage innovation. Secondly, the FMA should foster a collaborative environment where industry participants can engage directly with the regulator on a case by case basis. The FMA's recent regulatory sandbox is a good example of a process to allow firms to test tokenised products in a controlled environment, enabling the FMA to gain a deeper understanding of the technology and its implications. Finally, the FMA can help promote market confidence (as can the licenced supervisors when acting as custodians for the underlying assets of tokenised offerings).
Q4 *Thinking about issues like market conduct, investor protection, governance and custody, what are the main consumer and investor risks you see in the market relating to tokenisation compared to traditional offerings?*	The main consumer and investor risks relating to tokenisation, compared to traditional offerings, stem from the complexity and novelty of the technology. • Custody Risk: Unlike traditional financial products where assets are held by a licenced and insured third party, the risk of losing tokens through a hack, phishing scam, or simply forgetting a private key is significant. • Smart Contract Risk: The reliance on smart contracts introduces the risk of technical vulnerabilities or coding errors that could lead to financial losses. • Lack of Recourse and Governance: In a decentralised system, there may be no clear party responsible for addressing issues or providing a point of contact for complaints. This contrasts sharply with traditional retail investment offerings where a licensed supervisor is appointed to act as a guardian of investor interests. • Management of underlying assets: Many asset classes need active management to ensure that investor in the tokenised assets maintain or enhance the value. Supervisors can provide oversight of the management of the underlying assets ensuring that they comply with the investment offer. • Valuation and Liquidity Risk: While tokenisation can improve liquidity, the secondary market for these assets may be immature and volatile, making it difficult for investors to sell their tokens at a fair price. • Misleading Offers: The novelty of the space can be exploited by bad actors who make unsubstantiated claims about the value and returns of a tokenised asset. Supervisors can help mitigate these risks by acting as the custodian of the real property and financial assets (including cash for stablecoins), ensuring a tangible link between the digital token and the real-world value. Supervisor involvement can help bridge the trust gap between the traditional financial system and the emerging world of tokenisation.
Q5 *What role do you see for tokenisation in the future of New Zealand's financial markets? What current or emerging use cases for tokenisation are most relevant or promising in the New Zealand market?*	We see tokenisation potentially playing a transformative role in New Zealand's financial markets by enabling greater efficiency, transparency, and accessibility. The most promising use cases for the New Zealand market are those linked to our core economic sectors. For example: • Real Estate: Tokenisation of commercial or residential property could enable fractional ownership, making it more

	accessible to a wider pool of investors and increasing liquidity. • Primary Sector Assets: Assets like forestry rights, farm land, or even produce could be tokenised. This would allow for capital raising and investment on a smaller scale, attracting new domestic and international capital. • Stablecoins: The tokenisation of a New Zealand dollar (NZD) stablecoin, backed 1:1 by cash, potentially held in a supervised trust. This could significantly improve the efficiency of payments and settlements within a tokenised ecosystem. The supervisor's role in this context would be to hold the cash on behalf of the token holders, providing a crucial layer of trust and security.
Q6 *Do you consider that the current law helps or hinders domestic tokenisation activity, and why?*	While the existing principles-based framework is intended to be technology-neutral, its application to novel tokenised products can be ambiguous. This forces innovators to seek legal advice and potentially FMA exemptions, which can be a costly and time-consuming process. The uncertainty of this process could act as a significant deterrent, particularly for smaller firms and startups.
Q7 *Does financial markets legislation exclude or appropriately capture products and services relating to tokenisation, and why?*	Financial markets legislation can appropriately capture products and services relating to tokenisation, but the fit is not always perfect. The Financial Markets Conduct Act (FMCA) is generally broad enough to cover tokens that have the characteristics of a financial product, such as debt securities or managed investment products. However, some tokens, especially those that represent unique assets, may fall into a grey area. Another issue is whether the services associated with tokens, such as trading on centralised or decentralised exchanges, are adequately captured. There is a risk that some services fall outside the regulatory perimeter, creating a gap in investor protection.
Q8 *Do have any views on whether specific tokens (or tokens with certain characteristics) or specific services associated with tokens or tokenisation are appropriately included or excluded from financial markets legislation?*	Any token that represents a financial interest or has the characteristics of a financial product is appropriately included in financial markets regulation, having regard to substance over form. If a token is marketed and functions as a traditional financial product, it should be regulated as one. Tokens that are purely for utility (e.g., loyalty points) and have no investment characteristics should remain outside the scope of financial markets legislation. The defining characteristic for inclusion should be the expectation of a return or a financial interest for the token holder.
Q9 *Do you consider that a bespoke regulatory framework for tokenisation is desirable? Or would refinements to the existing principles-based framework be sufficient, or a combination of both?*	A bespoke regulatory framework for tokenisation is not desirable at this stage. A bespoke framework could stifle innovation by being too prescriptive and quickly becoming outdated or out of sync with FMCA. Instead, we suggest a combination of refinements to the existing principles-based framework, especially clear, practical guidance from the FMA, is the most effective approach. The principles-based approach of the FMCA is sound. FMA could help by clarifying FMCA's application to tokenised products.
Q10 *Do you have any observations about the overall coherence of how virtual assets are treated across regulatory systems, such as payments, financial markets, tax, AML/CFT?*	There is a significant lack of overall coherence in how virtual assets are treated across different regulatory systems in New Zealand. While the AML/CFT Act has a clear definition for virtual asset service providers, financial markets legislation, tax law, and payments regulation are less clear. This creates a fragmented and confusing environment for firms operating in this space. For example, a token that is a "financial product" under the FMCA may not be a "virtual asset" for the purpose of tax law. CTA members encourage a collaborative effort between the FMA, the Reserve Bank, Inland Revenue, and the Department of Internal Affairs to ensure a more coherent and consistent approach.

Q11 *What changes (if any) do you consider may be necessary or desirable to explore for existing financial markets legislation to improve business confidence, and promote and facilitate innovation, market access and function, and investor protection?*	In general, FMA guidance is likely to be preferable to legislative change. However, a possible change might be a clearer process for regulatory sandboxes or a similar mechanisms, allowing firms to test tokenised products with a limited number of investors under FMA supervision. This would provide a safe space for innovation and provide invaluable data for future regulatory decisions. Additionally, a review of the definition of "financial product" and "financial service" to ensure clarity in relation to the use of tokenisation may be appropriate.
Q12 *What approaches do you consider may be necessary or desirable from the FMA as the regulator to improve market confidence and investor protections for tokenisation initiatives, and why?*	We commend FMA on this consultation and encourage it to take a proactive approach to improving market confidence and investor protection in relation to tokenisation. This includes: • Considering the role of licensed supervisors: Recognising the potential role for licenced supervisors in providing oversight / acting as the custodian of real-world assets and cash reserves that back tokens. This could provide a useful layer of trust and security. • Issuing guidance for both innovators and investors: The FMA should publish clear, well-publicised guidance on what constitutes a compliant tokenised offering and what firms need to consider before entering the market. • Enforcement: In general we support FMA taking swift enforcement action against firms that engage in misleading conduct or fail to adhere to investor protection principles, regardless of the technology they use.
Q13 *Given international regulatory and market activity (see Appendix), do you have views on how the regulatory system should manage cross-border and jurisdictional issues?*	Given the borderless nature of tokenisation, managing cross-border and jurisdictional issues is critical. In relation to tokenisation, we encourage FMA to: • Actively engage with international regulators: The FMA should continue to work with international bodies like IOSCO and other peer regulators to align on standards for tokenised assets. There are various issues to consider, for example how to deal with foreign investors buying tokens, including if the underlying asset supporting a token was ever liquidated and the beneficiaries needed to be paid out in fiat currency. • Apply a "sufficient nexus" principle: We support an approach where a tokenised offering is subject to New Zealand's regulatory framework if it is offered to New Zealand residents, regardless of where the issuer is domiciled.
Q14 *Do you have any other observations or comments about tokenisation in financial markets?*	The tokenisation of financial assets and the role of supervisors are deeply intertwined. The ability for supervisors to act as a trusted custodian of real property and financial assets, including the cash backed stablecoins, is the key to building a robust and secure tokenised market in New Zealand. Our role provides the necessary bridge of trust between the digital world and the traditional financial system. We are committed to working with the FMA and other industry participants to explore these opportunities and ensure that investor protection remains at the forefront of this innovation.
Feedback summary – *if you wish to highlight anything in particular* CTA welcomes the opportunity to provide this submission. As the industry association for licenced supervisors, we are uniquely positioned at the interface between the regulator and market participants, acting as the front line of investor protection and market integrity. Our observations on the opportunities, challenges, and risks of tokenisation are informed by our role in supervising a diverse range of financial products and schemes.	

Please note: Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.

Thank you for your feedback – we appreciate your time and input.

31 October 2025

Financial Markets Authority
Level 2, 1 Grey Street
Wellington 6140

By email: consultation@fma.govt.nz

T: +64 9 390 3228
M: +64 22 644 7193
E: simon@cygnuslaw.nz

Cygnus Law Ltd
Level 12
17 Albert Street
Auckland

PO Box 105 973
Auckland 1143

cygnuslaw.nz

TOKENISATION IN FINANCIAL MARKETS CONSULTATION: CYGNUS LAW'S SUBMISSION

Thank you for the opportunity to provide a submission on FMA's Tokenisation in financial markets discussion paper (**Paper**). Cygnus Law Ltd provides legal advice and support to a wide range of businesses in the financial services sector. Cygnus Law's submission is set out below and in the **enclosed** FMA form. Also **enclosed** is Cygnus Law's August 2025 submission on the Anti-Money Laundering and Countering Financing of Terrorism (Supervisor, Levy, and Other Matters) Amendment Bill (181-1), which is referred to in this submission.

I welcome, and commend, FMA's engagement on tokenisation in relation to financial products and the regulatory sandbox initiative which supports a range of FinTech businesses including those involved in crypto assets and related services. However, until recently, FMA appeared to have little focus on engaging on market innovation matters including in relation to crypto assets and related services. I query whether, even now, FMA is providing sufficient focus and resource in this area, given its relative importance both in terms of the current market and likely future market developments. In my view the FMA's engagement via the Paper and request for submissions is relatively unambitious, with a focus on financial product tokenisation only. This does not address important related areas within FMA's regulatory ambit including stable coins and crypto asset service providers. In contrast, other key jurisdictions and their regulators have made, or are making, very significant progress in their regulation of the sector. As just one example, the United States recently passed the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act, which is a comprehensive regulatory regime in relation to payment stable coins.

The application of blockchain technology to financial products and services is not simply another innovation. The application of blockchain technology to create a currency (Bitcoin initially) that can be transferred on a peer-to-peer basis, without a central authority, was the biggest innovation in the financial system in decades. Bitcoin was first traded in 2009 and the development of the crypto asset and service sector exploded in the 2010s. A survey in 2024 stated that 14% of New Zealanders own, or have previously owned, cryptocurrencies like Bitcoin. Scams related to crypto assets are rife. Despite that, the Paper makes statements such as "Fundamentally, this is about new technology" and "The technology is still evolving…. Its adoption remains limited". Neither statement is correct including in the New Zealand context. Crypto assets and related services are mainstream. They also represent an opportunity for New Zealand to address past failures in the development and regulation of financial services in New Zealand that have (as one example) resulted in New Zealand's banking sector being over 90% overseas owned, which is a high proportion by any standard and creates significant issues.

The paper states that "The FMA does not have primary policy responsibility for financial markets legislation". I'm not sure why that statement was made or how it helps. It is perhaps an attempt to explain FMA's limited engagement and action in relation to the sector until recently. In any case,

that statement does not reflect the nature of FMA's role with respect to engaging with the financial markets and forming substantive views on law change. That takes into account several factors including:

- FMA's core functions stated in FMA's governing statute include "to promote the confident and informed participation of businesses, investors, and consumers in the financial markets" and "to keep under review the law and practices relating to financial markets, financial markets participants, and other persons engaged in conduct relating to those markets". Those functions arose out of a 2009 report that preceded FMA's creation and that sought to set out what the new regulator should do. That was the "Report on the Effectiveness of New Zealand's Securities Commission" by Michel Prada and Neil Walter. The report stated that "It seems to us important that the main regulator of the securities market should be in a position to spot emerging problems, maintain a watching brief on new products coming on to the market and furnish appropriate advice, warnings and recommendations to both the public and the government."
- The primary legislation overseen by the FMA, the Financial Markets Conduct Act 2013, has as an objective, which FMA is tasked with applying, "to promote innovation and flexibility in the financial markets".
- FMA's ability to, in effect, make law through its exemption and designation powers. This necessarily means that FMA is not on the sidelines but can be, and was intended to be, actively involved in shaping financial markets regulation including to address new and developing risks and opportunities. That necessarily requires FMA to have a policy function. In practice, FMA has only issued four designations, in very limited areas, in the last 10 years.

Not only does the Paper attempt to downplay FMA's role, in my view FMA itself appears to have relegated matters relating to crypto assets and services to its "regulatory perimeter" and to have not attempted to develop any deep institutional focus and knowledge in this area. The Paper states "FMA has limited visibility of domestic tokens and tokenised activity in New Zealand's financial markets". That limited visibility appears to be self-fulfilling, as a result of lack of full engagement with the sector, which FMA now appears to be attempting to remedy. FMA's approach until recently was typified in FMA's October 2021 appearance before the Parliamentary Select Committee considering cryptocurrencies. Despite FMA noting concerns about the risks presented by cryptocurrencies and linked scams, FMA did not provide any recommendations for how to address those risks. A somewhat surprised Chloe Swarbrick kept pushing FMA to explain the dichotomy between concern and inaction. In response the FMA representative said that "we see the base question of cryptocurrency as somewhat outside of our field of expertise". While in the last year FMA has clearly lifted its game I consider that more engagement and initiative is required including that FMA should take a broader look at the sector, rather than the fairly narrow segment considered in the Paper. The Paper notes that FMA can raise issues with policy settings with the relevant agency (e.g. MBIE). However, this misses the point. As the experience with Chloe Swarbrick highlights, FMA is quite rightly expected to be the part of Government with by far the greatest knowledge base and expertise in this area, given the nature of FMA's role and responsibilities including its exemption and designation powers.

To my knowledge FMA has only two staff members (out of over 300 employees) with a focus on innovation and new technology, and no focused departments, functions or teams that would ensure cohesive development in that area. In contrast, FMA has employed about 10 economists for several years with an unclear agenda to seek to understand how the financial markets work. There is no public information about their impact. It seems to me that FMA could seek to employ personnel with wider skill sets to better understand not just the current market and but also evolving market innovations (and risks). That's not a criticism of any individuals or a suggestion that they're not effective in their roles; I'm sure they are. Ultimately it is the FMA board and senior leaders, as a whole, who set FMA's agenda. My main point is that, while the Paper and FMA's related engagement on the topic of tokenisation of financial products is welcome, that is not sufficient, given:

- the advanced state of development of the crypto asset sector and its increasing market importance;
- that other countries have taken (and are taking) significant steps to improve regulation, and to promote the development, of the sector; and
- FMA's role and responsibilities.

I propose that FMA consults on the regulation and development of the crypto asset sector generally. I also propose that it develops a properly resourced team or function within FMA with a core focus on understanding the FinTech sector overall (including associated risks) and supporting the development of appropriate law to ensure the effective development of the sector.

Yours sincerely
Cygnus Law Ltd

Simon Papa
Director

Feedback form

Tokenisation in financial markets

Please submit this feedback form electronically in both PDF and MS Word formats and email it to us at consultation@fma.govt.nz with 'Tokenisation in financial markets: [your organisation's name]' in the subject line. Thank you. **Submissions close on Friday 31 October 2025.**

Date: 31 October 2025 Number of pages: 6

Name of submitter: Simon Papa

Company or entity: Cygnus Law Ltd

Organisation type: Company

Contact name (if different):

Contact email and phone: simon@cygnuslaw.nz, 022 644 7193

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I would like my submission (or identifiable parts of my submission) to be kept confidential because… insert reasoning here.

Question number	Response
1. In your view, what are the main market barriers and opportunities for domestic tokenisation activity in financial markets?	The inadequate state of NZ's laws relating to custody, AML/CFT and definitions of financial products including the absence of effective exemptions and designations. See answers to the following questions for more detail.
2. What do you see as the operational and technology challenges for adoption of tokenisation by your business or the market?	
3. What role (if any) do you see for the FMA relating to these barriers and challenges, and any opportunities?	FMA has a fundamental role. The Paper proposes as one reason why "New Zealand appears to be in the early stages of embracing tokenisation development" is that "uncertainties about whether the current regulatory framework appropriately and adequately applies to these emerging models". FMA's role should be to address that uncertainty. FMA can, and should, seek to do that even without law change but it professes to having limited knowledge of the sector. So FMA has a critical role to play. That's not only in developing proposals for law reform (and using its exemption and designation powers in that regard) but in creating and enhancing trust through its actions. The problems don't just arise in relation to issuers but in relation to others in the ecosystem including custodians, market operators and advisers. Currently New Zealand has the worst of both worlds. In the absence of effective and empowering legislation, including exemptions and/or designations that better support tokenisation, New Zealand is not at the forefront of development and consumers do not know who to trust. However, consumers are still interested in those products and services so are more likely to focus on unregulated participants or those that are simply not compliant, in the absence of any obvious "safe harbour" option. The result is that they are more likely to be affected by poor conduct and outright scams. In fact, scams in relation to crypto assets (or claimed crypto assets or services) are rife but with little effort being placed on substantially addressing those concerns. That has to involve more than issuing warnings. An environment needs to be created that permits legitimate operators to meet appropriate regulatory standards that show that they can be trusted, not just by consumers but by other market participants including banks.
4. Thinking about issues like market conduct, investor protection, governance and custody, what are the main consumer and investor risks you see in the market relating to tokenisation compared to traditional offerings?	A key risk is the inadequacy of New Zealand law relating to client money and property services and custody generally. This is widely recognised- the IMF has recommended significant improvements to regulation in that area. That doesn't just apply to crypto matters but they are further affected because, as noted in the Paper, in some cases that law doesn't apply when it arguably should. The law is already falling behind including because of the increasing value of custodial assets held outside New Zealand by an array of fairly new businesses. A key issue is the lack of custodian licensing but there are other issues including that the law doesn't address key issues in any detail (or at all) including ambiguity as to how the law creates relevant trusts, a lack of detail on key issues that arise (including in relation to intra-day transactions) and a lack of clarity in some areas as to where responsibilities lie. These issues have been compounded in traditional sectors through the actions of some large custodial companies (including wrap platforms), which seek to avoid liability and responsibility, by arguably dubious

	means. In some cases those businesses are not regulated at all. A number of those issues were identified in FMA's July 2024 "Guide for providers of client money or property services". These issues create risk already. However, that risk will be increased as tokenisation becomes more mainstream. If those risks aren't addressed, not only does that affect the sector's development but it increases the already significant risks inherent in the current regime.
5. What role do you see for tokenisation in the future of New Zealand's financial markets? What current or emerging use cases for tokenisation are most relevant or promising in the New Zealand market?	
6. Do you consider that the current law helps or hinders domestic tokenisation activity, and why?	As noted in answer to question 3, it hinders domestic tokenisation. Key issues include: • Inadequate and inconsistent territorial scope provisions in NZ law. This makes it difficult for issuers and other participants to understand the extent of their obligations and makes it more likely that they will not comply, even if required to. A particular issue is the complete absence of a territorial scope provision in the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT Act). While the supervisors have issued guidance, that is inadequate in some cases, does not have legal force and still leaves significant uncertainty. Where territorial scope provisions do exist in other law, in some cases they are no longer fit for purpose. They fail to take into account globalisation and the impact of the internet and new technologies (such as blockchain) which mean that, in some areas, NZ is now part of a global market and New Zealanders can access products and services (and scams) provided from anywhere in the world. • In my view FMA's confidence that debt securities are not created when some businesses hold money on bare trust is not immediately apparent from the wide definition of "debt security". This is relevant to money paid to acquire tokenised financial products, to returns on such products held for investors and to crypto asset services generally. I consider that FMA should seek to provide a sounder basis to support market understanding and practice. • The definitions of "financial institutions" and "financial services" used in the AML/CFT Act and Financial Service Providers (Registration and Dispute Resolution) Act 2008 respectively are not always consistent with market terminology in NZ. The definitions inconsistent between the two Acts (and with related legislation including the FMCA). Key issues include that a product or service can be captured by one but not the other Act, for no obvious reason. Some terminology is not technologically neutral (although addressed in limited areas via regulation), for example terms such as "foreign exchange", "safe keeping or administering of cash or liquid securities", "investing, administering, or managing funds or money on behalf of other persons", "money or currency changing", "changing foreign currency".
7. Does financial markets legislation exclude or appropriately capture products and services relating to tokenisation, and why?	No. See answers to other questions.
8. Do have any views on whether specific tokens (or	

tokens with certain characteristics) or specific services associated with tokens or tokenisation are appropriately included or excluded from financial markets legislation?	
9. Do you consider that a bespoke regulatory framework for tokenisation is desirable? Or would refinements to the existing principles-based framework be sufficient, or a combination of both?	I consider that a combination of both is required. Ideally refinements are preferrable but it's likely that some bespoke elements will be required. Bespoke elements are more likely to be required in relation to services such as custody and exchange services.
10. Do you have any observations about the overall coherence of how virtual assets are treated across regulatory systems, such as payments, financial markets, tax, AML/CFT?	Please see the answer to question 6.
11. What changes (if any) do you consider may be necessary or desirable to explore for existing financial markets legislation to improve business confidence, and promote and facilitate innovation, market access and function, and investor protection?	Please see the answer to question 6. Also, the AML/CFT Act and its implementation represent a fundamental barrier to businesses in this area. In relation to that, banks are very reluctant to provide relevant (and necessary) services to businesses involved in the crypto asset and service sectors. While this reflects, in part, understandable concerns from the banks about compliance, the state of NZ's AML/CFT law and its implementation are a significant barrier. Cygnus Law's enclosed submission on the Anti-Money Laundering and Countering Financing of Terrorism (Supervisor, Levy, and Other Matters) Amendment Bill highlights some key issues. The submission notes that Cygnus Law, a small law firm, is required to take into account 60 different documents issued by the FIU and supervisors, mostly as separate PDFs, comprising guidelines, fact sheets, FAQs, statements, clarifications, a code of practice and an "explanatory note". The submission also notes that there is no central register of those documents, no consistent process for notifying when they are issued or updated (or rescinded), no prior notice of issue or updating. Overall, the administration by the supervisors of the AML/CFT regulatory regime has been somewhat chaotic and well below good practice. This itself has significant impacts. There are consistent examples of innovative new businesses being found to have breached AML/CFT law in significant ways. This can partly be blamed on just how complex the regime is and on the poor implementation of the regime by the supervisors. Given the issues noted, it's not a surprise that smaller, often innovative, businesses fail to comply and that banks lack confidence in their ability to comply. These issues need to be addressed, as well as others noted with respect to the terminology in the AML/CFT Act and inconsistencies between it and other law, to provide a sounder footing for innovative FinTech businesses, including those in the crypto asset and services sector, to develop and succeed.
12. What approaches do you consider may be necessary or desirable from the FMA as the	Please see the introductory comments in my submissions. A key requirement to build confidence is that the market has confidence that FMA itself has sufficient resource

regulator to improve market confidence and investor protections for tokenisation initiatives, and why?	and expertise to develop and enforce law. That includes that FMA has addressed key issues through exemptions and designations, where appropriate.
13. Given international regulatory and market activity (see Appendix), do you have views on how the regulatory system should manage cross-border and jurisdictional issues?	As noted in response to question 6, the regulatory system needs a more consistent and clearer approach to territorial scope. That includes being clearer when products and services are not compliant with NZ law.
14. Do you have any other observations or comments about tokenisation in financial markets?	

Feedback summary – if you wish to highlight anything in particular

Please see my introductory comments in pages 1 to 3 above.

Please note: Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.

Thank you for your feedback – we appreciate your time and input.

21 August 2025

T: +64 9 390 3228
M: +64 22 644 7193
E: simon@cygnuslaw.nz

Cygnus Law Ltd
Level 12
17 Albert Street
Auckland

PO Box 105 973
Auckland 1143

cygnuslaw.nz

Committee Secretariat
Economic Development, Science and Innovation Committee
Parliament Buildings
Wellington

SUBMISSION ON THE ANTI-MONEY LAUNDERING AND COUNTERING FINANCING OF TERRORISM (SUPERVISOR, LEVY, AND OTHER MATTERS) AMENDMENT BILL

Thank you for the opportunity to make a submission on the Anti-Money Laundering and Countering Financing of Terrorism (Supervisor, Levy, and Other Matters) Amendment Bill (181-1) (**Bill**). The Bill provides for amendments to the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (**Act**).

This submission is made by Cygnus Law Ltd (**Cygnus Law**). Cygnus Law wishes to speak to its submission.

Simon Papa is the director of Cygnus Law. He has over 20 years' experience as a corporate and commercial lawyer. Cygnus Law is a commercial law firm that assists a wide range of financial service businesses to comply, contract and transact. Cygnus Law is an AML/CFT reporting entity. In addition, Cygnus Law advises reporting entities on AML/CFT compliance.

This submission is in the following parts:

1. INTRODUCTION

1.1 I acknowledge the important role that the AML/CFT regulatory regime plays, both in terms of meeting international expectations and limiting the ability of criminals to launder proceeds of crime and terrorists to seek financing. However, New Zealand's approach to implementation of that regulatory regime has been poor in my view, with significant adverse effects on New Zealand's economy, competition, personal privacy, economic efficiency and on vulnerable members of our society who are unable to access financial services because of the impacts of that regime. So I submit that the primary focus of all reforms should be to address those adverse effects.

2. KEY ISSUES WITH THE OPERATION OF THE AML/CFT REGULATORY REGIME

Regime not working effectively

2.1 While acknowledging the importance of seeking to enforce the law and to make it harder for criminals to operate, there simply hasn't been enough focus on making the law work more effectively. That's not just a question of reducing costs for reporting entities. My experience as the recipient of AML/CFT checks, especially where enhanced customer due diligence (**ECDD**) is required, is that the standard of the checks is poor in practice. Many of the innovative, online investment platforms (for example Sharesies and InvestNow) in New Zealand have been subject to supervisor enforcement actions for non-compliance with AML/CFT law. This suggests a level of systemic non-compliance that I attribute, at least in part, to ineffective supervisor support for, and engagement with, reporting entities. I still find a fundamental lack of understanding of what AML/CFT law requires of reporting entities, when they are seeking to set up or expand businesses. In the deluge of disorganised documents and information from the FIU and Supervisors, key messages are not getting through.

Inadequate resourcing

2.2 A reporting entity is required to file a suspicious activity report (**SAR**) and suspicious transaction report (**STR**) to the FIU within 3 working days of having reasonable grounds to support a suspicion. Failure to comply is a criminal offence punishable by up to five years in prison for an individual (and/or a fine of up to $300,000) and a fine of up to $5,000,000 for an entity.

2.3 On 19 December 2024 the FIU issued this email to all reporting entities:

> "Due to staff resourcing and an increased influx of SAR and STR reporting there is a backlog of reports waiting to be validated.
>
> Rest assured we will get to your report it might just take a little longer than normal.
>
> The FIU will have a skeleton staff working over the Christmas/New Year break. If you have any queries, come through the message board, although we may not respond as promptly as usual."

2.4 A key document that is supposed to support awareness of money laundering and terrorism financing risks was originally called "The Suspicious Activities Report" (different from the SARs reporting entities are required to prepare), which was published by the FIU monthly. This is supposed to provide near-real time information to support reporting entities to assess risks and to monitor for potential money laundering and terrorism financing. In practice, the report has always appeared to be a download of media reports on various AML/CFT matters from around the world, together with a single page of largely meaningless data about the number of SARs and STRs submitted. Information about what the FIU is doing with the information provided by reporting entities has been almost entirely lacking. It is certainly not possible to assess how

much of the information provided in SARs & STRs is used in practice and where real risks exist in the New Zealand context on an ongoing basis. However, from May 2023 to May 2024 the report wasn't published at all. It then re-emerged as a two-monthly "The CASH Report-conversations around suspicious happenings". As at the date of this submission the most recent CASH report was issued in March 2025.

2.5 My goal is not to criticise the FIU for staffing shortages. It is to highlight that reporting entities are being held to what are, in my view, almost draconian standards in some cases that are unlikely to be necessary in practice, including because of the limited resources available to the FIU and Supervisors.

2.6 There seems to be little recognition of the difficulties faced by smaller businesses in attempting to implement a regime designed for large financial institutions such as banks. Lip service is paid to attempting to "right size" the requirements.

Supervisor support lacking

2.7 Supervisor support for reporting entities to comply with regulation is limited in practice. As I note below, the supervisors issue a blizzard of documents without any control or coherence. So, in many respects, that makes compliance harder especially for smaller businesses that don't have dedicated AML/CFT functions. Also, the Supervisors sometimes use guidance as a tool to increase regulatory burden, not to provide practical tools to navigate the web of regulation and to support compliance including by innovative new businesses.

2.8 By way of example, the Supervisors have not provided any coherent guidance on the dozens of new obligations (many complex) that came into force between July 2023 and June 2025. None of them have explained each of the changes in a coherent way to support the 10,000+ reporting entities to navigate them effectively. The only place you can find a detailed summary of the meaning and effect of most of the changes is on Cygnus Law's website- https://cygnuslaw.nz/2023/07/significant-changes-to-aml-cft-law-coming-into-force-between-2023-and-2025/. I published that out of frustration at the lack of anything equivalent from the Supervisors. Confusing and convoluted supervisor guidance on some (but by no means all) key matters relating to the law changes was published only weeks before the most significant tranche of changes to regulation came into force in on 1 June 2024, and a year after the regulations were made, as follows:

- Beneficial Ownership Guideline (updated 29 April 2024)
- Customer Due Diligence: Companies Guideline (updated 29 April 2024)
- Customer Due Diligence: Limited Partnerships Guideline (new 29 April 2024)
- Customer Due Diligence: Trusts Guideline (updated 10 May 2024)
- Enhanced Customer Due Diligence (updated 29 April 2024)

As I note later in this submission, such new guidance (which reporting entities are required by law to have regard to) appears without prior notice and without an explanation of what has changed (when updated). So such guidance can, in some respects, make compliance for reporting entities more difficult, not easier.

2.9 As a response to the likelihood of significant non-compliance with those new obligations the supervisors issued statement called a "*Joint statement by AML/CFT Supervisors on our supervisory approach to the new regulations*" on 21 May 2024, just 10 days before the regulations were due to come into force. This stated that "the Supervisors envisage taking a broadly educative and constructive approach with Reporting Entities. The focus will be on issuing guidance on compliance expectations and more generally supporting Reporting Entities to comply with the new requirements at the earliest opportunity". While recognising a degree

of lenience, it also noted that, "Each Supervisor reserves the right to take enforcement action, consistent with its stated approach to enforcement." This confusing, jury-rigged, approach shouldn't be necessary. Relevant and more helpful guidance should have been issued well in advance of the law changes to better support compliance from the start.

2.10 In October 2024, without warning, the AML/CFT supervisors issued an updated AML/CFT programme guideline (https://www.dia.govt.nz/Updated-AML-CFT-programme-guideline---October-2024). The guide states "It is important that you have read and taken this guideline into account when developing or reviewing your AML/CFT programme." This indicates that reporting entities did not have to consider the updated programme guideline immediately. However, the law itself provides no such safe harbour and requires reporting entities to "have regard to" such guidance at all times.

Poorly managed guidance and other documents

2.11 AML/CFT reporting entities are, by law, required to "have regard to" guidance prepared by the AML/CFT supervisors, including when preparing risk assessments and compliance programmes. In practice, guides and other materials consist of a confetti of PDFs and webpages called variously:

- guidelines
- fact sheets
- FAQs
- statements
- clarifications
- codes of practice (currently just the Amended Identity Verification Code of Practice 2013)
- an "explanatory note" to the Amended Identity Verification Code of Practice 2013.

2.12 I've included a schedule to this submission that lists the documents issued by the FIU and Supervisors that are relevant to Cygnus Law's AML/CFT risk assessment and programme. There are 60 documents in total. That's not factoring in the eight sets of regulations (and most of those regulations each contain dozens of regulatory measures) or IRD and Law Society guidance (or guidance from other regulatory bodies of professions). Larger reporting entities likely have adequate resources to navigate this complexity. Smaller reporting entities have to devote a disproportionate amount of time and effort to do so and some likely don't do so effectively. There is no central (master) list of such documents anywhere- each reporting entity has to identify and collate relevant documents and information.

2.13 I don't consider provision of guidance to be a service provided by the Supervisors. The AML/CFT regime was designed as the outline of the requirement for a comprehensive risk management programme, to be implemented by reporting entities. So, it is necessarily high level and uses broad concepts that can be difficult to interpret and apply in practice. The regime recognised that, which is why the status of codes of practice and guidance is expressly provided for in the AML/CFT regime. They play a key role in ensuring that the regime is effectively implemented- the system would not work effectively without it. So, my critique of how guidance and other information is provided by the Police and Supervisors, is not intended to suggest that it is not necessary. Rather, I consider that it could and should be implemented much more effectively. In doing so, that would support improved compliance and better outcomes in terms of reducing compliance costs, and criminal and terrorist activity.

2.14 Despite the resources, expertise and role of the FIU and Supervisors, there is a complete absence of an effective information and document management process for guidance and other FIU & Supervisor documents and information. The system is chaotic. That has a detrimental impact on the 10,000+ reporting entities and the private sector is not providing a solution, which it shouldn't have to in any case. Key issues are:

a The guidance and other documents are provided in various formats and layouts, even documents that have a common purpose, such as sector risk assessments. They often contain mistakes. Student projects often exhibit better attempts at co-ordination and clear expression.

b There is no central (master) register of the documents. The FIU and each Supervisor have a completely different way of making documents and other information available (this should be resolved to some extent when AML/CFT supervision for all reporting entities is consolidated in the DIA). FMA does not even separately list the documents on its website- you have to search for them in its entire "Document library" by keyword and hope you can find what you're looking for.

c There is no way of knowing which documents are current and which aren't. Often the only way to know they are no longer current is that they are no longer available on the FIU or Supervisor websites.

d There is no standard or consistent system for announcing the publication of new or updated documents. In my experience, it's necessary to use a combination of notification services with the Supervisors (which will, on a selective basis, notify some documents), alerts and general vigilance to identify when new and updated documents are available.

e New and updated documents blip into existence without any prior notice (and, as noted, there is no consistent system for notifying them in any case). This isn't good enough, given that reporting entities are required, by law, to have regard to guidance and to comply with codes of practice (unless they opt out).

f In most cases there is little or no guidance as to what has changed when updated or replacement versions of documents are issued. For example, in October 2024 the Supervisors issued the updated AML/CFT programme guideline I refer to above (https://www.dia.govt.nz/Updated-AML-CFT-programme-guideline---October-2024). This updated the October 2022 version. The updated guideline introduced new and expanded guidance in a number of areas. The length of the guideline increased from 20 to 52 pages and the content was comprehensively restructured. No information was provided on the changes. That is very poor practice in my view for any regulator and is far from an outlier- this is the norm. The guidance helpfully (for the first time) included a 26 item checklist of requirements for a compliance programme. But, rather than providing that as a single checklist, parts of the checklist are scattered throughout the guideline.

g In many cases documents have been issued with no version control, so it is difficult to identify current versions.

Costs and benefits not properly considered

2.15 Treasury's *Expectations for Good Regulatory Practice document* states that:

> "The government expects any regulatory system to be an asset for New Zealanders, not a liability.
>
> By that we mean a regulatory system should deliver, over time, a stream of benefits or positive outcomes in excess of its costs or negative outcomes. We should not introduce a new regulatory system or system component unless we are satisfied it will deliver net benefits for New Zealanders. Similarly, we should seek to remove or redesign an existing regulatory system or system component if it is no longer delivering obvious net benefits."

2.16 Under the *Impact Analysis Requirements* an impact analysis is a requirement for regulatory proposals. That document states that the requirements:

> "are both a process and an analytical framework that encourages a systematic and evidence-informed approach to policy development. The requirements incorporate the Government Expectations for Good Regulatory Practice."

2.17 In practice, I think that there's a real risk the AML/CFT regime has not delivered net benefits for New Zealanders (while recognising we have no choice but to implement it). Recent reports highlighted that, in the second half of 2024, methamphetamine use was at all time high levels. That is not, in my view, necessarily a suggestion that the AML/CFT regime is not effective. It is simply that the AML/CFT regime cannot address the underlying causes of crime or prevent determined criminals from finding ways to find workarounds. This failure is reflected in the wider "war on drugs" which, for over 50 years, has not been able to prevent rampant drug use and associated criminal activity.

2.18 In practice, deregulatory measures are invariably required to meet high thresholds to be implemented and any deregulation is mulled over for years, with the resulting measures often being parsimonious, as I note in this submission.

2.19 As part of the Ministry's 2021 statutory review of the AML/CFT regime, a Police representative in the opening online presentation stated that their goal is to use the AML/CFT regime to "eliminate crime". That is laudable but unrealistic. However, I suspect that this thinking explains the ever-increasing AML/CFT regulation, with dozens of new obligations introduced in the last three years alone.

2.20 The Ministry has also interpreted the Financial Action Task Force (**FATF**) regime as requiring close to zero risk regardless of the costs that that imposes. The Ministry expressed genuine surprise that many submissions in the 2021 review expressed concern about the costs imposed on businesses. In response, it carried out a brief survey and used that to develop a cost model that it says confirms that the costs of the regime are less than the benefits achieved. However, as is usual with such assessments, the figures were not developed with any rigour, especially the benefit numbers, with no evidence whatsoever provided as to how those benefits were determined. I think it's highly likely that the actual costs imposed are higher than the Ministry's figures indicate. For example, it relies on "specific labour costs". For a small business like Cygnus Law, there are no "specific costs" as there are no dedicated AML/CFT roles. I think it's likely that the real costs in terms of time spent by many staff on AML/CFT matters, not just dedicated staff, is much higher than estimated. And such cost benefit analyses don't capture other costs such as the effect of frequent cyberattacks that obtain and misuse highly sensitive personal information as a result of a regime that requires 10,000+ reporting entities to hold extensive, highly sensitive, personal and financial information about their customers. Nor does it factor in that expectations of regulatory effectiveness are often unrealistic, and that regulatory failure is possible. Overall, benefit data is highly qualitative and subject to high levels of uncertainty.

2.21 I have seen no data that links the AML/CFT regime to benefits to society. As noted, the reports prepared by FIU provide no such data. There is little available information on how reporting entities' SARs and STRs support measures to stop and reduce crime.

2.22 Measures to update the Act and regulations have been drowned in an "everythingism" approach. This was typified in the Ministry's 2021 review of the AML/CFT regime. The consultation paper ran to 133 pages and didn't just address the system as it was but introduced a "wish list" of new measures the Ministry was keen to advance, many of them unrealistic and/or poorly articulated. The result was a final report that ran to 256 pages and was so extensive and detailed that it has taken years to address some of the matters arising. There

appears to no me to be no effective process for prioritising efforts and measures to address unnecessary regulations are definitely not prioritised. Many of the amendments in current four AML/CFT amendment Bills flowed from that review. But the nature and extent of the issues canvassed has resulted in it taking years to get sensible changes made. Issues with the requirements for enhanced customer due diligence on low risk family trusts and address verification have been known about for years and in some cases cause real harm to vulnerable people. Yet the Ministry, FIU and Supervisors have been shown much greater interest in expanding AML/CFT regulation than in addressing genuine harms to individuals and families.

3. FATF SUPPORTS AML/CFT SIMPLIFICATION

3.1 In February 2025 FATF updated its "The FATF Recommendations" document. This is the basis for all AML/CFT regulation in New Zealand. The updated recommendations introduced a fundamental change by providing:

> "Revisions to FATF's standards related to the risk-based approach to increase focus on proportionality of measures and require countries to allow and encourage simplified measures in lower risk areas."

3.2 This is the first time that FATF has fully recognised a risk-based approach to AML/CFT measures. Recommendation 1 (which implements the risk-based approach) includes the following:

> "countries should apply a risk-based approach (RBA) to ensure that measures to prevent or mitigate money laundering and terrorist financing are proportionate to the risks identified. This approach should be an essential foundation to efficient allocation of resources across the anti-money laundering and countering the financing of terrorism (AML/CFT) regime and the implementation of risk-based measures throughout the FATF Recommendations."

3.3 I don't consider that New Zealand has applied a risk-based approach to the development of AML/CFT law and regulations, with a close to zero-risk approach being applied (often without evidence to justify why that's appropriate). So, FATF itself is now confirming that that approach is no longer appropriate, if it ever was. Of particular importance is the focus on "lower risk", not low or no risk. This supports a move to greater focus on removing and amending provisions in AML/CFT law and regulation that don't deliver material benefits. I urge Parliament to take a sceptical approach and require that the Ministry provide cogent evidence that justifies opposition to deregulatory measures. In that regard, I have recently made a number of proposals to improve the proposed amendments in the various amendment Bills, so that they better support reporting entities to comply cost-effectively, without materially increasing risk that reporting entities will fail to identify and report activities that may indicate money laundering or terrorism financing.

4. CHANGES TO ADDRESS VERIFICATION REQUIREMENTS (CLAUSE 6)- SUPPORTED

4.1 I support clause 6 of the Bill, which amends section 16 of the Act to confirm that subsections (1)(b) and (c) do not require a reporting entity to take steps to verify any information collected under section 15(d) (being a persons' address or registered office address). This complements clause 16 of the Statutes Amendment Bill, which removes the requirement to verify address information under subsection 1(a). Given that both clause 6 in this Bill and clause 16 in the Statutes Amendment Bill have the same function it would be preferrable that all of the amendments to section 15 come into force at the same time. So, I submit that those

amendments be consolidated in one of those Bills only, being the Bill that is likely to be the first to be enacted.

5. SUPERVISOR & COMMISSIONER RULE MAKING POWERS (CLAUSE 32)- NOT SUPPORTED

5.1 I do not support the proposals for the chief Executive of the AML/CFT Supervisor, or for Commissioner of Police, to have rule making powers under the Act as set out in clause 32 of the Bill.

5.2 I acknowledge that the current process for making changes to the AML/CFT regulatory regime via regulation (which the rule making power will replace to some degree) can be relatively slow. However, I consider there are valid reasons for taking a cautious approach to embedding the power to make secondary legislation at the level of the chief executive and the Commissioner. My principal concern is the ongoing focus of the Ministry of Justice and the allied supervisory agencies on seeking to introduce ever more extensive regulation on existing reporting entities as well as seeking to extend the remit of the AML/CFT regime. As noted, that has resulted in the imposition of dozens of new and expanded obligations on reporting entities between 2022 and 2025 through regulation. At the same time there was almost no attempt to address issues with regulatory overreach that cause real harm. While I acknowledge that the desire for more regulation has been driven by genuine concerns, and the important focus on seeking to reduce crime and terrorism, little or no consideration has been given to the cost effectiveness of those measures. The Government has acknowledged that problem and the result is that there are currently four Bills being considered by Parliament, including this one, that introduce measures to reduce regulatory burden. However, there is little indication that the Ministry of Justice or other agencies have placed any priority on resolving those problems. On the contrary, it appears that there have been ongoing attempts by officials to limit and obfuscate even the most justifiable regulatory relief. An example is the proposal to introduce a "risk-based" approach to address verification in the Statutes Amendment Act (which I refer to above in paragraph 4.1). This was to address the widely acknowledged fact that address verification can be a very time-consuming exercise but one that has little or no impact on detecting or preventing money laundering and terrorism financing. Yet the risk-based proposal was inherently unclear and likely would have only had a limited impact on the underlying concern. The Governance and Administration Committee correctly identified that that relief was inadequate and unanimously supported an amendment that means that address verification will not be required at all when standard customer due diligence is conducted. This provides significant certainty and will likely improve access to financial services to more vulnerable members of society.

5.3 In the circumstances I consider there is a strong likelihood that the chief executive's rule making powers will be used extensively to add to the burden of regulation and with inadequate assessment of considerations other than harm reduction regardless of the materiality of the harm. Conversely the rule making power is unlikely to be used in any meaningful way as a tool to remove unjustifiable AML/CFT obligations.

5.4 Another key concern relates to the approach taken by the supervisors to provision of guidance (which reporting entities are regard by law to have regard to) and other information. As I've explained in this submission (see Part 2), some basic precepts of information and document management appear to be unknown to the supervisory agencies. I acknowledge that the Department of Internal Affairs has the most advanced understanding, and is generally more helpful than other supervisors, but it still falls someway short of what is required. I acknowledge the additional control and discipline that is being introduced through the designation of rules as secondary legislation. However, I am still concerned about the ability of the Department of Internal Affairs to effectively manage and communicate the information and

documents it produces including rules that will be made under the proposed rule making power (and the notices that can also be made).

5.5 With the greatest of respect to the Police, they are not a regulatory agency. Even taking into account the limited ambit of the Commissioner's rule making power, I don't consider that the Police should have authority to create rules in relation to the matters noted in the Bill.

5.6 If that submission is not accepted, I submit that the provisions that permit the chief executive and the Commissioner to make rules be amended as follows:

a The chief executive and Commissioner be required to prepare a regulatory impact statement on any material measures that increase regulatory burden, to be published before seeking submissions under section 156B(2).

b The chief executive and Commissioner be required to consult publicly on any material new rules, not just with the more limited class of persons specified in section 156B. Those persons include those affected by the proposed rule and representatives of such persons. In that regard, Cygnus Law advises clients in the financial services sector in a wide array of businesses on a range of matters including AML/CFT compliance (including AML/CFT matters that don't apply to Cygnus Law as a reporting entity). In the past there have been law reform matters that, by virtue of that experience, Cygnus Law has a view on. However, it is not always identified as a party to be consulted on such reforms. That is frustrating and highlights that there are often a wider range of stakeholders with genuine interest in law reform proposals and who can provide meaningful input. Accordingly, I submit that, except for minor changes to rules, all consultation be required to be publicly notified with any person being given an opportunity to submit. That is unlikely to represent a significant burden in many cases. As an example, Cygnus Law was only one of six persons to make a submission on The Anti-Money Laundering & Countering Financing of Terrorism Amendment Bill (114-1).

c That complex or extensive rules must be drafted by, or reviewed by, the Parliamentary Counsel Office.

d The matters to which the maker of a notice must have regard to in section 156H be extended to apply to the making of rules by the chief executive and the Commissioner, except for minor or technical changes. See my further comments on that below.

5.7 The matters in section 156H to which the maker of a notice must have regard to be amended as follows:

a Insert a subsection (g) as follows: "(g) FATF Recommendations, other recommendations by FATF, and other similar international obligations that are consistent with the purpose of this Act". The term "FATF Recommendations" to be defined via an amendment to section 5(1) of the Act. "FATF Recommendations" is defined in section 4 of the Financial Service Providers (Registration and Dispute Resolution) Act 2008 (although that definition may itself need to be updated). The proposed amendment is based on the provision in section 5(1)(n) of that Act. The reference to FATF and its recommendations recognises that New Zealand's AML/CFT regulatory regime is based on the FATF Recommendations and that New Zealand's FATF mutual evaluations are carried out by reference to the FATF Recommendations. This reference will also help to ensure that FATF's support of AML/CFT simplification noted in Part 3 of this submission will be taken into account. This is consistent with he approach in the Financial Service Providers (Registration and Dispute Resolution) Act 2008, which appropriately recognises that the exercise of delegated powers should take into account FATF recommendations as the primary policy basis for New Zealand's entire AML/CFT regulatory regime.

b Update subsection (d) as follows "the level of regulatory burden on a reporting entity (including any person to be declared, directly or indirectly, to be a reporting entity) including whether the costs to be incurred by a reporting entity and others are likely to be less than the value of the benefits to be achieved by any new or expanded obligations". The reference to a person to be declared to be a reporting entity reflects that the notice power in section 156F(1) will enable the chief executive to declare a person to be a reporting entity. A person might also become a reporting entity indirectly through the power to bring some other types of matters within the scope of the AML/CFT regulatory regime for example the power to declare a person or class of persons to be a customer. The term "regulatory burden" is opaque and only really makes sense in the context of considering costs and benefits. Accordingly, I consider it is important to make that clear as, in isolation, "burden" could be construed narrowly so as to avoid consideration of costs and benefits.

5.8 Those proposed amendments should also apply to the process of making rules, as proposed in paragraph 5.6d.

5.9 With respect to all guidance, codes of practice, rules and notices made under the Act (which I'll refer to as "**regulations**" collectively, reflecting that they all impose obligations to some extent), I submit that the Bill be updated to require the following:

a An obligation to list all regulations on one webpage (with a hyperlink to each) together with the following information for each regulation- the date of the current version, which power it was made under, it's effective date or the effective date of amendments. In addition, the page should publish information on any new regulations that have been passed and that will come into force and the date they come into force.

b An obligation to publish all regulations in HTML. PDFs are not readable by some systems. For example, ChatGPT does not read PDFs. Given the growing use of AI to locate and provide information it is critical that information such as the regulations are visible.

c 5.9bRegulations made under the same power are published on one webpage. An example is Immigration New Zealand's Operational Manual- https://www.immigration.govt.nz/opsmanual/#35439.htm and the UK Financial Conduct Authority's Handbook- https://www.handbook.fca.org.uk/handbook/. Ideally all regulations would be published together and in a consistent style.

d Requiring that all new and amended regulations have an effective date that is a reasonable time after being made and published except for minor matters or matters that don't impose material new obligations.

e Other documents and information issued by the DIA or Commissioner, including fact sheets, statements, clarifications, FAQs and explanatory notes, are listed on one webpage with a hyperlink to each. Ideally, this would go further and require that all such information is collated and organised via one webpage in the manner noted at paragraph 5.9c.

f The DIA and Commissioner must:

i provide a standard portal or method for notifying all new and amended regulations, and all other relevant publications and information (including the types noted in paragraph 5.9e); and

ii notify all new and amended regulations, and all other relevant publications and information, using that portal or method.

Yours sincerely
Cygnus Law Ltd

Simon Papa
Director

SCHEDULE

Police & Supervisor AML/CFT documents relevant to Cygnus Law

No	Document	Author (version)
1	National Risk Assessment 2024	NZ Police (released March 2025)
2	Lawyers and Conveyancers - Complying with the Anti-Money Laundering and Countering Financing of Terrorism Act 2009	DIA (December 2017)
3	Designated Non-Financial Businesses and Professions (DNFBPs) and Casinos Sector Risk Assessment	DIA (December 2019)
4	The Risk Assessment Guideline	Supervisors jointly (May 2018)
5	The ML/CFT Risk Assessment and Programme: Prompts and Notes for DIA reporting entities	DIA (December 2017)
6	Countries Assessment Guideline	Supervisors (undated)
7	Assessing Country Risk Guideline for reporting entities supervised by the Department of Internal Affairs	DIA (June 2021)
8	Terrorism Financing Risk Summary	DIA (30 July 2024)
9	Law Firms – Money Laundering and Terrorism Financing Risk Summary	DIA (May 2023)
10	Territorial scope of the Anti-Money Laundering and Countering Financing of Terrorism Act 2009	Supervisors jointly (November 2019)
11	Money Laundering and Terrorist Financing Vulnerabilities of Legal Professionals	FATF (June 2013)
12	Interpreting “ordinary course of business” Guideline	Supervisors jointly (updated December 2017)
13	AML/CFT Programme Guideline	Supervisors jointly (updated October 2024)
14	Customer Due Diligence: Companies Guideline	Supervisors jointly (April 2024)
15	Customer Due Diligence: Limited Partnerships Guideline	Supervisors jointly (April 2024)
16	Customer Due Diligence: Trusts Guideline	Supervisors jointly (May 2024)
17	Customer due diligence factsheet sole traders & partnerships	Supervisors jointly (October 2022)
18	Customer due diligence factsheet clubs & societies	Supervisors jointly (July 2019)
19	Customer due diligence factsheet co-operatives	Supervisors jointly (July 2019)
20	Customer due diligence factsheet ‘acting on behalf of customer’	Supervisors jointly (August 2013)
21	Clarification of the position the AML/CFT supervisors are taking with respect of the Anti-Money Laundering and	Supervisors jointly (July 2019)

No	Document	Author (version)
	Countering Financing of Terrorism Act 2009- interpretation of a trust as a customer	
22	Beneficial Ownership Guideline	Supervisors jointly (April 2024)
23	Guidance on Beneficial Ownership of Legal Persons	FATF (March 2023)
24	Enhanced Customer Due Diligence Guideline	Supervisors jointly (April 2024)
25	Amended Identity Verification Code of Practice	Supervisors jointly (2013)
26	Explanatory Note: Electronic Identity Verification Guideline	Supervisors jointly (updated July 2021)
27	Outsourcing your CDD requirements	FMA, DIA (December 2021)
28	Concealment of Beneficial Ownership (nominee directors, shareholders & general partners)	FATF (July 2018)
29	Statement on the Kiwi Access Card	Supervisors jointly (undated)
30	Guidance on Expired Passports as Identification for Customer Due Diligence	Supervisors jointly (undated)
31	Class Exemption for managing intermediaries information sheet	Minister of Justice (October 2018)
32	interim advice on due diligence obligations for lawyers receiving mortgage instructions from registered banks	DIA
33	Guidance: New AML/CFT regulations for money remitters that use agents (NA)	Supervisors jointly (27 March 2024)
34	Suspicious Activity Reporting Guideline	NZ Police (September 2021)
35	Guidance Document – Funds Remitted from Countries with Currency Controls	NZ Police (August 2021)
36	Guidance Document – Fraud	NZ Police (August 2021)
37	Guidance Document – Cyber Crime and Scams	NZ Police (August 2021)
38	Guidance Document – Suspicion : Definitions and Guidance	NZ Police (August 2021)
39	Suspicious Activity Report (various)	NZ Police (issued monthly)
40	Wire transfers fact sheet	Supervisors jointly (August 2013)
41	Wire Transfers under the AML/CFT Act	NZ Law Society (October 2018)
42	Prescribed transactions reporting – Understanding the Regulations	NZ Police (September 2021)
43	Prescribed transactions reporting – Reporting Obligation Guidance	NZ Police (September 2021)
44	Guidance Document – Reporting International Funds Transfers	NZ Police (September 2021)
45	Guidance for the new regulations relating to wire transfers	Supervisors jointly (October 2024)
46	Guideline: Assessing Country Risk	DIA (June 2021)

No	Document	Author (version)
47	User Guide: Annual AML/CFT Report by Designated Non-Financial Businesses and Professions	Supervisors jointly (updated June 2021)
48	GoAML Reporting Entity – Web User Guide	NZ Police (v1.5 September 2021)
49	Prescribed Transactions Reports – Introduction to goAML Web Reporting for International Funds Transfers (IFTs)	NZ Police (v2.5 September 2021)
50	Prescribed Transactions Reporting – Understanding the Regulations	NZ Police (v2.0 September 2021)
51	Prescribed Transactions Reporting – Reporting Obligation Guidance	NZ Police (v2.0 September 2021)
52	GoAML Web Reporting – Reference Guide – Suspicious Activity Reports	NZ Police (v2.5 September 2021)
53	GoAML Web Reporting – Reference Guide – Suspicious Transaction Reports	NZ Police (v2.5 September 2021)
54	How to determine whether to use the SAR or STR form	NZ Police (v1.6 July 2021)
55	GoAML – Suspicious Activity Reports – Hints & Tips	NZ Police (v2.0 September 2021)
56	Go AML – Completing Web Reports – Additional Information	NZ Police (April 2018)
57	Guideline for audits of risk assessments and AML/CFT programmes	Supervisors jointly (May 2025)
58	Getting the best outcome from your AML/CFT Audit	FMA (October 2014)
59	Extension on interim solution for corporate trustee annual report obligations	DIA (June 2023)
60	Guidance for implementing new Customer Risk Rating	DIA (29 May 2025)

Feedback form

Tokenisation in financial markets

Please submit this feedback form electronically in both PDF and MS Word formats and email it to us at consultation@fma.govt.nz with 'Tokenisation in financial markets: [your organisation's name]' in the subject line. Thank you. **Submissions close on Friday 31 October 2025.**

Date: 25 Sept 2025 Number of pages: 14

Name of submitter: [redacted]

Company or entity: Easy Crypto

Organisation type: Registered Business

Contact name (if different):

Contact email and phone: [redacted]

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Question number

Response

Feedback summary – *If you wish to highlight anything in particular*

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Thank you for your feedback – we appreciate your time and input.

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EASYCRYPTO

Response to FMA Consultation: Tokenisation in Financial Markets

Executive Summary

Thanks for the opportunity to provide input into the FMA's Tokenisation in Financial Markets discussion document. We greatly appreciate the FMA's approach to this topic and would welcome the opportunity to continue engaging with the FMA on this.

The central argument is that while New Zealand's financial markets law is designed to be technology-neutral, its practical application creates significant legal and operational uncertainties that hinder responsible innovation in this sector.

A new, targeted approach is necessary. This report recommends a "hybrid regulatory model" that retains the principles-based flexibility of the current Financial Markets Conduct Act (FMC Act) but overlays it with tailored guidance and examples, a clear token taxonomy, and specific legislative refinements. We would recommend that the FMA draw extensively from international best practices in jurisdictions like the European Union, Singapore, Hong Kong, Australia, and the United Kingdom, for its final submission.

Key recommendations include:

- Clarifying the Legal Framework: Issue clear, example-based guidance and use existing designation powers to create a functional, risk-based taxonomy for tokens, similar to the other global frameworks.
- Adopting a Proactive, Enabling Role: Include tokenisation in the regulatory sandbox to foster the type of structured experimentation and build regulatory knowledge.
- Reforming Custody Rules: As part of the wider Custody rules remediation, we suggest amending the financial markets legislation to explicitly account for the unique risks of digital asset custody, incorporating global best practices like client asset segregation and independent attestation.

By adopting these measures, New Zealand can position itself as a trusted global hub for responsible tokenisation, leveraging its unique strengths in agri-assets, carbon markets, and sustainability to drive future growth while maintaining robust investor protections.

Introduction: A Response to the FMA Discussion Paper on Tokenisation in Financial Markets

Easy Crypto welcomes the FMA's proactive engagement on the topic of tokenisation, as articulated in the September 2025 discussion paper. This initiative is a critical step toward fostering an open, constructive dialogue on the future of digital finance in New Zealand. The FMA's commitment to promoting fair, efficient, and transparent financial markets while supporting innovation is commendable and essential for the nation's economic progress.

In this report we have attempted to provide a response that not only addresses the FMA's specific questions but also contextualises them within a broader understanding of the domestic and international regulatory landscape. It is grounded in the principle that a well-defined and proportionate regulatory framework is a prerequisite for unlocking the benefits of tokenisation, not an impediment to them. By learning from the experiences of other leading jurisdictions, New Zealand can avoid common pitfalls and build a robust, globally competitive, and trustworthy digital asset ecosystem.

Part I: Market Opportunities and Risks

Q1. What are the main market barriers and opportunities for domestic tokenisation activity in financial markets?

The most significant barrier to domestic tokenisation activity in New Zealand is the legal and regulatory ambiguity that exists in the current environment. Despite the FMC Act's technology neutrality, the lack of a clear taxonomy for digital tokens creates a high level of legal uncertainty for innovators and investors alike. Innovators face a massive dilemma: either seek a costly and time-consuming case-by-case determination from the FMA or intentionally design their offerings the financial product perimeter. For investors who are practiced at the art of saying no, this legal uncertainty would deter meaningful investment and innovation,

effectively hindering the development of a mature domestic market.

However, significant opportunities exist. Tokenisation has the potential to enable fractional ownership, injecting liquidity into traditionally illiquid asset classes such as real estate, fine art, and private equity. This would broaden investor access and democratise asset ownership. Theoretically, this would allow for more investment, growing our domestic asset base and potentially boost our lagging productivity.

For New Zealand, in particular, significant opportunities are present in tokenising agri-assets, carbon credits, and opening up illiquid or restricted financial products. The ability to create new, transparent, and efficient markets for these assets could unlock capital flows and foster a new economic activity. The success of international initiatives like the Monetary Authority of Singapore (MAS)'s Project Guardian provides markers as to the viability of these opportunities. Project Guardian has successfully conducted pilots in tokenising discretionary managed funds and private equity, demonstrating that these use cases are moving from concepts to commercial realities. The ANZ bank's pilot stablecoin used to buy tokenised Australian carbon credits also illustrates the tangible, regional potential of this technology.

Q2. What do you see as the operational and technology challenges for adoption of tokenisation by your business or the market?

As a new technology, the adoption of tokenisation in New Zealand faces a number of practical and technical challenges. The FMA’s discussion paper is correct that the technology itself brings concerns about scalability, stability, and resilience, which must be addressed through robust technical standards and governance.

In addition, there are other challenges. Firstly, there are no secondary markets for tokenised assets currently. This is a function of the ambiguity of the wider crypto market not being deemed a financial product. Following this, there would need to be certainty for any such operator as to which licensing and regulatory obligations would need to be attained.

The absence of a widely adopted, regulated, on-chain form of money for settlement—such as an NZD stablecoin—creates a critical gap in the ecosystem. Without a digital settlement asset that is trusted and widely available, the benefits of near-instant, 24/7 trading and settlement for tokenised assets cannot be fully realised.

Another significant challenge is interoperability. The blockchain world is fragmented, with

numerous, often incompatible, blockchain networks.

Adding to this challenge, integrating new DLT-based systems with existing, often decades-old, legacy financial infrastructure presents a major operational and technological change. This challenge could play a significant role in delaying the adoption of tokenisation as the leading TradFi brands are not capable or willing to make the investment into this space.

Q3. What role (if any) do you see for the FMA relating to these barriers and challenges, and any opportunities?

The FMA has a crucial and proactive role to play in addressing these barriers. Its function should extend beyond that of a mere enforcer to that of an enabling facilitator of responsible innovation. A continuation of the collaborative and supportive approach would be welcomed as would some guidance to reduce uncertainty and encourage market participants to engage with the regulator early in their development process. Specific and impactful actions the FMA could take include:

- Issue guidance on secondary market obligations and rules.
- Including custody obligations and functions.
- Issue a clear taxonomy of DLT tokens so participants are clear on what is, and what isn't a financial product.
- Clarify what rights or interests a tokenised asset has.
- Provide both the start-up and established market participants with clear information on what documents or descriptors are required when issuing these.
- Include these initiatives in the Regulatory Sandbox: Learning from the success of the UK Financial Conduct Authority (FCA)'s sandbox, which has a proven track record of helping innovative firms gain authorisation and raise funding, a similar approach in New Zealand could foster responsible innovation while providing a safe environment for testing new models.

Q4. Thinking about issues like market conduct, investor protection, governance and custody, what are the main consumer and investor risks you see in the market relating to tokenisation compared to traditional offerings?

Tokenisation can introduce new and potentially heightened risks for consumers and investors that are not adequately addressed by traditional financial market frameworks. The FMA's

discussion paper correctly identifies these as market abuse, misleading disclosures, inadequate custody arrangements, and cyber threats. One of the most critical risks is that tokens, governed by smart contracts, can have complex and nuanced rights that may not be easily understood by retail investors, leaving them vulnerable to poor outcomes.

Decentralisation further complicates accountability, for instance who is the issuer? In Decentralised Autonomous Organisations (DAOs), for example, the absence of a single, central entity makes it difficult to pinpoint responsibility.

The FMA paper correctly notes that without robust custody arrangements, a token holder's assets are vulnerable. The irreversible nature of blockchain transactions means that a single mistake or a compromise of a private key can lead to the permanent loss of an asset, a risk not present with a traditional share certificate or bank account. The FMA's observation that the default rules for disclosure, governance, and custody are not necessarily fit for purpose in this new technological environment is a critical point that must be addressed.

It is our position that it is a better outcome for New Zealanders and our nascent industry that they participate in locally issued products over international ones where there may be no recourse.

Q5. What role do you see for tokenisation in the future of New Zealand's financial markets? What current or emerging use cases for tokenisation are most relevant or promising in the New Zealand market?

Tokenisation could be a transformative force for New Zealand's financial markets, but its role will likely be to enhance and modernise existing systems rather than to entirely displace them. A balanced and proportionate regulatory framework could position New Zealand as a global sandbox for responsible experimentation. The most promising use cases for New Zealand are those that leverage the country's unique economic profile:

- **Agri-assets:** Tokenising interests in high-value agricultural assets like vineyards, dairy farms, or livestock could create new, accessible investment opportunities. This could be coupled with provenance to assure our global brand integrity.
- **Carbon Markets:** Tokenisation offers a way to enhance transparency, traceability, and liquidity in the carbon credit market, a sector of increasing global importance.
- **Property:** The ability to tokenise fractional ownership of real estate could democratise access to the property market, a perennial issue in New Zealand.
- **Tokenised Money Solutions:** Stablecoins and cross border payments utilising DLT.
- **Bonds and MMF:** Open up access to the security and returns of government bonds.

- **Equities:** An evolution of the list company route, however this time with 24x7 trading and settlement and lower fees.
- **Private Credit:** A traditionally illiquid sector that is the reserve of wholesale and institutional investors. Tokenised credit represents another way to enable retail access to this sector and increase NZ investment and productivity.

Part II: Regulatory Settings and Approach

Q6. Do you consider that the current law helps or hinders domestic tokenisation activity, and why?

The current legal framework, particularly the FMC Act, hinders domestic tokenisation activity in practice. While the law is intended to be technology-neutral, its general nature and lack of specific guidance for digital assets create a high degree of uncertainty. The FMA's case-by-case approach, while a pragmatic response to the current ambiguity, isn't public and largely insufficient to provide the clarity market participants desire. Added to this, this process is slow, expensive, and a market feedback suggests a reasonably significant deterrent for innovators. They look offshore and it just looks easier.

Q7. Does financial markets legislation exclude or appropriately capture products and services relating to tokenisation, and why?

Current financial markets legislation does not appropriately capture products and services related to tokenisation. The FMA's discussion paper correctly observes that many tokenised offerings are intentionally structured to avoid classification as financial products in order to reduce compliance burdens. This regulatory gap creates an uneven playing field where innovators either face high compliance costs or operate with minimal consumer protection, a situation that undermines the integrity of the market. The FMC Act's existing framework, designed for traditional financial instruments, may be ill-suited for the unique, programmable features of tokens, which can simultaneously represent different rights and interests.

International approaches offer a more effective model. The Hong Kong Securities and Futures Commission (SFC) has adopted a "see-through" approach, classifying tokenised securities as fundamentally traditional securities but acknowledging that their "tokenised wrapper" creates new risks that require additional, tailored due diligence and disclosure. This approach of applying existing rules while layering on new requirements for technology-specific risks is a far more effective method of capture than a binary inclusion/exclusion model.

Q8. Do have any views on whether specific tokens (or tokens with certain characteristics) or specific services associated with tokens or tokenisation are appropriately included or excluded from financial markets legislation?

The current lack of a clear taxonomy is a critical issue. To address this, New Zealand's framework should be refined to include a functional, risk-based classification system. A model such as the EU's Markets in Crypto-Assets Regulation (MiCAR) provides an excellent blueprint, distinguishing between e-money tokens, asset referenced tokens and Other crypto assets. We would like to see this work built upon to include, for example:

- Asset-backed (property)
- Commodity-backed (gold, oil, etc.)
- Security tokens / financial products (equities, bonds, MMF)
- Stablecoins
- Credit or lending

This structured approach provides regulatory certainty and allows for a proportionate regulatory response based on the token's function and risk profile.

It is our view that the existing FMC Act regime covers things like Security tokens and Credit / lending but would still need bespoke guidance on how to manage the new technology specific risks, such as smart contract vulnerabilities and digital custody. For utility tokens it would be helpful if the FMA could clarify that they are generally outside the financial product regime, unless their characteristics transform them into an investment contract, and provide a clear, example-based framework for this determination.

Q9. Do you consider that a bespoke regulatory framework for tokenisation is desirable? Or would refinements to the existing principles-based framework be sufficient, or a combination of both?

We believe that a bespoke regulatory framework is not the ideal conclusion. It is our belief that it would be costly, complex, and prone to rapid obsolescence.

Instead, we believe that a hybrid approach is the optimal solution. This model involves retaining the principles-based flexibility of the existing FMC Act while overlaying it with tailored guidance, structured exemptions, and a defined token taxonomy.

This hybrid approach is being adopted by leading jurisdictions. Australia's proposed framework, for example, leverages its existing financial services licensing regime (AFSL) but adds bespoke rules for digital asset platforms. Similarly, the UK is amending its Financial Services and Markets Act (FSMA) to bring new crypto-related activities, such as stablecoin issuance and custody, into the regulatory perimeter. This strategy provides the necessary clarity without creating an entirely new and disconnected legislative framework. We believe this approach is a good one for for New Zealand to emulate.

Q10. Do you have any observations about the overall coherence of how virtual assets are treated across regulatory systems, such as payments, financial markets, tax, AML/CFT?

As the FMA's discussion paper points out, regimes for Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT), tax, and payments are not well-integrated with financial market rules and overall lack coherence. This creates duplicative compliance burdens and legal grey areas. For instance, a single tokenised offering may fall under the multiple regimes agencies with different and potentially conflicting requirements.

Ideally to address this, a formal, coordinated cross-agency working group would be established, comprising the DIA, IRD, MBIE, RBNZ, and FMA. This working group would work to ensure regulatory alignment and develop a unified playbook for digital assets.

Q11. What changes (if any) do you consider may be necessary or desirable to explore for existing financial markets legislation to improve business confidence, and promote and facilitate innovation, market access and function, and investor protection?

The most critical legislative change required is the reform of custodial rules to explicitly

encompass digital assets. The current framework, designed for traditional securities, does not adequately address the unique risks of digital custody.

We believe the Hong Kong's SFC provides a concrete model which we can improve on. It, mandates explicit rules for client asset segregation and a strict 98% cold storage controls for VASP's. Australia's ASIC also offers guidance on best practices for key management and segregation of crypto-assets. Adopting similar, targeted rules would significantly enhance investor protection by addressing a primary vector of harm.

Additionally, the FMA should be empowered to create a fast-track path for compliance for DLT-native businesses and to issue structured, conditional exemptions for well-defined models. This would provide a clear and efficient pathway to market for innovators who can demonstrate robust governance and risk controls.

Q12. What approaches do you consider may be necessary or desirable from the FMA as the regulator to improve market confidence and investor protections for tokenisation initiatives, and why?

Ideally the FMA should adopt a more nuanced and enabling approach to regulating tokenisation and move away from issuing blanket warnings on all crypto assets to providing clear, example-based guidance would be highly beneficial for both investors and innovators.

It would also help if the FMA were able to issue guidance for the existing multi-billion dollar Digital Asset sector so as to address the "registered but not licensed" conundrum that existing service providers find themselves in. We say this as this is the current touch point for the New Population into the digital asset space. Specific, high-impact approaches include:

- Include specific initiatives in the Regulatory Sandbox.
- Requiring Smart Contract Audits: For retail-facing tokenised offerings, the FMA should consider requiring independent smart contract audits and third-party custody attestation. This offers a targeted, technology-specific layer of protection for investors, directly mitigating the risks of code vulnerabilities.
- Consider Proportional Regulation: The FMA could implement a risk-based approach to disclosure, aligning required protections with the complexity and risk of the product. This would encourage compliance without unduly discouraging innovation.

Part III: Broader Regulatory Considerations

Q13. Given international regulatory and market activity (see Appendix), do you have views on how the regulatory system should manage cross-border and jurisdictional issues?

New Zealand's regulatory system will need to be designed with an eye toward international harmonisation. By aligning domestic frameworks with global standards, New Zealand can facilitate cross-border innovation and reduce the risk of regulatory arbitrage. However we need to be wary of the trap that "same activities, same risks, same regulation," as advocated elsewhere as this will likely hinder innovation in financial markets where we dearly need it.

The FMA must also clarify its jurisdictional reach. The decentralised nature of DLT means that services can be offered from offshore with little physical presence in New Zealand, making enforcement challenging. Singapore's proactive approach, which expands its territorial scope to regulate digital token service providers even when they serve customers outside of Singapore, offers a relevant model for ensuring that services provided by New Zealand-based entities remain subject to domestic regulation, regardless of where their customers are located. Conversely, clear rules must be established for how foreign-regulated entities can serve the New Zealand market, perhaps via a mutual recognition or streamlined licensing process.

Q14. Do you have any other observations or comments about tokenisation in financial markets?

Two final points are of particular importance. The first is the critical role of tokenised money solutions for the domestic financial ecosystem. While the RBNZ explores a CBDC, regulated, private-sector solutions like an NZD stablecoin or tokenised deposits from regulated banks are essential for achieving settlement finality and enabling a frictionless, on-chain economy. The UK’s strategic decision to regulate stablecoins as a priority highlights their recognition of this need. Without a reliable, digital form of money, the full promise of tokenisation cannot be realised. The second point is the potential for public-private partnerships. The success of Project Guardian in Singapore, which brings together regulators and private institutions to conduct real-world trials, demonstrates the power of this collaborative model. New Zealand

has an opportunity to foster similar sector-specific initiatives in areas like agri-assets, energy, and sustainability, positioning the country as a leader in applying this technology to real-world problems and creating new forms of value.

Appendix: International Regulatory Frameworks Comparison Table

The following table provides a high-level comparison of the regulatory approaches to tokenisation and digital assets in key international jurisdictions, highlighting the global trend toward hybrid regulatory models.

Jurisdiction	Regulatory Approach	Key Regulatory Body	Core Principles	Token Taxonomy	Custody Requirements	Implementation Status	Key Learnings for NZ
European Union (MiCAR)	Bespoke framework for crypto-assets not already covered by existing financial services law.	European Securities and Markets Authority (ESMA), European Banking Authority (EBA), National Competent Authorities (NCAs).	Same activity, same risk; proportionate regulation; legal certainty.	E-Money Tokens (EMTs): Stablecoins referencing one fiat currency. Asset-Referenced Tokens (ARTs): Stablecoins referencing a basket of assets. Other Crypto-Assets (OCAs): Catch-all for utility and unbacked tokens.	Requires robust governance, segregation of client assets, and strict reserve requirements for ARTs and EMTs.	MiCAR entered into force in June 2023. Provisions for ARTs and EMTs are applicable as of 30 June 2024, with the full regime applicable from 30 December 2024.	A clear, legally-defined taxonomy and a bespoke, risk-based framework provide certainty.

Singapore (MAS)	Refinement of existing law with new, targeted frameworks. Proactive use of sandbox and pilot projects.	Monetary Authority of Singapore (MAS).	Pro-innovation; substance-over-form; bridging TradFi and DeFi.	Regulated as "Digital Tokens" which are subject to different rules based on their function (e.g., payment, investment, utility).	The new DTSP framework mandates licensing for custodians and service providers. Project Guardian is developing end-to-end frameworks for custody and settlement.	New DTSP framework effective 30 June 2025. Project Guardian is in the live deployment phase with ongoing industry trials.	The model of public-private partnerships via Project Guardian is highly effective for fostering structured innovation and building regulatory confidence.
Hong Kong (SFC)	Hybrid approach combining a bespoke licensing regime with specific guidance for traditional financial products that are tokenised.	Securities and Futures Commission (SFC); Hong Kong Monetary Authority (HKMA).	Same business, same risks, same rules; risk-based approach.	Tokenised Securities: Treated as traditional securities with an additional "tokenised wrapper." Virtual Assets (VA): Licensing regime for VATPs and other services.	A new licensing regime for VATPs mandates strict rules, including a 98% cold storage requirement, client asset segregation, and an insurance policy.	Comprehensive licensing regime for VATPs and stablecoins in force. Guidance for tokenised securities issued in November 2023.	A strong focus on custody and asset segregation provides an excellent, specific blueprint for robust investor protection.

Australia (ASIC)	Leveraging and extending existing financial services laws (AFSL) to cover digital assets.	Australian Securities and Investments Commission (ASIC); Treasury.	Leveraging existing law for consistent oversight; consumer protection; mitigating harm.	Not a formal taxonomy, but focuses on regulating "Digital Asset Platforms" that hold assets for customers.	ASIC provides guidance on best practices for custody, including segregation of assets and the use of cold storage with robust physical security.	Treasury has consulted on a licensing framework for digital asset platforms. Exposure draft legislation is expected to be released in 2025.	The approach of regulating the platform (the service provider) rather than the token itself is a pragmatic way to minimise regulatory gaps.
United Kingdom (HMT/FCA)	Phased approach of bringing crypto-related activities into the existing regulatory perimeter.	HM Treasury (HMT); Financial Conduct Authority (FCA); Bank of England (BoE).	Phased; proactive; balancing innovation with stability and consumer protection.	Focus on regulating specific activities: stablecoin issuance, custody, and trading. Future phases will consider DeFi and staking.	New regulatory perimeter for custody mandates segregation of client assets in a statutory trust with robust record-keeping.	Phased rollout. Stablecoin legislation is in the final stages of a consultation, with final rules expected in mid-2026.	The phased approach allows for careful, deliberate regulation of specific, high-risk areas first, providing time for the industry to adapt.

Conclusion: A Path Forward for New Zealand

The FMA's discussion paper on tokenisation is a timely and critical step toward building a modern financial system in New Zealand. We believe that the FMC Act's principles-based approach is a strong foundation, however it is not sufficient on its own to provide the clarity and certainty needed for the digital age. The lack of a clear taxonomy and the ambiguity around custodial responsibilities are significant impediments to tokenisations growth and adoption.

Given the global growth tokenisation has experienced, New Zealand has a opportunity to learn from the experiences of leading jurisdictions. We believe the path forward is not to create a completely new regulatory regime but to adopt a hybrid model that refines the existing one to cater for this new technology. This involves implementing a clear, risk-based token taxonomy inspired by MiCAR, reforming custody rules to incorporate best practices from Hong Kong and Australia, and empowering the FMA to act as a proactive facilitator of innovation, following the successful model of Singapore's Project Guardian and the UK's regulatory sandbox.

By taking these steps, New Zealand can foster a vibrant and trustworthy digital asset ecosystem. By doing this, New Zealand will have a chance to be a leader in this new space and potentially unlock new avenues for capital raising and liquidity in key sectors while upholding the FMA's core mandate of promoting fair, efficient, and transparent markets for all New Zealanders. We reiterate our commitment to working collaboratively with the FMA and other government agencies to shape this future.

Feedback form

Tokenisation in financial markets

Please submit this feedback form electronically in both PDF and MS Word formats and email it to us at consultation@fma.govt.nz with 'Tokenisation in financial markets: [your organisation's name]' in the subject line. Thank you. **Submissions close on Friday 31 October 2025.**

Date: 11 November 2025 Number of pages: 7

Name of submitter: [redacted]

Company or entity: FinTechNZ

Organisation type: Industry working group

Contact name (if different):

Contact email and phone: [redacted]

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Question number	Response
Q1 In your view, what are the main market barriers and opportunities for domestic tokenisation activity in financial markets?	***Market barriers****:* • *Regulatory uncertainty.* • *Lack of standardisation and interoperability domestically, and a lack of global alignment – both in terms of standards and shared digital infrastructure/processes.* • *Absence of supporting infrastructure, such as custodians, payment rails and secondary markets with sufficient liquidity.* • *Technology complexity, and a large knowledge gap between those who are familiar with the technology and those who are not.* • *Ambiguity in consumer protection and confusion for the "average" investor.* *We discuss these in more detail in our submissions below.* ***Market opportunities****:* • *Access to global capital – domestic tokenisation can attract international investors who might not have engaged with the New Zealand market due to barriers such as minimum investment sizes, complex custody requirements and limited transparency. New Zealand businesses often face difficulties getting access to credit or in paying very high interest rates. Access to global capital improves liquidity and introduces (lower) global interest rates.* • *24/7 trading – tokenisation enables markets to operate around the clock, eliminating the constraints of traditional trading hours. However, this needs to be balanced with the need to avoid financial instability in the market.* • *Increased liquidity to otherwise illiquid assets (such as real estate, private equity and art) by fractionalising and digitising portions of these assets.* • *New business opportunities/innovative business models and service offerings e.g., platforms that facilitate the issuance, trading and management of tokenised assets.* • *Increased transparency, auditability and standardisation – digital tokens create structured, regulated and easily trackable records.* • *Faster settlement, which reduces counterparty risk, increases market efficiency and frees up capital more quickly.* • *A launchpad for business from New Zealand to the Asia-Pacific region and beyond.*
Q2 What do you see as the operational and technology challenges for adoption of tokenisation by your business or the market?	***Settlement times****: New Zealand's domestic financial system remains reliant on traditional infrastructure, leading to longer settlement times compared to markets that have embraced near real-time or atomic settlement enabled by tokenised assets and blockchain. There are only limited pilot projects or operational examples involving same-day or real-time tokenised settlement, while jurisdictions like Australia, Singapore and parts of Europe are further ahead in deploying these innovations at scale.* ***Limited interoperability and cross-border integration****: Countries leading in digital settlement and interoperability are experimenting with multi-currency platforms, central bank digital currencies and interbank settlement solutions that operate across borders. New Zealand's initiatives remain mostly domestic and do*

	not yet address seamless integration with global digital payment networks, reducing its participation in the broader digital finance ecosystem. Bridging legacy financial systems (which use one set of protocols) and emerging token-based or blockchain platforms (with entirely different standards) is difficult. ***Regulatory caution and a lack of dedicated frameworks**: Compared to other countries that have enacted or piloted specific tokenisation or digital asset legislation, a "wait and see" stance in New Zealand could delay adoption of standards and infrastructure that support interoperability and rapid settlement. There is a real risk that New Zealand moves too slowly and is shut out of opportunities to access global capital.*
Q3 What role (if any) do you see for the FMA relating to these barriers and challenges, and any opportunities?	*Developing clear, fit-for-purpose regulatory frameworks can create a trusted environment for both issuers and investors, attracting market participation and innovation. Jurisdictions that move proactively are likely to capture first-mover advantages and draw international interest. The FMA has a crucial role to play in addressing these barriers and challenges. Its role should go beyond mere enforcement – it should actively facilitate and encourage responsible domestic tokenisation innovation in the market while still protecting investors. Consumer protection should be fundamental to the regulatory framework. Consideration also needs to be given to how domestic tokenisation intersects with the broader payments/funds management industries.* *We endorse the FMA's goal to foster fair, efficient and transparent markets.*
Q4 Thinking about issues like market conduct, investor protection, governance and custody, what are the main consumer and investor risks you see in the market relating to tokenisation compared to traditional offerings?	***Consumer and investor risks**:* • *Regulatory uncertainty and ambiguity in investor protection.* • *Complexity and lack of understanding of the products and the associated risks.* • *Cybersecurity and fraud risks, given the irreversible nature of blockchain transactions and the limited avenues for recovery.* • *Ecosystem immaturity.* • *Custody and ownership risks, which could be complicated to enforce in practice.* • *New forms of market misconduct (including market manipulation, conflicts of interest, insider trading and criminal activities) enabled by complex new products and regulatory ambiguity.* • *Liquidity constraints, making it challenging for investors to enter and exit positions smoothly.* • *AML/CFT and onboarding friction, particularly when the regulatory requirements are not fit for purpose and digital onboarding platforms are underdeveloped.* • *High perceived risk and trust deficit due to negative media coverage of crypto volatility and scams.*
Q5 What role do you see for tokenisation in the future of New Zealand's financial markets? What current or emerging use cases for tokenisation are most relevant or promising in the New Zealand market?	*There are promising applications in New Zealand including in tokenised bonds, real estate, managed funds and payments solutions, with pilots that are providing insights into regulatory and compliance challenges. Stablecoins in major currencies are the gateway to the broader tokenisation market.* *Across all these areas, engagement with regulators such as the FMA will help identify and address legal uncertainties, test technology-neutral frameworks and shape regulatory responses by allowing feedback from both incumbents and new entrants.*

Q6 Do you consider that the current law helps or hinders domestic tokenisation activity, and why?	*Regulatory uncertainty is the main obstacle to the domestic uptake of tokenisation. For the industry to grow, participants need to trust that regulators understand the complexities of new business models and will apply laws consistently. The advantages of tokenisation – such as increased efficiency, broader access, and reduced costs – will only materialise if both market actors and consumers receive clear, actionable regulatory guidance. Without this clarity, tokenisation is likely to progress on offshore platforms instead of under New Zealand's supervision, ultimately reducing the ability of local regulators to monitor activity and shape market developments.* *In the stablecoin context, the "bare trust" structure seems to be the structure of choice for issuers. Clear regulatory guidance is a better alternative.*
Q7 Does financial markets legislation exclude or appropriately capture products and services relating to tokenisation, and why?	*While New Zealand's financial markets laws are designed to be technology neutral, they often lack clarity for novel tokenised products. This creates uncertainty about how existing regulations apply, making it challenging for market participants to launch new offerings with confidence. Ambiguity arises because:* • *Some tokenised assets may blur boundaries with conventional instruments, making classification difficult.* • *New service models (such as decentralised custodians or asset fractionalisation) challenge existing compliance norms.* • *Current legislation may not fully address the operational and legal risks posed by distributed ledger technology and digital assets.* *While the law can generally capture tokenised products if their economic effect aligns with regulated categories, the absence of tailored guidance leaves gaps that hinder responsible innovation and investor protection. To address this, it is necessary to review the current legislation and develop clearer, more practical guidance specifically for digital assets. This could be achieved using the FMA sandbox and regulatory FAQs.*
Q8 Do have any views on whether specific tokens (or tokens with certain characteristics) or specific services associated with tokens or tokenisation are appropriately included or excluded from financial markets legislation?	*Some examples of use cases that we consider lend themselves either to specific inclusion within financial markets legislation, or at least further detailed regulatory guidance, include:* • *Stablecoins;* • *Custody of tokenised assets;* • *Tokenisation of real estate and other real world assets;* • *Tokenised/crypto asset-backed lending; and* • *Staking and yield products.* *Each of these use cases would benefit from practical guidance explaining how the FMA (or other relevant regulators) interprets the existing law and what obligations apply.*
Q9 Do you consider that a bespoke regulatory framework for tokenisation is desirable? Or would refinements to the existing principles-based framework be sufficient, or a combination of both?	*We support a principles-based approach with targeted guidance for tokenisation that aligns with global frameworks, including those for stablecoins. It needs to be technology neutral and flexible so as not to become rapidly obsolete.* *The FMA should issue detailed use case-based guidance, developed through consultation and sandbox insights. Guidance should be informed by actual business models operating in New Zealand and by best practices from overseas jurisdictions – especially those, like Australia and the United Kingdom, that have embraced flexible yet clear regulatory strategies. The framework should be grounded in a risk-based approach. By targeting*

	significant areas of exposure, the regulatory system can effectively balance innovation and robust market oversight. *The FMA regulatory sandbox is positioned to play a pivotal role in identifying new business models and collecting aggregated learnings from market innovators. By closely collaborating with participating firms, the sandbox allows the FMA to observe, test and evaluate the real-world implications of emerging products and services – including tokenised assets – in a controlled environment. These aggregated insights are valuable for the broader industry, as they can be distilled into public guidance documents, help inform the scope and conditions of targeted class exemptions and ultimately shape future regulatory reform. This feedback loop supports more responsive, evidence-based regulation and promotes responsible innovation while safeguarding market integrity.*
Q10 Do you have any observations about the overall coherence of how virtual assets are treated across regulatory systems, such as payments, financial markets, tax, AML/CFT?	*Although New Zealand's regulatory framework strives to be technology neutral, it often creates uncertainty for activities involving tokenised assets – especially where these products or services don't fit neatly within the established definitions of financial products or services. Laws such as the Financial Markets Conduct Act 2013, Anti-Money Laundering and Countering Financing of Terrorism Act 2009, and existing custodial obligations were not crafted with tokenised instruments in mind.* *As a result, businesses frequently struggle with questions about whether a particular offering qualifies as a financial product, who must obtain a licence, and how custodial responsibilities apply to decentralised or smart contract-based arrangements. Applying the AML/CFT framework (including requirements from the FATF "travel rule" on wire transfer reporting and information sharing) to Virtual Asset Service Providers can further increase compliance challenges and costs.* *This uncertainty drives up compliance expenses and can push some providers to move operations offshore.*
Q11 What changes (if any) do you consider may be necessary or desirable to explore for existing financial markets legislation to improve business confidence, and promote and facilitate innovation, market access and function, and investor protection?	*As part of broader reforms to custody rules, existing financial markets legislation should be amended to explicitly address the unique risks associated with digital asset custody. This should incorporate global best practice standards, such as client asset segregation and independent attestation, to strengthen consumer protection and market integrity.*
Q12 What approaches do you consider may be necessary or desirable from the FMA as the regulator to improve market confidence and investor protections for tokenisation initiatives, and why?	*Risks such as product complexity, lack of transparency, cyber threats and market abuse require enhanced disclosure, education and clear governance frameworks.* *The FMA sandbox should serve not only as a platform for testing innovative products, but also as a source of system-wide learning for the sector. The FMA could publish de-identified results from sandbox activities involving complex or novel offerings, helping to inform public guidance and the development of future class exemptions. Sharing these insights would support the wider market in managing risk and foster informed, responsible innovation.*
Q13 Given international regulatory and market activity (see Appendix), do you have views on how the regulatory system should manage cross-border and jurisdictional issues?	*New Zealand should work towards alignment with leading international regulatory frameworks, adopting key concepts and standards that reflect global best practice. Harmonising with overseas approaches would help ensure cross-border interoperability, allowing seamless operations and effective investor protections.*

	Coordination between the FMA and MBIE is also essential to distinguish between areas needing legislative reform and those that can be addressed through enhanced regulatory guidance. This inter-agency approach enables the FMA to respond rapidly and effectively to changes in the financial markets landscape, using regulatory tools and guidance as needed rather than relying solely on new legislation.
Q14 Do you have any other observations or comments about tokenisation in financial markets?	*The FMA has emphasised the importance of collaborative engagement with industry to better understand their needs and expectations. To foster ongoing innovation, we propose the continuation and deepening of investigative dialogues with market participants – especially within the fintech sector – leveraging the variety of forums on offer. This ongoing collaboration is essential for capturing emerging trends and challenges in real time.* *Clarifying the legal framework is essential. As global regulatory frameworks evolve rapidly, it is imperative for New Zealand to catch up by aligning its regulation with international standards. Such alignment will facilitate cross-border interoperability and maintain robust investor protection. Continuing the FMA's proactive engagement initiatives is critical in achieving this alignment. The FMA should include tokenisation in its regulatory sandbox to foster structured experimentation and build regulatory knowledge.* *Cross-government policy coordination is equally crucial, with a particular focus on investing resources into advancing the Open Finance agenda. Integrating related areas such as central bank digital currencies, identity verification frameworks and real-time payment systems is fundamental to the broader success of financial market innovation. Coordination with key principles such as those outlined in the Digital Identity Services Trust Framework will help address systemic challenges around identity and payments.* *New Zealand should look to follow leading global markets that are advancing interoperability, enabling smoother cross-platform and cross-border financial activities. To support this, deeper sector consultation and support is necessary through, for example, more fintech roundtables.* *Core market participants – including banks, FinTechNZ, Payments NZ, and the Council of Financial Regulators partners (especially DIA (re identity), RBNZ and MBIE) – must play an integral role in these efforts, ensuring a comprehensive and united approach. FinTechNZ is keen to work closely with the FMA to help advance understanding, engagement, innovation and incentives across industry and regulators.* *New Zealand stands at a strategic inflection point. There is an opportunity to not merely keep pace but to leapfrog by leveraging the current regulatory regime alongside emerging technological opportunities. Regulators need to articulate their positions clearly and adapt promptly as the market evolves.* *Government support remains vital in key areas – particularly payments infrastructure, identity systems and licensing clarity – to address real-world challenges such as settlement times and interoperability in both domestic and international money transfers.* *A coordinated strategic approach will ensure New Zealand harnesses the benefits of financial innovation effectively while protecting market integrity and consumer interests.*

Feedback summary – *This submission reflects collated feedback from FinTechNZ members. Every effort has been made to ensure the submission is consistent throughout, but differing views have also been accounted for.*

Please note: Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.

Feedback form

Tokenisation in financial markets

Please submit this feedback form electronically in both PDF and MS Word formats and email it to us at consultation@fma.govt.nz with 'Tokenisation in financial markets: [your organisation's name]' in the subject line. Thank you. **Submissions close on Friday 31 October 2025.**

Date: 30/10/2025 Number of pages: 3

Name of submitter: [redacted]

Company or entity: Fisher Funds Management Limited

Organisation type: Managed funds and KiwiSaver provider

Contact name (if different):

Contact email and phone: [redacted]

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GENERAL FEEDBACK	Fisher Funds supports the FMA's work in the area of tokenisation, particularly as it extends beyond cryptocurrency. The Discussion paper is a very good starter for considering the structures and impacts associated with tokenisation. At present, we believe that further work is required at an industry level to better understand the types of assets that could be impacted and the downstream effects such as liquidity, valuation, and data security. From a regulatory perspective there is also the overriding issue of the protection of retail investors, as tokenisation has the potential to provide retail investors with access to fractional ownership of assets. We note also that the impacts of tokenisation are likely to be amplified by the increasing use of AI. We anticipate that the Financial Markets Authority and the Reserve Bank will jointly progress industry understanding, communicate expectations, and drive the development of frameworks and methodologies to support and regulate tokenisation. In our view, FMA, NZX and the industry would benefit from a broader discussion on the issue in the near future.
Feedback summary – *if you wish to highlight anything in particular*	
Please note: Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.	

Thank you for your feedback – we appreciate your time and input.

Feedback form

Tokenisation in financial markets

Please submit this feedback form electronically in both PDF and MS Word formats and email it to us at consultation@fma.govt.nz with 'Tokenisation in financial markets: [your organisation's name]' in the subject line. Thank you. **Submissions close on Friday 31 October 2025.**

Date: 25 Oct 2025 Number of pages: 22

Name of submitter: [redacted]

Company or entity: GiveEx Limited

Organisation type: Company

Contact name (if different):

Contact email and phone: [redacted]

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Question number	Response
1:In your view, what are the main market barriers and opportunities for domestic tokenisation activity in financial markets?	***Main non-regulatory market barriers*** *(1)Fragmented infrastructure & poor interoperability* *Multiple platforms, networks and token standards create integration friction (settlement, custody, messaging). This raises onboarding costs and slows bilateral projects.* *(2)Lack of robust custody & settlement rails that integrate with incumbent systems* *Institutional players need custody, settlement finality and reconciliation that plug into existing banking/payment rails and core systems. Where those rails are immature or siloed, banks, custodians and asset managers hesitate to participate.* *(3)Limited liquidity and market-making for tokenised instruments* *Tokenised assets can be highly fragmented (many small issuance venues), producing poor depth and wide spreads. Without market-making and primary market scale, secondary liquidity is weak.* *(4)Operational complexity & legacy system integration costs*

	Firms face non-trivial engineering, testing and ops overhead to integrate token ledgers with back-office, accounting, reporting and risk systems — a material commercial barrier for incumbents. *(5)Banking, payments and correspondent relationships driven by commercial risk appetite* *Even when legal/regulatory regimes are permissive, banks and payment providers may limit relationships for crypto-linked businesses for operational, reputational or commercial reasons — constraining fiat on/off ramps and settlement options.* *(6)Skills, market practice and supplier ecosystem immaturity* *Shortages of engineers, product managers and market operators experienced in tokenised workflows (token modelling, custody, oracle design, reconciliations) slow adoption and raise vendor costs.* *(7)Trust, standards and provenance for real-world asset mapping* *Tokenisation's benefit depends on reliable provenance, registries and verified off-chain data (property titles, corporate ownership, ESG attributes). Where those processes are immature, investors discount tokenised claims.* *(8)Economic and product design frictions (valuation, fractionalisation, custody lifecycle)* *Valuation, corporate actions, tax treatment at the product level and how ownership rights map to tokens are operationally complex even when the legal framework exists — raising counterparty risk and advisor illiquidity. (Note: many of these intersect with regulation but have large non-regulatory operational components).* ***Main non-regulatory opportunities*** *(1)Large efficiency and cost savings across issuance, settlement and reconciliation* *Tokenised rails can reduce settlement windows, automate corporate actions and cut reconciliation costs — enabling cheaper issuance and custody economics for many asset classes.* *(2)Fractionalisation → expanded investor base and new retail/wholesale product structures* *Breaking large, illiquid assets into tokenised fractions can unlock smaller-ticket investors, widen market participation and create new products (fractional real estate, SME debt pools, funds with microparticipation).* *(3)24/7 programmable finance & composability for product innovation* *Smart-contract capabilities enable automated payments, streaming yields, programmable collateral and composable products that combine custody, yield and compliance hooks — new revenue lines for fintechs and asset managers.* *(4)Faster cross-border settlement and reduced FX/friction costs (where rails interoperate)* *Properly integrated token flows can materially reduce cross-border settlement timing and correspondent banking costs by removing multiple intermediaries. That's a commercial advantage for geographically dispersed markets (relevant to NZ's export-heavy economy).* *(5)Opportunity for domestic pilots / cluster effects (banks, exchanges, custody providers, market-makers)* *Project-based pilots (sandbox trials, bank consortia) can create local hubs of expertise and reusable infrastructure — lowering marginal cost for later issuers and creating a domestic marketplace. Australia's Project Acacia and other pilots show the value of coordinated real-money trials.* *(6)New business models (tokenised funds, collateral markets, tokenised debt & repo)* *Tokenisation enables novel liquidity tools (on-chain collateral, token-native repo, instant settlement derivatives) that could reduce capital inefficiencies in fixed income and real-asset markets.* *(7)Transparency & auditability that supports investor confidence and operational cost reduction*

	On-chain provenance can simplify audit trails, ownership proofs and reporting — attractive to institutional investors if paired with robust custody and reconciliation practices
2:What do you see as the operational and technology challenges for adoption of tokenisation by your business or the market?	*1. Integration with Legacy Systems* *Challenge: Most charities still rely on traditional CRMs, donor databases, and banking systems that aren't designed to handle digital assets or blockchain data structures.* *Impact: Difficulties reconciling tokenised donations with accounting, reporting, and audit requirements (especially under NZ accounting standards and Charities Services reporting).* *Mitigation: Develop middleware APIs or "bridge layers" that automatically convert blockchain data into standard financial reports and dashboards.* *2. Custody, Wallet Management & Asset Security* *Challenge: Securely managing wallets and private keys is complex, especially for NGOs without in-house technical teams.* *Impact: Loss or mismanagement of keys could mean loss of funds, undermining donor confidence.* *Mitigation: Use institutional-grade custodial partners or multi-signature wallets, and integrate AI-powered security monitoring for anomalies or fraud detection.* *3. On/Off-Ramp and Banking Friction* *Challenge: Many NZ banks remain conservative toward crypto-linked businesses, making fiat conversions and settlement cumbersome.* *Impact: Limited liquidity for tokenised donations and difficulty paying suppliers or transferring funds into local currency.* *Mitigation: Establish relationships with regulated digital asset service providers and advocate for sector-specific pilot sandboxes (similar to what's been done in Australia's Project Acacia).* *4. Donor and Staff Education* *Challenge: Tokenisation is still new to most donors and nonprofit managers. Misunderstanding or perceived complexity can deter participation.* *Impact: Slow adoption, donor hesitancy, and possible compliance mistakes.* *Mitigation: Simplify user experience — donors shouldn't need to know what a wallet is. Provide clear educational resources and transparency dashboards that explain token flows in plain language.* *5. Compliance, Audit & Reporting*

	Challenge: Even though you asked about non-regulatory issues, operational compliance is still a practical challenge. Charities must be able to prove source of funds, valuation, and disbursement for every tokenised gift. *Impact: Risk of audit complications or reputational issues.* *Mitigation: Embed on-chain audit trails, digital identity checks (e.g., eID or verified wallets), and automated reporting tools that map blockchain transactions to NZD-equivalent values.* *6. Interoperability & Standards* *Challenge: There's no single global standard for tokenised donation data, asset representation, or impact reporting.* *Impact: Hard to connect across platforms, networks, and exchanges — leading to "walled gardens."* *Mitigation: Build using open standards (ERC-20/721/1155 or ISO 20022-compatible data models) and ensure your smart contracts are auditable and portable across chains.* *7. Scalability & Transaction Costs* *Challenge: Public blockchains can experience congestion and high gas fees, especially during market volatility.* *Impact: Micro-donations may become uneconomical.* *Mitigation: Use Layer-2 solutions, sidechains, or permissioned networks optimised for low-fee, high-throughput nonprofit transactions.* *8. Valuation & Volatility Management* *Challenge: Tokenised assets or donations can fluctuate in value, creating uncertainty in budgets.So adopting stablecoin (ie. NZDD) will be necessary to mitigate this.* *Impact: Difficulties forecasting grant disbursements or meeting funding targets.* *Mitigation: Use stablecoins or token-pegged assets (NZD-backed where possible), and integrate automatic conversion mechanisms to reduce exposure.* *9. Data Privacy & Identity* *Challenge: Balancing donor transparency with privacy (GDPR/Privacy Act compliance) on public ledgers.* *Impact: Risk of exposing personal donor data on immutable chains.*

	Mitigation: Use zero-knowledge proofs, anonymised metadata, or hybrid on/off-chain data storage. *10. Ecosystem & Talent Development* *Challenge: NZ's nonprofit and fintech ecosystems are still early-stage in tokenisation capability.* *Impact: Limited local vendors, auditors, and advisors experienced in digital philanthropy.* *Mitigation: Partner with universities, blockchain labs, and cross-sector initiatives (Digital Identity NZ, FinTech NZ, Blockchain NZ,Philanthropy NZ) to build shared expertise.*
3:What role (if any) do you see for the FMA relating to these barriers and challenges, and any opportunities?	*1. Market Confidence and Standards Development* *Role: The FMA can help set baseline standards for transparency, disclosure, and custody in tokenised systems — even where assets are not "financial products" under the FMC Act.* *Impact: A consistent approach to transparency and reporting gives donors, service providers, and traditional financial institutions confidence that tokenised charitable assets are handled responsibly.* *Opportunity: Publish guidance notes or voluntary codes of practice for digital asset custody, valuation, and disclosure — similar to the FMA's early guidance on crypto-assets in financial products.* *2. Regulatory Clarity and "Safe-to-Innovate" Sandboxes* *Role: Provide regulatory clarity on when tokenised assets fall outside or within financial market regulation, and offer a sandbox or innovation pathway for pilots.* *Impact: Gives early-stage philanthropic and fintech ventures a secure testing environment for tokenised giving, stablecoin use, or micro-donation models.* *Opportunity: Work with MBIE and DIA to extend the FinTech Regulatory Sandbox to include social impact tokenisation pilots — a low-risk way to test real-world use cases.* *3. Cross-Agency Coordination* *Role: Coordinate with IRD, Charities Services, and the Reserve Bank to align treatment of digital assets — for tax, reporting, and prudential risk.* *Impact: Streamlines compliance for nonprofits, avoids duplication, and supports consistency across government.* *Opportunity: Establish an inter-agency digital philanthropy working group to clarify accounting, GST, and audit treatment of tokenised donations.*

4. Custody, Audit, and Consumer Protection Oversight

Role: Set expectations for fit-for-purpose custody arrangements and operational resilience, even in voluntary or advisory capacity.

Impact: Reduces key-management and custody risk for NGOs without requiring them to become financial institutions.

Opportunity: Support development of certified custodians or approved service providers who specialise in nonprofit token custody and transaction assurance.

5. Market Education and Thought Leadership

Role: Leverage the FMA's credibility to provide education resources and workshops for boards, charities, and financial institutions about responsible tokenisation.

Impact: Demystifies blockchain use, lowers perceived risk, and improves governance quality in the nonprofit sector.

Opportunity: Jointly host "Digital Assets for Good" roundtables with Philanthropy NZ, FinTechNZ, and the Centre for Social Impact.

6. Encouraging Interoperable and Sustainable Infrastructure

Role: Support industry standards that promote interoperability, environmental sustainability, and inclusiveness in tokenisation technology ie. Stablecoin issuing and adopting.

Impact: Ensures the growing ecosystem remains transparent and low-carbon, consistent with NZ's ESG goals.

Opportunity: Endorse or help fund open-source infrastructure pilots that align with environmental and social sustainability principles.

7. Data Integrity and Assurance

Role: Encourage adoption of assurance frameworks for blockchain data — ensuring that tokenised records are auditable and accurate.

Impact: Builds trust among donors, auditors, and regulators without heavy regulation.

Opportunity: Partner with audit and accounting bodies to create a "Digital Asset Assurance Standard" for nonprofits and impact platforms.

Category	FMA's Potential Role	Outcome for Nonprofits
Clarity & Guidance	Define scope and safe zones for tokenised giving	Lower legal uncertainty

	Category	FMA's Potential Role	Outcome for Nonprofits
	Innovation Sandbox	Support low-risk pilots	Encourage experimentation
	Custody & Audit Standards	Voluntary standards for wallets and reporting	Improved donor trust
	Education & Outreach	Board training and case studies	Higher adoption readiness
	Cross-Agency Leadership	Align with IRD & Charities Services	Reduced compliance friction

4:Thinking about issues like market conduct, investor protection, governance and custody, what are the main consumer and investor risks you see in the market relating to tokenisation compared to traditional offerings?	*1. Market Conduct Risks* *a. Information Asymmetry & Complexity* *Challenge: Tokenised assets (or donations) often involve smart contracts, protocols, and tokenomics that the average user or donor does not understand.* *Risk: Consumers may not fully grasp rights, redemption conditions, or underlying asset exposure.* *Contrast to traditional markets: Traditional securities have clear disclosure regimes and simpler legal documentation.* *Mitigation: Standardised disclosure templates for tokenised instruments and plain-language donor/holder summaries.* *b. Price Manipulation & Thin Liquidity* *Challenge: Tokenised markets often operate on low liquidity, enabling price manipulation or artificial volume.* *Risk: Distorted valuations harm investors or donors converting between fiat and tokens.* *Mitigation: Transparency in order books, independent price oracles, and anti-wash-trading safeguards.* *c. Fraud and Misrepresentation* *Challenge: Without regulated intermediaries, it's easier for issuers or third parties to misrepresent token utility, value, or backing.* *Risk: Investors may believe tokens represent real-world assets that are not properly collateralised or owned.*

	Mitigation: Verified asset registries and FMA-endorsed minimum proof-of-reserve or proof-of-asset standards. *2. Investor and Consumer Protection Risks* *a. Loss of Access (Custody or Key Risk)* *Challenge: Control of digital assets depends on private keys or custodial wallets.* *Risk: Loss, theft, or mismanagement of keys results in permanent loss of funds or donations.* *Traditional equivalent: Bank deposits or securities are held under legal custody with recovery processes.* *Mitigation: Institutional-grade custody, multi-signature wallets, and recovery protocols.* *b. Lack of Recourse or Compensation Schemes* *Challenge: Tokenised systems often lack statutory protections like NZ's Financial Service Providers Register (FSPR) dispute resolution or compensation schemes.* *Risk: Consumers have limited legal avenues for recovery in case of fraud or insolvency.* *Mitigation: Voluntary adoption of dispute resolution frameworks and insurance-backed custodial arrangements.* *c. Valuation & Volatility Risk* *Challenge: Digital asset prices can fluctuate rapidly or depeg (in the case of stablecoins).* *Risk: Donations or investments lose real value before being deployed or redeemed.* *Mitigation: Use NZD-backed stablecoins or automatic fiat conversion to preserve value.* *3. Governance Risks* *a. Ambiguous Accountability* *Challenge: In decentralised systems, responsibility may be distributed among protocol developers, platform operators, and smart contracts.* *Risk: Hard to assign accountability for errors, hacks, or mismanagement.*

	Mitigation: Clear governance charters, registered operating entities, and audit oversight for smart contract deployment. *b. Concentration of Power in Smart Contract Administration* *Challenge: Admin keys or "upgrade authority" may rest with a few individuals.* *Risk: Potential abuse or unilateral system changes impacting holders.* *Mitigation: Multi-signature governance, transparency of protocol changes, and independent oversight.* *c. Inadequate Risk Management & Internal Controls* *Challenge: Many token projects lack robust internal audit, segregation of duties, or compliance monitoring.* *Risk: Operational failures, insider fraud, or poor custody discipline.* *Mitigation: Apply traditional governance standards (FMA's "fair, efficient, transparent" principles) to tokenised operations.* *4. Custody and Technology Risks* *a. Smart Contract Vulnerabilities* *Challenge: Coding errors or exploits in smart contracts can drain funds or freeze assets.* *Risk: Irreversible losses, with no central recovery authority.* *Mitigation: Third-party code audits, bug bounties, and layered security (e.g. transaction limits, on-chain monitoring).* *b. Cybersecurity and Operational Resilience* *Challenge: Tokenisation platforms are high-value targets for cyberattacks.* *Risk: Breaches can compromise private keys, donor data, and transactional integrity.* *Mitigation: ISO 27001-level cybersecurity frameworks, AI-driven threat monitoring, and backup redundancy.* *c. Dependence on Oracles and Off-chain Data*

Challenge: Tokenisation often depends on external data feeds (e.g., asset valuations, carbon credit registries).

Risk: Oracle manipulation or failure causes inaccurate valuations or false triggers in smart contracts.

Mitigation: Redundant, decentralised oracles and real-time verification processes.

5. Systemic and Reputational Risks

a. Ecosystem Immaturity

Challenge: The tokenisation market lacks established service providers (auditors, rating agencies, custodians).

Risk: Early adopters face higher counterparty and operational risk.

Mitigation: Partner only with vetted, compliant digital asset providers and push for industry certification schemes.

b. Reputational Spillover for Charities

Challenge: Association with "crypto" can deter traditional donors or regulators.

Risk: Public trust erosion if a platform failure or hack occurs.

Mitigation: Focus communications on transparency and accountability, not speculative value.

Summary:

Risk Category	Key Difference vs. Traditional Offerings	Primary Mitigation
Market Conduct	Less oversight, low liquidity	Standardised disclosure & transparent data
Investor Protection	Limited recourse, volatile assets	Custody standards, dispute resolution
Governance	Decentralised accountability	Clear governance charters, multi-sig contro
Custody	Key loss & smart contract risk	Institutional custody, audits, backups
Systemic	Immature ecosystem & trust gap	Education, certification, partnerships

5:What role do you see for tokenisation in the future of New Zealand's financial markets? What current or emerging use cases for tokenisation are most relevant or promising in the New Zealand market?	*1. Infrastructure Modernisation and Efficiency* *Tokenisation (including Stablecoin) will increasingly underpin the next generation of financial-market infrastructure (FMI) — digitising how assets are issued, traded, and settled.* *Instant, atomic settlement reduces counterparty and liquidity risk.* *Programmable assets enable automated compliance, corporate actions, and reporting.* *Shared ledgers reduce reconciliation and back-office costs for banks, custodians, and registries.* *→ Over time, tokenisation could replace batch-based settlement and paper-heavy registries with real-time, data-rich networks that are more inclusive and cost-efficient.* *2. Deepening Capital Markets* *NZ's markets are comparatively small and illiquid. Tokenisation offers:* *Fractional ownership of assets such as property, private equity, and infrastructure.* *Lower issuance and transfer costs, enabling smaller firms and projects to access capital.* *Cross-border investment opportunities without complex intermediaries.* *→ This can help democratise investment and increase participation by retail and impact investors.* *3. Linking Finance and the Real Economy* *Tokenisation can connect capital directly to tangible outcomes — aligning with NZ's sustainability and impact-investment goals.* *Carbon, biodiversity, and renewable-energy credits can be tokenised and traded transparently.* *Supply-chain finance, agricultural products, and export invoices can be tokenised for faster liquidity.* *Community and iwi projects can raise funding through compliant tokenised offerings backed by real assets.* *4. Enabling Borderless and Resilient Finance* *With tokenised instruments operating on distributed ledgers:* *Cross-border payments and settlements can occur in seconds rather than days.*

FX conversion and remittance costs drop significantly — especially valuable for export, tourism, and diaspora remittances.

Digital NZD-pegged stablecoins or a future CBDC could serve as base liquidity for these markets.

5. Strategic Role for Policymakers and Regulators

FMA and RBNZ can set standards for custody, disclosure, and interoperability while enabling innovation sandboxes.

MBIE and FinTech NZ can promote pilot programmes linking tokenisation with climate, trade, and social-impact initiatives.

Cross-agency cooperation can ensure NZ's approach remains principles-based, technology-neutral, and globally connected.

6. Foundation for Digital Philanthropy and Impact Finance

Tokenisation aligns directly with NZ's growing social-impact movement:

Programmable donations and grants can ensure funds are released only when impact conditions are verified.

Tokenised endowments or impact bonds can track measurable outcomes transparently on-chain.

NGOs can access new donor bases globally through token-based giving ecosystems.

Promising Current or Emerging Use Cases in New Zealand

Sector	Tokenisation Use Case	Relevance
Capital Markets	Tokenised government bonds, private debt, and managed funds	Supports liquidity, secondary trading, and fractional retail access
Property & Infrastructure	Fractional real-estate or infrastructure ownership tokens	Addresses affordability and investment diversification
Carbon & ESG Markets	Tokenised carbon credits, renewable certificates	Enhances traceability and prevents double-counting

	Sector	**Tokenisation Use Case**	**Relevance**
	Agriculture & Trade	Tokenised commodity receipts, export-invoice finance	Speeds liquidity for SMEs and exporters
	Payments & Stablecoins	NZD-backed stablecoins for domestic and regional settlement	Reduces FX risk and payment costs
	Philanthropy & Impact	Tokenised donations, community bonds, social-impact NFTs	Builds trust and global reach for nonprofits
	Cultural & Creative Economy	Tokenised music, film, and art royalties	Supports creators and transparent revenue sharing
6:Do you consider that the current law helps or hinders domestic tokenisation activity, and why?	*The law helps innovation through its flexible, principle-based structure.* *The law hinders adoption through uncertainty — not prohibition — around classification, custody, and compliance.* *The biggest opportunity is for the FMA, MBIE, and RBNZ to jointly issue interpretive guidance or sandbox exemptions that clarify these areas before drafting new legislation.* *This "clarity-first, regulation-later" approach would let New Zealand:* *Maintain its reputation for balanced, low-friction financial oversight,* *Encourage safe, compliant tokenisation pilots, and* *Position itself as a regional leader in digital finance and social-impact innovation.*		
7:Does financial markets legislation exclude or appropriately capture products and services relating to tokenisation, and why?	*The FMC Act and related frameworks do not exclude tokenisation — but they fail to fully capture it.* *For financial products, existing law works with interpretation.* *For new asset classes — especially those supporting decentralised philanthropy, digital donations, or community impact tokens — the absence of legal recognition leaves uncertainty for compliance, custody, and consumer protection.* *To bridge that gap, recommendations could be:* *Issue joint FMA–RBNZ guidance defining tokenisation within existing categories.* *Create a RegTech sandbox to test compliant tokenised offerings.(Which we have missed the first one that 6 companies did,and we would like to participate)* *Develop best-practice standards for custody, governance, and disclosure of tokenised social or non-financial assets.*		
8:Do have any views on whether specific tokens (or tokens with certain	*We are in favour of Stablecoin to be adopted in our business . Reasons :* *1. Price Stability for Real-World Use*		

characteristics) or specific services associated with tokens or tokenisation are appropriately included or excluded from financial markets legislation?	*Stablecoins are designed to maintain a steady value (usually pegged to a fiat currency like the NZD).* *This stability makes them suitable for day-to-day transactions, donations, payroll, and settlement, avoiding the volatility that makes traditional cryptocurrencies impractical for financial planning or accounting.* *2. Faster and Cheaper Cross-Border Transactions* *Stablecoins enable instant, low-cost international transfers without relying on banks or SWIFT.* *For nonprofits and charities receiving global donations, this means more funds reach beneficiaries rather than being lost to fees and delays.* *3. Greater Financial Inclusion* *Stablecoins can help unbanked or underbanked communities participate in digital finance, especially when integrated with mobile and decentralized wallets.* *This supports financial inclusion and equitable access, aligning with public-interest and social-impact goals.* *4. Programmability and Transparency* *Through blockchain smart contracts, stablecoins allow programmable donations, automated compliance, and real-time transparency in fund movement—strengthening trust among donors, regulators, and recipients.* *5. Reduced Currency Conversion Risk* *By using NZD-backed stablecoins, domestic entities (like charities, investors, and small businesses) can transact digitally without forex exposure, supporting local value circulation and economic sovereignty.* *6. Improved Efficiency for the Financial System* *Stablecoins can streamline settlement, reduce counterparty risk, and modernize payment infrastructure, complementing rather than replacing the traditional banking system.* *7. Regulatory Clarity and Innovation Leadership* *A well-regulated NZD stablecoin market would position New Zealand as a regional leader in digital finance, fostering innovation while maintaining consumer protection and market integrity.* *8. Enhanced Donor Experience and Trust* *For philanthropy, stablecoins make donations traceable, verifiable, and tax-compliant in real time.*

	This level of accountability increases donor confidence and encourages larger, more frequent giving.
9:Do you consider that a bespoke regulatory framework for tokenisation is desirable? Or would refinements to the existing principles-based framework be sufficient, or a combination of both?	*For our company/business,a combination of both — maintaining the principles-based regulatory approach but introducing targeted refinements and bespoke guidance specific to tokenisation and digital assets — would be the most desirable and proportionate path. Explanations:* *1. The strengths of New Zealand's current principles-based framework* *New Zealand's financial markets law (FMC Act and related regulations) is flexible and technology-neutral, focusing on the nature of the product and conduct, not the technology used.* *This adaptability supports innovation by avoiding over-prescriptive rules that can quickly become outdated.* *It allows regulators to apply existing investor protection, custody, and disclosure standards to tokenised products without creating an entirely new regime.* *For our company it means we can operate within an established, predictable framework while still innovating with blockchain and AI tools.* *2. The need for bespoke refinements* *However, tokenisation introduces novel features and risks not fully addressed by existing rules, especially for non-cash charitable assets and digital donation ecosystems.* *Key gaps where bespoke elements or regulatory guidance would help include:* *Clear legal status of tokenised assets and digital representations of donations — ensuring they are recognised under NZ law as legitimate and transferable instruments.* *Custody and safeguarding standards for tokenised assets, including digital wallets held by charities or platforms on behalf of donors.* *Stablecoin recognition — clear regulatory treatment of NZD-backed stablecoins as settlement instruments for charitable or financial transactions.* *Tax and AML/CFT treatment — simplified and consistent guidance for crypto-based charitable giving, reducing compliance uncertainty.* *Consumer protection and disclosure expectations — tailored for donors, not just investors, ensuring transparency without imposing excessive compliance costs.* *For our company: bespoke clarifications would reduce legal uncertainty, lower operational risk, and make it easier to integrate with banks , digital asset infrastructure partners ,and nonprofits.* *3. Why GiveEx thinks a balanced hybrid model works best*

	A hybrid approach—retaining the core principles of New Zealand's regulatory philosophy while adding specific, modular guidance or secondary legislation for tokenisation(including stablecoin)—ensures: *Innovation is not stifled by rigid or premature rulemaking.* *Regulators have clarity to supervise new models without overreach.* *Trust and adoption increase among traditional financial and nonprofit partners.* *For our company: this strikes the right balance between regulatory certainty (needed to gain institutional confidence) and flexibility (to continue innovating in digital philanthropy).*
10:Do you have any observations about the overall coherence of how virtual assets are treated across regulatory systems, such as payments, financial markets, tax, AML/CFT?	*We think there are silos and fragments and lacks cross-system coherence. While individual regimes — payments, financial markets, tax, and AML/CFT — each address aspects of virtual assets, they often do so in isolation, resulting in uncertainty and uneven compliance burdens for innovators and nonprofits.* *1. Payments and Settlement Systems* *The Reserve Bank currently provides no explicit regulatory category or licensing pathway for stablecoins or token-based settlement systems.* *As a result, stablecoins function outside the traditional payments framework, even when they perform similar economic roles to e-money or stored-value instruments.Hongkong,Australia and Singapore all have published regulations regarding stablecoin.* *This creates regulatory asymmetry between digital and fiat-based payment solutions.* *2. Financial Markets Regulation* *The FMC Act takes a technology-neutral, principles-based approach — a strength — but it can be unclear whether tokenised assets or donation-linked tokens constitute financial products or non-financial digital representations.* *There is no consistent taxonomy for different token types (utility, payment, governance, or asset-backed), leading to interpretive uncertainty and inconsistent treatment between similar offerings.* *Effect on my company: uncertainty over licensing, disclosure, and custody expectations for tokenised charitable assets.* *3. AML/CFT Framework* *The AML/CFT Act does capture "virtual asset service providers," but implementation varies across sectors.*

	Obligations are sometimes duplicated or inconsistent, particularly for entities that straddle both payment facilitation and digital asset management. *4. Tax Treatment* *The IRD treats cryptoassets as asset, not money— appropriate in principle, but difficult in practice for micro-donations, valuations, and record-keeping.* *The absence of specific charitable-giving guidance for crypto donations means donors and nonprofits face uncertainty over deductibility and reporting.And by treating the crypto as asset, there is no tax reductions for the donors so reduce engagements.* *Recommendation:* *A harmonised approach recognising NZD-backed stablecoins as functional equivalents to cash could greatly simplify charitable use cases.*
11:What changes (if any) do you consider may be necessary or desirable to explore for existing financial markets legislation to improve business confidence, and promote and facilitate innovation, market access and function, and investor protection?	*1. Recognition of NZD-Backed Stablecoins as Regulated Settlement Instruments* *Establishing a clear legal category for NZD-pegged stablecoins within financial markets or payments legislation would provide certainty for issuers, platforms, and users.* *This would enable the development of low-volatility, transparent, and fully collateralised digital settlement options, supporting both commercial and charitable transactions while mitigating exposure to crypto price fluctuations.* *2. Consistent Classification and Taxonomy of Tokenised Assets* *Providing an agreed taxonomy and interpretive guidance for tokenised instruments — distinguishing between utility, asset-backed, and payment tokens — would reduce uncertainty around disclosure, licensing, and custody obligations under the FMC Act.* *This clarity would enhance confidence for investors, nonprofits, and service providers alike.* *3. Proportionate and Risk-Based Custody and Governance Standards* *Updating custody and client-asset rules to accommodate digital wallets, smart contracts, and on-chain escrow arrangements would align regulation with emerging market practices, improving protection without overburdening smaller or nonprofit actors.* *4. Coordinated Cross-Regulatory Framework* *Stronger alignment between the FMA, Reserve Bank, DIA, and IRD on the treatment of virtual assets (especially for AML/CFT, payments, and taxation) would simplify compliance and improve interoperability between digital and traditional financial systems.* *5. Support for Innovation and Market Access* *The introduction of a regulatory sandbox or digital assets innovation pathway would encourage responsible experimentation under supervision, helping legitimate businesses demonstrate*

	compliance and build trust with banks and donors.And GiveEx would definitely be keen to participate.
12:What approaches do you consider may be necessary or desirable from the FMA as the regulator to improve market confidence and investor protections for tokenisation initiatives, and why?	*1. Develop Clear, Technology-Neutral Guidance on Tokenisation* *The FMA should publish comprehensive interpretive guidance outlining how existing financial markets laws apply to tokenised assets, including criteria for when tokens constitute financial products.* *This would provide regulatory certainty for innovators while ensuring consistent investor safeguards.* *2. Establish Supervisory Principles for Stablecoins and Token Custody* *Clear expectations for NZD-backed stablecoin governance, reserve management, and custody would protect users and maintain trust.* *Standards could mirror existing client-money and custody obligations while recognising on-chain transparency and programmability as additional safeguards.For charity or nonprofits stablecoin has its unique advantage over other tokens and this is important to our industry.* *3. Encourage Responsible Innovation through Regulatory Engagement* *A dedicated Digital Assets and Tokenisation Unit or regulatory sandbox within the FMA could support experimentation under supervision, helping projects validate compliance, improve consumer protection mechanisms, and build institutional trust.* *4. Promote Cross-Agency Coordination and Information Sharing* *The FMA should coordinate closely with the Reserve Bank, DIA, and IRD to ensure coherent treatment of virtual assets across payments, AML/CFT, and taxation regimes.* *Such collaboration would enhance market confidence by reducing duplication and ensuring consistent risk assessment.* *5. Strengthen Transparency and Disclosure Frameworks* *The FMA can lead in developing proportionate disclosure standards for tokenised products — including transparent reporting on asset backing, smart-contract functionality, and risk factors — ensuring investors and donors are well-informed without imposing undue costs.*
13:Given international regulatory and market activity (see Appendix), do you have views on how the regulatory system should manage cross-border and jurisdictional issues?	*1. International Regulatory Alignment* *New Zealand should align its framework with emerging global standards from bodies such as the Financial Stability Board (FSB), IOSCO, and the FATF, particularly in relation to stablecoin governance, reserve transparency, and AML/CFT obligations.* *Harmonisation reduces the risk of regulatory arbitrage and ensures that NZ-based projects can interoperate with trusted overseas markets.* *2. Mutual Recognition and Regulatory Cooperation*

	The FMA and other agencies should pursue bilateral and multilateral cooperation agreements with comparable jurisdictions to facilitate information sharing, consistent supervision, and potential mutual recognition of licensing or disclosure regimes. *This would streamline cross-border token issuance, settlement, and charitable fundraising activities while maintaining robust oversight.* *3. Clear Jurisdictional Scope and Entity Obligations* *Regulation should clearly define when New Zealand law applies to offshore-issued or globally traded tokens — for instance, where they are marketed to NZ investors, backed by NZD assets, or involve NZ-based intermediaries.* *This clarity protects consumers and provides legal certainty for domestic businesses engaging in international tokenisation initiatives.* *4. Support for Cross-Border Philanthropy and Impact Finance* *For the nonprofit and social-impact sector, a consistent framework enabling cross-border digital donations and asset transfers — compliant with both NZ AML/CFT standards and foreign charitable regulations — would unlock new global capital flows into New Zealand's charitable ecosystem.* *5. Encourage Participation in Global Regulatory Dialogues* *New Zealand should take an active role in international working groups on digital asset regulation, ensuring that local perspectives — including innovation, financial inclusion, and social impact use cases — are represented in global policy development.*

Feedback summary –

More than $1 billion in cryptocurrency has been donated to charitable causes in 2024 alone.

Stablecoins processed nearly $30 trillion in transactions in 2024—more than Visa and Mastercard combined.

It is estimated that crypto donations in 2035 would be approximately $89.27 billion.

GiveEx,as a decentralised non-cash asset charitable giving platform, we support a principles-based but modernised regulatory framework that enables responsible tokenisation and stablecoin adoption in New Zealand.

We believe that tokenisation and NZD-backed stablecoins can enhance transparency, reduce transaction costs, and open new global fundraising channels for nonprofits, while maintaining strong investor and donor protections.

Rather than a new standalone regime, we advocate for targeted refinements to existing financial markets legislation — including clear guidance on tokenised assets, custody standards, and the legal status of stablecoins as settlement instruments.

We encourage the FMA to focus on clarity, consistency, and collaboration: publishing practical guidance, supporting innovation through supervised sandboxes, and coordinating with the RBNZ, DIA, and IRD to ensure coherent treatment across payments, AML/CFT, and tax systems.

Internationally, we support alignment with global standards (Singapore’s MAS-regulated Single-Currency Stablecoins (SCS),Hongkong Regulatory Regime for Stablecoin Issuers,FSB,IOSCO, FATF etc) and mutual recognition frameworks to manage cross-border token activity and digital philanthropy safely.

Overall, we want a trusted, innovation-friendly tokenisation environment that gives nonprofits and donors confidence to engage in digital giving, helping New Zealand lead in transparent, inclusive, and technology-enabled philanthropy.

Thank you for your feedback – we appreciate your time and input.

Feedback form

Tokenisation in financial markets

Please submit this feedback form electronically in both PDF and MS Word formats and email it to us at consultation@fma.govt.nz with 'Tokenisation in financial markets: [your organisation's name]' in the subject line. Thank you. **Submissions close on Friday 31 October 2025.**

Date: 30 October 2025 Number of pages: 5

Name of submitter: [redacted]

Company or entity: Hudson Gavin Martin

Organisation type: Law firm

Contact name (if different):

Contact email and phone: [redacted]

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Question number	Response
Q6 – Do you consider that the current law helps or hinders domestic tokenisation activity, and why?	*Regulatory uncertainty remains the primary risk to domestic adoption of tokenisation. Industry participants need confidence that regulators understand the nuances of these models and will enforce laws predictably. The benefits of tokenisation can only be fully realised if both market participants and consumers have clear guidance on regulatory boundaries. Without such clarity, tokenisation will develop offshore rather than under New Zealand supervision, limiting New Zealand regulators' ability to oversee and influence outcomes.* *The "bare trust" approach for holding fiat reserves for New Zealand -issued stablecoins is an example of a lack of targeted regulation exposing a potential weakness in New Zealand's regulatory framework (both in this context and for fintech/payment services more broadly). It is, at best, a workaround that creates uncertainty in the legal and supervisory treatment of relevant products and services. Relying on bare trusts leaves certain asset classes under-supervised and restricts providers from using funds efficiently. A more targeted/robust regime would clarify obligations and provide market participants and consumers with certainty in both rights and obligations.*
Q8 – Do you have any views on whether specific tokens (or tokens with certain characteristics) or specific services associated with tokens or tokenisation are appropriately included or excluded from financial markets legislation?	*Our view is that the use cases where regulatory guidance is most necessary – and would be most useful – are generally those where:* *1. There is significant activity in New Zealand; and* *2. There is significant uncertainty in the application of existing law (e.g., because the assets or services fall outside the scope of existing financial product/service definitions).* *Some examples of use cases that we consider meet these criteria and would lend themselves either to specific inclusion within financial markets legislation, or at least further detailed regulatory guidance, include:* • *Stablecoins;* • *Custody of tokenised assets;* • *Tokenisation of real estate and other real world assets;* • *Tokenised/crypto asset-backed lending; and* • *Staking and yield products.* *Each of these use cases would benefit from practical guidance explaining how the FMA (or other relevant regulators) interprets the existing law and what obligations apply.*
Q9 – Do you consider that a bespoke regulatory framework for tokenisation is desirable? Or would refinements to the existing principles-based framework be sufficient, or a combination of both?	*The FMA (and other relevant regulations) should issue detailed use case-based guidance, developed through consultation and sandbox insights, rather than seek to produce definitive classifications of every token type. Guidance should reflect actual business models currently operating in New Zealand and comparable overseas jurisdictions that have adopted (or plan to adopt) flexible but clear regulatory approaches (such as Australia and the United Kingdom). The framework should be risk-based (e.g., considering technological vulnerability, governance weakness, market instability) and aimed at managing exposure and supervisory effort. A principles-based framework will be more adaptive and accommodating of innovation.*

	We encourage the FMA to "be brave" and lead domestically by translating principles into specific use cases. Market participants should be able to understand: • *Where their activities sit within current law;* • *Which features are considered problematic or high-risk; and* • *The extent to which the activity is an enforcement priority.* *We believe the FMA sandbox can continue to play a key role in identifying emerging models and sharing aggregated insights with the industry. Those insights could inform public guidance, targeted class exemptions and/or regulatory reform.*
Q10 – Do you have any observations about the overall coherence of how virtual assets are treated across regulatory systems, such as payments, financial markets, tax, AML/CFT?	*The current regulatory framework, while technology neutral, often produces uncertainty for activities involving tokenised assets. This is especially evident where the product or service does not fit neatly within existing financial product or service definitions. The Financial Markets Conduct Act 2013, Anti-Money Laundering and Countering Financing of Terrorism Act 2009 and custodial service obligations were not designed with tokenised instruments in mind.* *As a result, businesses face uncertainty when determining whether an offering is a financial product, who must hold a licence and how custodial obligations apply to decentralised or smart contract-based arrangements. We also see potential for high compliance costs and regulatory uncertainty being driven by applying the AML/CFT regime (and particularly requirements relating to wire transfer reporting and information sharing stemming from the FATF "travel rule") to Virtual Asset Service Providers.* *This uncertainty raises compliance costs and leads some providers to offshore operations, consistent with FMA observations that current rules may hinder responsible innovation.*
Q12 – What approaches do you consider may be necessary or desirable from the FMA as the regulator to improve market confidence and investor protections for tokenisation initiatives, and why?	*The FMA sandbox should be used not only as a testing environment but also as a means of generating system-wide learnings. The FMA should consider publishing de-identified findings from sandbox trials that relate to complex or novel products. These findings could form the basis of guidance statements or inform future class exemptions, benefiting the broader market and supporting informed risk management.*
Q13 – Given international regulatory and market activity (see Appendix) do you have views on how the regulatory system should manage cross-border and jurisdictional issues?	*New Zealand should aim for consistency with international best practice, aligning key concepts with frameworks emerging from leading jurisdictions. International harmonisation would allow cross-border interoperability while maintaining investor protection.* *We would also like to see co-ordination with MBIE to delineate where legislative reform may be required, as opposed to matters resolvable through regulatory guidance. This inter-agency collaboration would ensure that the FMA's regulatory perimeter remains effective without waiting for new legislation to be passed.*
Feedback summary *– if you wish to highlight anything in particular* *We support the FMA's proactive approach to regulatory engagement and recognise the importance of providing clarity in a rapidly evolving tokenised environment. As a small, relatively nimble market with pockets of strong expertise and innovation, New Zealand has an opportunity to establish a pragmatic, internationally connected framework for tokenised financial markets. To achieve that, market participants need clear, use case-driven guidance reflecting the realities of both local and global practice. We encourage the FMA to continue working with MBIE, other relevant regulators and industry to produce (in the short term) actionable, principles-based guidance, and (in the longer term) legislative change that fosters innovation and protects investors.*	

Please note: Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.

Thank you for your feedback – we appreciate your time and input.

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Date: 23 October 2025 Number of pages: 6

Name of submitter: [redacted]

Company or entity: Lane Neave

Organisation type: Law Firm

Contact name (if different):

Contact email and phone: www.laneneave.co.nz

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Question number	Response
1. In your view, what are the main market barriers and opportunities for domestic tokenisation activity in financial markets?	• Legal uncertainty around digital token classification under the FMCA – and the costs associated with getting tokenised projects off the ground – appears to be stalling innovation and deterring new market entrants. • A clear, practical framework – covering such things as security, utility, payment – would attract investment and provide clarity. • A re-evaluated approach to costs associated with such activity is strongly recommended. • Tokenising assets such as real estate, commodities, and securities, could unlock greater access and capital flow.
2. What do you see as the operational and technology challenges for adoption of tokenisation by your business or the market?	• Not applicable
3. What role (if any) do you see for the FMA relating to these barriers and challenges, and any opportunities?	• The FMA should clarify how existing laws apply to tokenised products and services through guidance and case studies, using its designation powers where needed. • The FMA could consider a streamlined licensing or exemption pathway for tokenisation initiatives. • Proactive steps – such as exemptions for defined token models and enhanced sandboxes – would reduce regulatory uncertainty and support innovation. • Continued engagement with stakeholders and the wider public is critical. The FMA should consider 'best practices' and standards for tokenised offerings coupled with an 'educative' approach for investors and consumers. • Alignment with overseas regulators, on global standards, is recommended • With its position, the FMA has the ability to identify gaps and inconsistencies in NZ's regulatory and legislative framework.
4. Thinking about issues like market conduct, investor protection, governance and custody, what are the main consumer and investor risks you see in the market relating to tokenisation compared to traditional offerings?	• Tokenised products are marketed with varying degrees of explanation – some are highly technical, and it may be difficult for retail investors to understand their underlying rights or the risks associated with the investment. • Tokenised markets may present a great risk of price manipulation, or 'pump-and-dump' schemes, due to their '24/7' borderless operation. • Disclosure rules need to evolve to reflect the unique risks of tokenised products, such as smart contract vulnerabilities and self-custody. • The FMA's focus should be on 'risk', aligning disclosure requirements with product complexity. • As decentralised systems blur traditional investor classifications, there is a need for more adaptive and inclusive safeguards that go beyond the rigid retail versus wholesale investor distinction.

5. What role do you see for tokenisation in the future of New Zealand's financial markets? What current or emerging use cases for tokenisation are most relevant or promising in the New Zealand market?	• Tokenisation has the potential to transform NZ's financial market landscape – it can unlock liquidity, transparency, and fractional ownership. • NZ's strengths in real estate, infrastructure, agri-assets and carbon make it well-positioned for tokenised finance under a balanced regulatory framework. • Tokenisation can lower barriers to entry for startups and fin-techs. • Distributed ledger technology (DLT) can enhance transparency and strengthen investor confidence. • Fostering tokenisation will allow us to remain competitive in global cap markets and attract international investment.
6. **Do you consider that the current law helps or hinders domestic tokenisation activity, and why?**	• Although NZ's financial markets conduct regime is 'technology neutral' in theory, allowing tokenised products to be assessed under existing legal categories (e.g. financial products, managed investment schemes), the law has a tendency to be either unclear or inconsistent in its application to tokenised assets. • It is not always clear whether a token constitutes a 'financial product'. • Further, smart contracts and decentralised governance structures do not fit neatly into existing legal definitions. • Some tokenised offerings fall outside the scope of current financial advice or disclosure regimes – this can leave retail investors exposed to misleading promotions, inadequate risk disclosures, or poor recourse mechanisms. • The cost and complexity of navigating uncertain regulatory pathways can deter smaller operators from pursuing tokenisation projects. • The need to seek exemptions or legal opinions adds friction and delays.
7. Does financial markets legislation exclude or appropriately capture products and services relating to tokenisation, and why?	• The FMCA focuses on economic substance, rather than form, which means many tokenised financial products can be regulated under existing categories. Further, the FMA can issue class designation and exemptions regarding tokenised offerings. • However, tokenised products often fall outside existing legal definitions. • Also, offerors may choose to avoid classification to reduce compliance and the FMCA doesn't adequately address custody of digital assets or smart contracts. • Targeted legislative amendments could address custody, governance, and classification issues.
8. Do have any views on whether specific tokens (or tokens with certain characteristics) or specific services associated with tokens or tokenisation are appropriately included or excluded from financial markets legislation?	• A technology-neutral approach creates inconsistencies in how specific token types and services are included or excluded. • Tokenised financial products, stablecoins, token exchanges and wallet providers arguably fit within existing definitions. • However, it is unclear whether utility tokens, governance tokens, NFTs, wrapped assets, DeFi platforms, DAOs, smart contract developers fit within existing definitions.

	• Utility tokens, stablecoins, and NFTs need tailored treatment. The FMA should clarify edge cases using global best practices. • Guidance or a taxonomy of token types and services, with indicative regulatory treatment, is welcomed.
9. Do you consider that a bespoke regulatory framework for tokenisation is desirable? Or would refinements to the existing principles-based framework be sufficient, or a combination of both?	• We recommend an 'in-between' or 'hybrid' approach – retain flexible principles, add tailored guidance, risk tiers, and taxonomy. • The FMA should consider implementing a DLT pilot regime which would enable safe experimentation.
10. Do you have any observations about the overall coherence of how virtual assets are treated across regulatory systems, such as payments, financial markets, tax, AML/CFT?	• Coherence is somewhat mixed and fragmented. • There is likely to be utility in establishing some form of multi-departmental task force to align financial market rules, payments, AML and tax implications, and help remove inconsistency in interpretations / outcomes.
11. What changes (if any) do you consider may be necessary or desirable to explore for existing financial markets legislation to improve business confidence, and promote and facilitate innovation, market access and function, and investor protection?	• We recommend the introduction of statutory definitions for key token classes, when a token is a financial product and the rights conferred by token ownership. • Provide confirmation as to whether tokenised representations of real-world assets confer legal ownership or contractual rights. • Establish clear licensing and disclosure requirements regarding tokenised offerings.
12. What approaches do you consider may be necessary or desirable from the FMA as the regulator to improve market confidence and investor protections for tokenisation initiatives, and why?	• Provide clear, example-based guidance to help market participants understand expectations. • Introduce differentiated requirements for retail vs wholesale tokenised products. • Encourage standardised reporting formats for tokenised offerings to improve comparability. • Introduce targeted education campaigns to explain tokenisation, and benefits and risks. • Actively engage with consumer groups to understand concerns. • Expand the number and nature of sandboxes. • Establish tokenised-based working groups.
13. Given international regulatory and market activity (see Appendix), do you have views on how the regulatory system should manage cross-border and jurisdictional issues?	• Monitor and engage with global regulatory developments, such as frameworks emerging in the EU, Singapore, and Australia, to ensure NZ remains competitive and compatible. • Establish clear guidance on the treatment of foreign-issued tokens, including recognition of equivalent regulatory regimes and investor protections. • Facilitate regulatory cooperation and information sharing with overseas counterparts to address risks like market fragmentation, regulatory arbitrage, and enforcement challenges. • Continue to support industry through sandbox environments or pilot programs that allow for cross-border experimentation under controlled conditions.

14. Do you have any other observations or comments about tokenisation in financial markets?	• The NZ government needs to be proactive in its engagement – Switzerland, the UK and Singapore are moving out of pilot phases to live market offerings. • Market participants need consistent guidance on licensing, disclosure, custody, and compliance obligations. • Collaborative development of standards and best practices will help ensure that regulation is both effective and enabling
Feedback summary – *if you wish to highlight anything in particular*	
Please note: Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.	

Thank you for your feedback – we appreciate your time and input.

New Zealand Banking Association
Te Rangapū Pēke

Submission

to the

Financial Markets Authority

on the

Discussion paper: *Tokenisation in financial markets*

12 November 2025

NEW ZEALAND BANKING ASSOCIATION – TE RANGAPŪ PĒKE
PO Box 3043, Wellington 6140, New Zealand
www.nzba.org.nz

About NZBA

1. The New Zealand Banking Association – Te Rangapū Pēke (**NZBA**) is the voice of the banking industry. We work with our member banks on non-competitive issues to tell the industry's story and develop and promote policy outcomes that deliver for New Zealanders.

2. The following seventeen registered banks in New Zealand are members of NZBA:

- ANZ Bank New Zealand Limited
- ASB Bank Limited
- Bank of China (NZ) Limited
- Bank of New Zealand
- China Construction Bank (New Zealand) Limited
- Citibank N.A.
- The Co-operative Bank Limited
- Heartland Bank Limited
- The Hongkong and Shanghai Banking Corporation Limited
- Industrial and Commercial Bank of China (New Zealand) Limited
- JPMorgan Chase Bank N.A.
- KB Kookmin Bank Auckland Branch
- Kiwibank Limited
- Rabobank New Zealand Limited
- SBS Bank
- TSB Bank Limited
- Westpac New Zealand Limited

Contact details

3. If you would like to discuss any aspect of this submission, please contact:

[redacted]

Introduction

4. NZBA welcomes the opportunity to provide feedback to the Financial Markets Authority (**FMA**) on the Discussion Paper: *Tokenisation in financial markets* (**Consultation**). NZBA commends the FMA for its proactive, open and technology-neutral approach to engaging with industry stakeholders on this important topic. The willingness to foster dialogue and seek feedback is vital for supporting responsible innovation and maintaining the integrity of New Zealand's financial markets.

5. We endorse the FMA's goal to foster fair, efficient and transparent markets, and emphasise the need for a regulatory environment that appropriately enables experimentation while protecting consumers.

6. Our submission focuses on four key areas: consistent regulation across all entities engaged in digital asset activities; strengthening investor protection; calibrating capital requirements for tokenised traditional assets; and expressing our overall support for the FMA's consultative approach.

Consistent, technology neutral regulation

7. We strongly support the principle of consistent regulatory requirements for all market participants engaged in digital asset activities (in particular, the provision of custodial services to customers), for the reasons set out at paragraphs 12-16. The current global regulatory landscape risks entrenching a bifurcated market structure, where some categories of entities may operate under less stringent requirements than others. This risks undermining market integrity and financial stability.

8. In our view, regulation of digital assets should be technology neutral and flexible, with targeted provisions for tokenisation. To this end, we note that current laws are technology neutral but lack clarity for novel tokenised products. We recommend a review of applicable laws, and the provision of clear guidance through regulatory sandboxes and FAQs.

9. Any regulation should apply equally to all digital asset service providers; where two entities are offering the same product, which carries the same inherent risk, they should be subject to the same regulatory requirements.

10. Banks are already subject to comprehensive prudential and financial markets regulation, robust risk management, and ongoing supervisory oversight. The introduction of equivalent standards for digital assets should apply equally to all digital asset service providers, including custodians and exchanges, to avoid regulatory arbitrage and, importantly, to ensure consistent consumer protection.

11. We urge the FMA to advocate for technology-neutral regulation that applies the same standards to all entities performing similar activities, e.g. selling products in line with the principle of "same activity, same risk, same regulatory outcome."

Investor protection

12. Investor protection is a foundational mandate for financial market regulators. Banks, as qualified custodians, have a proven track record of helping safeguard client assets through:

    12.1. segregation of client assets from proprietary assets;

    12.2. separation of custody from other financial activities;

    12.3. proper control and exclusive authority over client assets; and

    12.4. comprehensive legal frameworks ensuring bankruptcy remoteness.

13. We submit that any expansion of custody services to new types of entities must require those entities to meet these same standards – again, on the basis that provision of the same service should be held to an equivalent standard.

14. For instance, "self-custody" client assets without equivalent regulatory guardrails exposes investors to heightened risks of loss and conflicts of interest. We consider the FMA should ensure that all custodians, regardless of their institutional form, are subject to robust requirements for asset segregation, operational transparency, and prudential and regulatory oversight.

15. Risks such as product complexity, lack of transparency, cyber threats, and market abuse should require enhanced disclosure, education, and clear governance frameworks. We consider that the FMA has a key role to play in educating both the financial industry and customers, to scale the development of a secure network.

16. Other important aspects to help ensure the effective and secure operation of tokenised asset providers will include integration with legacy systems, scalability, and interoperability across different blockchain platforms, to prevent fragmentation and ensure asset recourse.

Capital requirements for tokenised traditional assets

17. NZBA supports a risk-sensitive approach to capital requirements for tokenised traditional assets. International experience (as reflected in the recent joint trades letter to the Basel Committee on Banking Supervision) shows that overly punitive capital treatment for tokenised assets on permissionless blockchains – especially those representing high-quality traditional instruments (e.g., government bonds, money market funds) – can discourage bank participation and stifle innovation.

18. We recommend that capital requirements for tokenised traditional assets be aligned with the actual risk profile of the underlying asset, rather than the technology used for tokenisation. For example, a tokenised government bond should not attract a higher capital charge than its conventional counterpart if the credit and market risks are

identical. We support a principles-based, technology-neutral approach to prudential and financial markets regulation, ensuring that banks can compete fairly and support the development of secure, efficient tokenised markets.

Support for FMA's open dialogue and coordination with local and international regulators

19. We appreciate the FMA's commitment to open consultation and its willingness to engage with industry on emerging technologies. NZBA looks forward to collaborating with the FMA to develop clear, consistent, and effective regulatory frameworks that balance innovation with investor protection and financial stability.

20. Workshops and proof of concepts, led by regulators, have been proactively used in other jurisdictions, such as Singapore and Hong Kong. There is an opportunity to leverage global learnings in implementing an interoperable regime in New Zealand.

21. We encourage the FMA to continue and expand its coordination with both international and domestic regulators, central banks and policymakers. As global standards and national approaches to digital assets and tokenisation continue to evolve, close collaboration is essential to leverage the learnings of other jurisdictions, and mitigate the risk of regulatory fragmentation, cross-border inconsistencies, and market arbitrage.

22. We also encourage the FMA to continue its leadership in fostering responsible innovation and to advocate for harmonised standards that support both domestic and cross-border market integrity. Harmonised standards and clear communication among jurisdictions will help ensure a stable, competitive and resilient financial system for New Zealand and its participants.

23. As part of this, we consider it would be valuable for the FMA to provide ongoing guidance, industry engagement, and pilot support. For example, there are promising applications in New Zealand including tokenised bonds, real estate, managed funds and payment solutions, with pilots providing insights into regulatory and compliance challenges.

Conclusion

24. NZBA welcomes further engagement with the FMA and other stakeholders to ensure that New Zealand's financial markets remain fair, efficient and resilient as tokenisation and distributed ledger technologies evolve. We look forward to contributing to the development of regulatory settings that promote innovation, help protect investors, and maintain a level playing field for all market participants.

Feedback form

Tokenisation in financial markets

Please submit this feedback form electronically in both PDF and MS Word formats and email it to us at consultation@fma.govt.nz with 'Tokenisation in financial markets: [your organisation's name]' in the subject line. Thank you. **Submissions close on Friday 31 October 2025.**

Date: 31 October 2025 Number of pages: 7

Name of submitter: [redacted]

Company or entity: New Zealand Financial Markets Association Incorporated

Organisation type: Industry Association

Contact name (if different):

Contact email and phone: [redacted]

Personal information

The Privacy Act 2020 contains principles on how various agencies, including the FMA, collect, use and disclose information provided by individuals. Any personal information you supply to the FMA in the course of providing your submission feedback is only used for:

- the purpose of assisting in the development of advice in relation to this consultation, or
- contacting you about your submission.

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☐ If you do not want your submission or a summary of your submission to be placed on the FMA's website, please tick the box and type an explanation below:

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Once submitted, your feedback becomes official information, and can be requested under the Official Information Act 1982 (OIA).

An OIA request asks for information to be made available unless there are sufficient grounds for withholding it. If some or all of your submission falls within the scope of any request for information received by the FMA, the FMA cannot guarantee that your feedback will not be made public. Any decision to withhold information requested under the OIA is reviewable by the Ombudsman. Get help from the ombudsman – https://www.ombudsman.parliament.nz

If you do not want your submission feedback released as part of an OIA request, please check the box below and provide the reasons why (for example, privacy or commercial sensitivity).

The FMA will take your reasons into account when responding to OIA requests.

☐ I would like my submission (or identifiable parts of my submission) to be kept confidential for the purposes of an OIA request, and have stated my reasons for this, for consideration by the FMA.

I would like my submission (or identifiable parts of my submission) to be kept confidential because… insert reasoning here.

Question number	Response
	Please see attached submission document.

Feedback summary – *if you wish to highlight anything in particular*

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Thank you for your feedback – we appreciate your time and input.

NZFMA
NEW ZEALAND FINANCIAL MARKETS ASSOCIATION
TE RŌPŪ MĀKETE PŪTEA O AOTEAROA

31 October 2025

Financial Markets Authority – Te Mana Tātai Hokohoko

(By electronic submission)

New Zealand Financial Markets Association – Submission to the Financial Markets Authority on the Discussion Paper regarding Tokenisation in the Financial Markets

1 The New Zealand Financial Markets Association (**NZFMA**) is the industry association for institutional participants in New Zealand's wholesale financial markets. We represent the common interests of our members through a range of activities, including by:

1.1 advocating on matters of common interest to Members which are relevant to the good reputation and efficient operation of New Zealand's wholesale financial markets and their regulation by government and regulatory authorities;

1.2 promoting and assisting the maintenance, reform and development in New Zealand of competitive and resilient wholesale financial markets that operate in a fair and efficient manner; and

1.3 promoting New Zealand's wholesale financial markets as essential elements of the New Zealand financial system, capital markets and economy.

2 The NZFMA welcomes the opportunity to provide feedback to the Financial Markets Authority (**FMA**) on its "Tokenisation in Financial Markets" discussion paper (**Discussion Paper**).

3 The NZFMA is committed to promoting the development of fair, efficient, and resilient wholesale financial markets. We acknowledge the FMA's thought leadership in initiating this consultation and support efforts to ensure New Zealand's regulatory settings remain fit for purpose in pace with accelerating innovation. There is evidence of significant and growing exposure to cryptocurrencies and other tokenised assets across New Zealand's economy, not just through direct holdings but increasingly via managed funds, investment platforms and retirement vehicles. Tokenised assets are increasingly becoming embedded in the mainstream investment and retirement-saving ecosystem. As such, we support New Zealand taking ownership of its trajectory in this area; without action, we risk investments and markets shifting further offshore, and oversight being effectively outsourced to overseas regulators with the intrinsic risks that entails.

4 This Discussion Paper is a crucial initial step in supporting the ongoing development of appropriately regulated local financial markets incorporating tokenised assets, and ensuring that New Zealand remains attractive to both overseas investors and domestic retail and wholesale participants, who might otherwise consider offshore alternatives. Even relatively minor regulatory changes could significantly enhance New Zealand's competitiveness in both wholesale and retail markets, helping to ensure our financial markets remain fair, efficient, and globally relevant.

5 Our submission below focuses on an aspect of current global developments, innovations in the wholesale markets, that we consider should be given higher priority as New Zealand further develops its regulatory approach.

New Zealand's regulatory approach should prioritise alignment with international standards, and interoperability with global financial infrastructure, for institutional products, payments and settlement

6 On the basis of our comments above, we encourage the FMA to include a focus on international developments in institutional securities offerings, settlements and payments, and where appropriate coordinating with other regulators for this purpose.

7 While the Discussion Paper largely considers tokenisation opportunities and risks in relation to retail investors and consumers, much of the current momentum and innovation in tokenisation internationally is occurring in the institutional and wholesale markets (including usage of stablecoins and tokenised securities). Leading jurisdictions in this space – including the Eurozone, Singapore, Hong Kong, Australia, the UK and the US – are underway with advanced pilot projects or moving from trials to live deployments of tokenised securities and digital settlement assets. Many of these global initiatives are focused on the wholesale financial system.

8 Given New Zealand's uniquely linked wholesale and retail markets, consideration of tokenisation regulation needs to address both retail and wholesale impacts and ensure that any such regulation allows New Zealand's wholesale markets to quickly adapt to and incorporate such changing technologies. Alignment with international standards, and interoperability with global financial infrastructure, for institutional products, payments and settlement should therefore be prioritised.

9 We note that the Financial Stability Board (**FSB**) and the International Organisation of Securities Commissions (**IOSCO**) have made recommendations for crypto and digital asset markets. Although it is a member of each organisation (via the Reserve Bank and FMA, respectively), we note that New Zealand is omitted from

each organisation's released thematic review on implementation of those recommendations.[1] By contrast, Australia is relatively well advanced.

10 Developments underway overseas may fundamentally change market structures and dynamics in the future. If New Zealand does not or cannot keep up with such developments, we are concerned that:

10.1 New Zealand may be seen as less attractive for foreign capital, as investors may expect the use of such technologies to eliminate settlement risks and requirements to pre-fund investments;

10.2 New Zealand issuers may face increased barriers to settlements into offshore markets, where the ability to connect with these new technologies may become increasingly necessary; and

10.3 over time, such impacts may lead New Zealand's market participants to further migrate offshore.

11 The international milestones being made in this space provide applied and practical insights into the relative benefits, risks and operational challenges in the use of tokenisation in the New Zealand financial markets. Of particular relevance in New Zealand is Australia's Project Acacia,[2] which we believe should be studied as a starting point for New Zealand's own path forward.

Specific submission points

12 We make the following specific submissions in relation to the points raised in the Discussion Paper:

12.1 **Active collaboration between the FMA and the Reserve Bank**
We believe the development of a coherent regime addressing institutional and cross-border settlement will rely strongly on collaboration between the FMA and the Reserve Bank of New Zealand (**Reserve Bank**), as well as industry participants, Payments NZ and industry associations like NZFMA. Involvement of the Reserve Bank, in particular, will allow for the sensible consideration of the potential role of stablecoins (and/or central bank digital

[1] FSB Thematic Review on FSB Global Regulatory Framework for Crypto-asset Activities (16 October 2025) at page 3; and IOSCO Thematic Review Assessing Implementation of IOSCO Recommendations for Crypto and Digital Asset Markets (October 2025) at pages 20-21.

[2] Australia's Project Acacia is a joint initiative between the Reserve Bank of Australia and the Digital Finance Cooperative Research Centre and supported by other Australian regulators and industry participants. This project is advancing the development of wholesale tokenised asset markets with real-world testing of settlement assets, including stablecoins, supported by broad industry and regulatory engagement. The project involves several real-world use cases using a range of distributed ledger technologies to test whether these digital forms of money can make large-scale financial transactions faster, safer, and more efficient, while reducing operational and settlement risks.

currency) in the tokenisation of New Zealand's financial markets. Such coordination would help ensure that regulatory settings support both financial stability and innovation, and that New Zealand remains competitive as global standards evolve.

12.2 **International alignment and leverage to strengthen New Zealand's position**

We encourage the FMA to continue monitoring and engaging with international regulatory developments, particularly those relating to institutional market infrastructure and cross-border settlement. The experience of other jurisdictions demonstrates that regulatory clarity and industry engagement are key to supporting innovation and maintaining market confidence.

Some New Zealand industry participants are part of global groups that are active in this space and may be able to bring insights from their group experiences, which could be applied in the New Zealand context.

12.3 **Domestic pilot projects or sandbox initiatives to drive innovation**

We consider there is value in exploring a cross-regulator domestic pilot or sandbox initiative, similar to Australia's Project Acacia, to test tokenised assets and digital settlement mechanisms in a live environment with regulatory supervision and support. This would allow regulators and industry alike to better understand operational, legal, and prudential implications, with the benefit of applied, practical experience.

Conclusion

13 The NZFMA thanks the FMA for its thought leadership in bringing attention to this important topic for New Zealand. At this time, the NZFMA, together with our industry members, are building an informed and aligned perspective on the matters in the Discussion Paper. We would welcome further engagement with the FMA.

14 We would be pleased to discuss this submission further with you.

Kind regards,

[redacted]

[redacted]

[redacted]

New Zealand Law Society
Te Kāhui Ture o Aotearoa

Level 4, 17–21 Whitmore Street, Wellington
PO Box 5041, Wellington 6140 · DX SP20202, Wellington
04 472 7837 · inquiries@lawsociety.org.nz

lawsociety.org.nz

30 October 2025

Regulatory Policy Team
Financial Markets Authority

By email: consultation@fma.govt.nz

Tēnā koe

Law Society feedback on the discussion paper: tokenisation in financial markets

1 Introduction

1.1 The New Zealand Law Society Te Kāhui Ture o Aotearoa (**Law Society**) welcomes the opportunity to provide feedback on the targeted consultation paper, *Discussion paper: Tokenisation in financial markets*, prepared by the Financial Markets Authority (**FMA**).

1.2 This feedback has been prepared with input from the Law Society's Commercial and Business Law Committee.[1]

1.3 This consultation seeks feedback from market participants on the opportunities, risks, and regulatory considerations associated with tokenisation in New Zealand's financial markets to inform future policy and support responsible innovation. It aims to identify issues with the current policy and regulatory settings, and to consider whether legislative reform may be appropriate.

1.4 Given the preliminary nature of the consultation, the Law Society has limited comments at this stage. We encourage the FMA (and the Ministry of Business, Innovation and Employment) to continue engaging with industry and the public as policy development and legislative reform in this area progresses.

1.5 The Law Society supports a principles-based approach to financial services regulation and suggests that any future regulation should remain as technology-neutral as possible.[2]

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1 More information about this committee can be found on the Law Society's website: https://www.lawsociety.org.nz/professional-practice/law-reform-and-advocacy/law-reform-committees/commercial-li/

2 See, for example, David Brennan, Sushil Kuner, Samatha Holland "Fintech Laws and Regulations 2025 – United Kingdom" (1 September 2025) Global Legal Insights accessed online at < https://www.globallegalinsights.com/practice-areas/fintech-laws-and-regulations/united-kingdom/ > versus the more prescriptive European approach, for example, Anee Maréchal and Julie Bader "Fintech Laws and Regulations 2025 – France" (1 September 2025) Global Legal Insights accessed online at < https://www.globallegalinsights.com/practice-areas/fintech-laws-and-regulations/france/ >.

1.6 In our view, the technology used to participate in financial markets should not dictate whether or not regulation applies. Further regulation may be appropriate only if there is evidence that:

(a) Tokens are not being regulated (or at least there is considerable uncertainty) in circumstances where the underlying intangible or tangible assets or analogous assets are regulated; or

(b) Tokens are being captured by the current regulatory regime (or at least there is considerable uncertainty) in circumstances where the underlying intangible or tangible assets or analogous assets (e.g. cryptocurrency versus cash) are unregulated,

1.7 If feedback demonstrates that the current regulations are clear and suitable, and that issues arise only in relation to how the regulations apply to emerging technologies, it would be more appropriate to issue guidance on this topic, rather than updating the regulatory framework.

2 Next steps

2.1 We would be happy to answer any questions or discuss this feedback further. Please feel free to get in touch [redacted]

Nāku noa, nā

[redacted]

[redacted]

NEW ZEALAND'S EXCHANGE
TE PAEHOKO O AOTEAROA

31 October 2025

Financial Markets Authority
Level 2, 1 Grey Street
Wellington, New Zealand

By email only: consultation@fma.govt.nz

NZX Submission: Tokenisation in financial markets

1. NZX Limited (**NZX**) submits this response to the Financial Markets Authority (**FMA**) discussion paper regarding the current use and future potential of tokenisation in New Zealand's financial markets (**Discussion Paper**). We would like to thank the FMA for the opportunity to provide this submission.
2. NZX is a licensed market operator and New Zealand's exchange, with 197 unique listed issuers and a total market cap of $246bn across the markets it operates.[1] NZX supports innovation that creates opportunities to increase efficiency, access, and flexibility for market participants and investors.
3. We have been following the advancements in relation to the tokenisation of financial products internationally, and are supportive of the FMA engaging with industry in relation to this developing area.
4. NZX considers that the tokenised nature of an instrument should not be determinative of the financial product's legal status as an equity security, debt security, fund security or derivative. We would expect that at least the same disclosure, governance and financial advice obligations apply to a financial product in tokenised form, in addition to the FMC Act's prohibitions on market manipulation and insider trading.
5. It is also important to ensure the integrity of New Zealand's capital markets that market licensing considerations are applied equally to markets for tokenised and traditional financial products. As distributed ledger technology (**DLT**) platforms become more readily accessible, it is important that they are regulated to the same standard as existing markets to ensure the confident and informed participation of investors.
6. We consider that tokenised products should be regulated within the existing regulatory framework for financial products, rather than a bespoke regime. We would support the FMA issuing guidance in this area to promote market certainty.
7. In this submission we outline our view of the different regulatory risks and opportunities that apply to tokenised financial products in relation to New Zealand's public markets. While we understand the Financial Markets Conduct Act 2013 (**FMC Act**) is designed to be technology neutral, there may be areas that need to be considered in more depth as tokenisation develops further.
8. Nothing in this submission is confidential.

[1] NZX Shareholder Metrics – September 2025

NZX
NEW ZEALAND'S EXCHANGE
TE PAEHOKO O AOTEAROA

Tokenisation in financial markets

9. As outlined in the FMA's Discussion Paper, tokenisation is not a well-defined concept within global financial markets. In essence, we understand tokenisation in financial markets to mean the digital representation of ownership and rights using DLT.

10. Tokens may be structured in many ways, including:

    a. where the token itself is the asset and is issued "on-chain" by a listed issuer, and the DLT provides definitive ownership information;

    b. to represent existing financial products, where those underlying products are held in custody by a third-party (unrelated to the issuer of the financial products), and tokens are issued either on a fully fungible and 1:1 basis, or on a differential basis; or

    c. to provide access only to the economic substance of existing financial products where the rights attaching to the token are synthetic, issued by a third-party (unrelated to the issuer of the financial products), and there is no custody of the underlying financial product.

Tokens issued "on-chain" by a listed issuer

11. Where a listed company opts to issue tokens "on chain", the DLT essentially represents the issuer's share register, bondholder register, or unitholder register and is determinative of the ownership of the financial product.

12. It is possible that as tokenisation develops an issuer may choose to issue tokens with differing rights. This is possible regardless of the tokenised nature of the instrument. Issuers can already create financial products with different characteristics,[2] such as different classes of shares, preference shares, warrants and other instruments.

13. We consider that where tokenisation is used in this way that tokenisation simply provides a different technology through which an issuer can identify and track ownership in its equity, debt or fund securities. The tokenised nature of the instrument does not affect its legal status as an equity, debt or fund security.

14. It is most likely that traditional exchanges will be able to accommodate the quotation of these types of financial products in the medium term, rather than tokenised financial products issued by a third-party.[3]

Tokens issued by third-parties with custody

15. Tokenisation by third-parties who are unaffiliated with a listed issuer may occur where:

    a. the underlying financial products are held in custody by the third-party (or a custodian acting for the third-party); or

[2] Including in relation to dividend rights, see section 53 of the Companies Act 1993.

[3] The Swiss Digital Exchange (SDX) has enabled tokenised trading of listed issuer's securities by using the same ISIN for tokenised and non-tokenised products. The post-trade settlement infrastructure has been fully integrated to enable this to occur. SDX takes a technologically neutral to its regulation of tokenised and non-tokenised financial products.

b. a third-party providing clearing and settlement services for trades in a listed issuer's securities tokenises those securities for the purposes of clearing and settlement.[4]

16. In this scenario the third-party is the issuer of the token, and may issue the token without the knowledge of the issuer of the financial product. The listed issuer of the financial product will recognise the third party (or its custodian) as the legal holder of the security.

17. Where the token is fully fungible with the financial product held in custody, we consider that the token should be treated on a comparable basis from a regulatory perspective with the underlying financial product, this is not dissimilar to the treatment that would apply to unsponsored depositary receipts. We note that section 8(5)(a)(ii) of the FMC Act defines a financial product to be defined to include an equitable interest in a financial product of that kind.

Tokens issued by third-parties without custody

18. Tokenisation by third-parties may also occur where the underlying financial products are not held in custody. In this instance the tokens are purely synthetic rights to the economic substance of the financial products.

19. There is no ability for the token to give rise to the token holder having a beneficial interest in the underlying financial product. The listed issuer does not recognise the ownership of the token holder for the purposes of its securities register, bond register, or unitholder register.

20. We consider that these types of tokens bear the characteristics of derivatives, as while the value of the token is determined by reference to the underlying financial product's price, the token holder does not have any beneficial rights in the underlying financial product. In essence these tokens are similar to security-based swap contracts.

Regulatory requirements for tokens

Financial product status of tokens

21. While the particular token structures described above raise different considerations from a regulatory perspective, it is important to ensure that tokens representing in essence the same attributes and risks as financial products are subject to the same level of regulation as traditional financial products.

22. This is supported by international practice, including:

- Monetary Authority of Singapore (**MAS**) guidance: A Guide to Digital Token Offerings – which notes that MAS will examine the structure and characteristics of a

[4] In its SEC application, Nasdaq notes that its proposal to offer trading in tokenised securities will only become effective once post-trade settlement services have been established by DTC. Nasdaq's expects the DTC's services to involve: (1) transferring the Participant's designated book-entry position from the Participant's DTC account to a "DTC control account" and (2) converting this to a corresponding position in token form that DTC would "mint and deliver" to the Participant's DTC-registered digital wallet on a blockchain, which DTC would track and reconcile against the control account. DTC's approach is subject to change.

token to determine if it is a "capital markets product" and therefore subject to equivalent regulatory requirements.

- SEC Commissioner statement: SEC Commissioner Hester M. Pierce released a statement on 9 July 2025 noting that tokenisation, and the use of blockchain technology, does not transform the nature of the underlying asset and that tokenised securities are still subject to the relevant laws.

Disclosure considerations

23. Offer disclosure considerations will differ depending on the structure of the token and the nature of the rights and benefits being conferred, however considerations should include:

    a. whether there are unique features of tokenised financial products that require specific disclosure in a product disclosure statement (**PDS**), for example that specific liquidity risks may arise in relation to tokens for listed financial products where the tokens are not tradable on NZX's markets and can only be transferred to another party using DLT;

    b. for "on-chain" issuances by an issuer, whether the tokenised nature of the financial product constitutes a 'limitation' such that it is a term and condition of the instrument. This will affect the ability for issuers to issue tokenised products using the 'same class' offer exclusion contained in clause 19 of Schedule 1 of the FMC Act;

    c. where tokens are issued by third-parties over fully fungible assets in custody, the issuer of the underlying financial product may be unaware that its previously allotted securities have been sold on-market to a custodian who issues tokens as a result of the acquisition. We expect that the disclosure obligations relating to offers for sale of financial products may not neatly accommodate this scenario, and that there may be additional risks for investors when the issuer of the underlying financial product is not the issuer of the token to whom the disclosure obligation applies. It would be appropriate for investors to understand the nature of the custody that applies to the underlying financial product, and any rights to redeem the token for that product; and

    d. where token rights are synthetic and not tied to custody of the underlying financial product, it may be appropriate for the FMA to consider whether there are specific health warnings disclosures that are required to be made to investors. These could include that the product is sophisticated and that the commercial risk the investor holds relates not only to the performance of the underlying financial product but also to the ability of the issuer of the token to make payment in accordance with the terms of the token.[5]

[5] We note existing examples of platforms trading include Ondo Finance (where there is no underlying custody, and rights being traded are synthetic) and Dinari (where the tokenized public market securities are 1:1 backed with underlying securities in custody).

24. There are also considerations in relation to continuous disclosure, in relation to tokens that are issued by third parties. Where the issuer of the underlying financial product is listed on a NZX market it will be subject to continuous disclosure obligations which will support price discovery for the underlying financial product, and to some extent the token. Consideration needs to be given to the types of continuous disclosure information that is required to be provided by a third-party token issuer where the token is traded via DLT rather than on NZX's markets, including:

    a. where tokens are issued over fully fungible financial products held in custody, the tokens are equity, debt or fund securities. However the token issuer who enables listing of the token on the DLT is not the issuer of the underlying financial product; and

    b. where tokens rights are synthetic the issuer of the tokens is a derivatives issuer. There will be material information available in the broader eco-system derived from the issuer of the underlying financial product, however it is important that investors understand that they are exposed commercially to the issuer of the token rather than the issuer of the underlying financial product. As the issuer of the underlying financial product has no relationship with the DLT market, consideration should be given as to whether the token issuer is obligated to ensure the issuer's material information about the underlying financial product is made available to token holders.

Platform requirements

25. NZX considers that the obligations relating to operating a market in New Zealand set out in the FMC Act should apply equally to platforms facilitating trading in tokenised financial products. This should include that the operator be required to be licensed by the FMA and comply with the general obligations contained in section 314 of the FMC Act. This would require the DLT operator to be able to monitor and enforce market rules, and have appropriate arrangements to notify disclosures made to the DLT operator under a disclosure obligation.

26. In the event international DLT platforms emerge that enable trading in tokenised financial products by New Zealand investors, we expect that the FMA would apply section 313 of the FMC Act in a technology neutral manner when assessing whether the platform is a financial product market that is being promoted to investors in New Zealand.

27. NZX considers that there are risks to market integrity if unlicensed third-party providers are able to operate market platforms without the rigour of the obligations imposed by the FMC Act. As noted in the risks section of this submission, to the extent DLT platforms arise there are also risks associated with fragmented liquidity, and difficulty for investors in undertaking price discovery.

Clearing and settlement

28. Where DLT is used to clear, settle, or record transactions within the financial system, the FMA (in tandem with RBNZ as joint regulator) should consider the application of the obligations in the Financial Market Infrastructures Act 2021 (**FMI Act**) and related FMI Standards. We understand that the intention of the FMI Act and FMI Standards is to be technology neutral, the nature of technology used for clearing and settlement of financial products shouldn't impact the obligations in relation to the operators of that technology.

Risks

29. As mentioned above, where DLT platforms arise and trade tokens representing existing quoted securities there may be challenges for investors that arise from fragmented trading and liquidity, which could affect price discovery.
30. In particular, where an issuer's traditional financial products are trading on NZX's markets, while fungible tokenised instruments are being traded on alternative DLT platforms, pricing may differ between the alternative venues due to the depth of the liquidity pool.
31. This could cause complexity for the FMA in monitoring for market manipulation and insider trading, and hamper price formation if dark pools of liquidity form. If tokenisation leads to the decentralisation of trading, the FMA may want to consider how it will fulfil its function to promote confident and informed participation in New Zealand's financial markets.
32. As discussed in the 'Disclosure considerations' section of this submission we also consider that there is a risk that investors do not sufficiently understand the nature of the tokenised instrument that they are acquiring in some cases (in particular where the token is issued by a third-party), including their ability to trade that token or realise their investment. We would support the FMA specifically considering whether additional disclosure is required in relation to tokenised instruments.

Opportunities

33. We agree with the FMA that tokenisation presents a number of opportunities for New Zealand's financial markets.
34. Tokenisation could provide increased flexibility for issuers who may be able to issue tokens fragmenting specific rights associated with financial products (such as voting or economic rights) more easily than undertaking a dual-class shares offer. This would also provide flexibility for investors to participate in the capital markets in alignment with their investment objectives, for example where the investor wishes to obtain economic benefits in a company without triggering ownership restrictions in terms of control.
35. DLT provides opportunities for increased efficiency in trading and settlement, offering the possibility of 24 hour trading and T+0 settlement (which effectively removes counterparty risk).

36. We note that these efficiencies are largely created due to DLT's ability to remove intermediaries in financial transactions. As such, thought must be given to the broader impacts of this and whether regulatory changes would be needed to ensure investors are appropriately protected, noting that such protections may reduce the benefit of such efficiencies.
37. As data captured by DLT is intended to be "immutable", there may be benefits in relation to data certainty and a reduced risk of corruption. This must be balanced against the nature of the DLT, including whether it is centralised, permissioned, and where it is hosted, which may present additional risks in terms of certainty and security.
38. We note that we consider these opportunities may not be properly realised without ubiquitous uptake in DLT across the sector to ensure systems are fully interoperable and integrated. This will require adoption and interaction between issuers, brokers, registries, exchange and settlement system operators.
39. The OECD's business and finance policy paper on tokenisation and DLT in financial markets, noted that the full benefits of DLT infrastructure in financial markets will be impossible to realise without a fully developed ecosystem facilitating broad participation.[6] This will require significant industry investment, which will be dependent on confidence in both the regulatory landscape and commercial demand for tokenised financial products.

Conclusion

40. We appreciate the opportunity to submit on the FMA's Discussion Paper. NZX is committed to supporting innovation and safeguarding market integrity, and is currently developing its own strategy in relation to tokenised assets.
41. We would be pleased to collaborate with the FMA further on this topic.

Yours sincerely,

[redacted]

[redacted]

[6] *Tokenisation of Assets and Distributed Ledger Technologies in Financial Markets, OECD Business and Finance Policy Paper No.75*

paymentsnz®

Discussion paper: Tokenisation in financial markets

Payments NZ submission to the Financial Markets Authority - Te Mana Tātai Hokohoko

31 October 2025

Introduction

1. Payments NZ Limited (**"Payments NZ"**) welcomes the opportunity to respond to the Financial Markets Authority – Te Mana Tātai Hokohoko ("**FMA**") Discussion Paper: Tokenisation in Financial Markets. We support the consultation and welcome the FMA's efforts to promote innovation, provide regulatory certainty and uphold trust in the financial system as material shifts in technology occur.
2. Payments NZ is the governance body at the heart of Aotearoa New Zealand's payment system. While we do not operate or own payments infrastructure, we govern core payment systems and open banking systems, and work alongside industry to lead the future direction of payments in Aotearoa. Today, the systems we manage transact over $8 trillion annually. We have a key role in setting the direction and driving the modernisation of payments capabilities for Aotearoa into the future.
3. We believe that tokenisation, already extensively used in payments, is likely to play a key role in the future of payments and money.
4. Our submission focuses on tokenised forms of fiat money (digital money) and its use in the wider payments ecosystem. This focus aligns Payments NZ's remit to the parts of the Discussion Paper discussing the use of digital money in payments and settlement contexts. While our submission intentionally does not comment on digital assets, we recognise the relationship between digital money interoperating with, and being used as a means to settle, digital asset economic activity. We consider it important to consider digital money, payments, and digital assets together. In this context, we support how the Discussion Paper includes consideration of the use of CBDCs, tokenised deposits and fiat-pegged stablecoins.
5. In October, Payments NZ published our 2025 Environmental Scan Report[1], which explores the global and interconnected trends shaping the future of payments in Aotearoa. The rise of tokenisation was identified as one of the six key global themes that we see driving an accelerating pace of change and digitalisation. Tokenisation is already, and has further potential, to rewire the movement of money and financial markets, unlocking a range of beneficial outcomes.
6. Given our targeted focus on digital money and payments, we have opted not to answer the consultation questions (many of which relate to digital assets). In our submission, we set out our recommendations to improve regulatory certainty, in order to harness and support the opportunities that come from tokenisation, and to appropriately manage the risks.

[1] See 2025 Environmental Scan Report | Payments NZ

Our considerations

Align policy settings for Aotearoa with international best practice

7. We support the FMA's goal to foster fair, efficient, and transparent markets. We also support the need for a regulatory environment that balances encouraging experimentation while protecting consumers.
8. We note the Discussion Paper references work by the International Organization of Securities Commissions (**"IOSCO"**) to develop policy recommendations for the regulation, supervision and oversight of virtual asset activities and markets. We also note that:
    a. in late October 2025, IOSCO published its policy recommendations for crypto and digital asset markets[2], and
    b. in September 2025, the Financial Stability Board issued its recommendations for regulatory policy regarding crypto-assets and digital assets[3].
9. Our view is that regulatory policy settings for Aotearoa are established in a manner consistent with the recommendations of these two international bodies. We support aligning and harmonising with international best practice, particularly given many of the tokenised assets covered in the Discussion Paper will be issued outside of Aotearoa. Our market is too small and cannot afford deviating from the international direction of travel with bespoke regulatory settings.
10. Our view is that regulatory policy settings for Aotearoa need to be developed to ensure we do not fall too far behind other markets. 2025 has seen a surge of regulatory policy activity in all major markets in response to the rapid growth of digital assets and the emergence of tokenisation, potentially providing new macroeconomic, financial stability, and monetary sovereignty opportunities. However, any risks also need to be assessed.

Confirm equivalent prudential regulatory settings for tokenised deposits

11. Tokenised deposits are typically a digital representation, or a digital twin, of a deposit held by a regulated deposit taking entity. While a tokenised deposit's technology representation offers new functionality and capabilities, the nature of the underlying asset itself has not changed.
12. We acknowledge that current laws and regulations are generally technology neutral. As such, we are not aware of any specific regulatory stance regarding the treatment of tokenised deposits. However, our view is that tokenised deposits are different enough to traditional deposits that it is reasonable to seek regulatory clarity.
13. While exploration of tokenised deposits in Aotearoa is in its infancy, we believe that providing early certainty on the prudential regulatory settings for tokenised deposits will remove a potential regulatory blocker to early momentum. This would also act as an enabler for the experimentation

[2] See FR/13/2025 Thematic Review Assessing the Implementation of IOSCO Recommendations for Crypto and Digital Asset Markets
[3] See IMF-FSB Synthesis Paper: Policies for Crypto-Assets

and development of new safe, trusted and innovative technological representations of commercial money[4].

14. Our view is that the tokenisation of deposits should be confirmed as being neutral, from a legal and prudential regulation perspective, as compared with traditional deposits. The tokenisation of deposits should not have the effect of changing their regulatory characterisation and their regulatory responsibilities.

15. Our view is consistent with the principle of 'same activity, same risk, same regulation/regulatory outcome'.

16. We note that this would be consistent with the approach taken by the Bank of England:

> *"Where tokenisation does not change the underlying economics and fundamental nature of a depositor's claim, the PRA's prudential regulatory framework will treat a 'tokenised' deposit similarly to a 'traditional' deposit."*[5]

Provide regulatory certainty for fiat-pegged stablecoins

17. We consider that it would be beneficial for Council of Financial Regulators ("**CoFR"**) agencies to review and publish their policy position in relation to stablecoin issuance and acceptance in Aotearoa.

18. In June 2023, the Reserve Bank referenced working with CoFR agencies on a staged approach where a "review and reassess" phase would occur after 18 months, including "a reassessment of policy/regulatory settings" in relation to stablecoins and crypto assets[6]. This has not eventuated. However, the Discussion Paper does cover stablecoins generally and seeks views on whether specific tokens are appropriately included or excluded from financial markets legislation.

19. We believe that fiat-pegged stablecoins are currently in a regulatory grey-zone in Aotearoa and warrant greater regulatory certainty to help enable safe innovation, prevent offshore products undermining consumer protection, and safeguard national monetary sovereignty.

20. Stablecoins appear to have passed an inflection point in 2025 with signs of a rapidly maturing stablecoin market. Globally, the use of stablecoins is already mainstream. This is illustrated by the following very recent developments:

    a. Following ASIC's publication of stablecoin rules in September 2025, at least two Australian stablecoin issuers have received an Australian Financial Services Licence.[7]

    b. Nine major European banks formed a consortium to issue and launch a MiCAR-compliant euro-denominated stablecoin[8].

[4] I.e., money created via fractional banking, as opposed to central bank money.
[5] See 'The Bank of England's approach to innovation in money and payments', July 2024
[6] See 'Responses to Private Innovation Submissions Final for Distribution' June 2023, page 10
[7] See Macropod - Australian Backed Stablecoin, and also Forte Securities Australia
[8] See European banks to launch euro stablecoin in bid to counter US dominance, 25 September 2025

c. With the USA's GENIUS Act being rolled out (supported by the Federal Reserve policy considerations[9]), major USD stablecoin issuers are beginning to launch regulated stablecoin products.

d. Ten large international banks are jointly exploring issuing a stablecoin pegged to a basket of G7 currencies[10].

e. The Bank of England further advancing their policy work on systemic payment systems using stablecoins by setting out their approach to innovation in artificial intelligence, distributed ledger technology, and quantum computing[11].

f. Large payment service providers rolling out capabilities to enable merchants accepting and settling transactions in stablecoins.

21. We believe there is a clear need for greater regulatory clarity with respect to fiat-pegged stablecoins (which does not necessarily mean the development of regulations). This includes greater regulatory clarity across a range of scenarios, including in relation to:

    a. Domestic actors using fiat-pegged stablecoins that have been issued in foreign jurisdictions as a means to make payments or settlements domestically. This includes foreign issued NZD-pegged stablecoins.

    b. Domestic actors issuing NZD-pegged stablecoins for domestic use.

    c. Domestic actors issuing non-NZD pegged stablecoins for non-domestic use.

Conclusion

22. Payments NZ is committed to working with industry and regulators on the future of payment systems in Aotearoa, including the role that tokenised payments and settlements can play. We would value being considered a key stakeholder who should be included in the future engagements on the subject of tokenisation in financial services.

Ngā mihi,

[redacted]

[redacted]

[redacted]

[redacted]

[9] See Exploring the Possibilities and Risks of New Payment Technologies, Federal Reserve, 16 October 2025
[10] See Major banks explore issuing stablecoin pegged to G7 currencies, 10 October 2025
[11] See The Bank of England's approach to innovation in artificial intelligence, distributed ledger technology, and quantum computing, 15 October 2025

Feedback form

Tokenisation in Financial Markets

Please submit this feedback form electronically in both PDF and MS Word formats and email it to us at consultation@fma.govt.nz with 'Tokenisation in financial markets: [your organisation's name]' in the subject line. Thank you. **Submissions close on Friday 31 October 2025.**

Date: 31 October 2025 Number of pages: 29

Name of submitter: [redacted]

Company or entity: Ripple Labs Inc.

Organisation type: Ripple is a provider of digital asset infrastructure for financial institutions. Read more about Ripple here: https://ripple.com/.

Contact name (if different):

- [redacted]

Contact email and phone:

- Refer to the above

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I would like my submission (or identifiable parts of my submission) to be kept confidential because… insert reasoning here.

Question number	Response
1	**Question: In your view, what are the main market barriers and opportunities for domestic tokenisation activity in financial markets?** Ripple believes there are several key barriers currently limiting domestic tokenisation in New Zealand's financial markets. We have identified three main constraints: persistent regulatory uncertainty, gaps in statutory investor safeguards, and the absence of coherent secondary market infrastructure. Addressing these issues presents a timely opportunity to foster responsible innovation, deepen market liquidity, and position New Zealand to capture the projected global benefits of tokenised financial markets, as further detailed in our response to Question 5. 1. <u>Regulatory Uncertainty</u> The primary barrier to tokenisation in New Zealand is the absence of a bespoke regulatory framework for tokenised instruments and secondary market activity. While the technology-neutral approach of the Financial Markets Conduct Act 2013 ("FMC Act") is flexible, it forces a case-by-case classification of tokens, driving high compliance costs and enabling arbitrage. This issue relates directly to the lack of a unified legal taxonomy for virtual assets, which is detailed further in our response to Question 6. At present, most Virtual Asset Service Providers ("VASPs") are only subject to Anti-Money Laundering and Countering Financing of Terrorism ("AML/CFT") registration, not a comprehensive license regime, contributing to market uncertainty. 2. <u>Gaps in Investor Protection</u> Unlike licensed market operators and derivatives issuers, most virtual asset trading platforms are not subject to the stringent client money and client property safeguards mandated for regulated financial products under the FMC Act. This regulatory gap, which is detailed further in our response to Question 6, exposes investors to heightened counterparty and custody risk in the event of VASP insolvency, materially hindering institutional adoption and retail confidence. 3. <u>Market Infrastructure and Secondary Market Liquidity</u>

	Secondary markets are critical to liquidity, price discovery, and investor protection. In New Zealand, there are no clear pathways for Distributed Ledger Technology ("DLT")-based trading, clearing, settlement, and custody to operate within existing market operator and market services licensing requirements. Without regulatory clarity, platforms, issuers, market makers, and custodians face uncertainty that prevents the development of robust secondary markets. To maximise the benefits of tokenisation, it will be necessary to establish the core components of secondary-market infrastructure, including trading, clearing, settlement, and custody: a. Demand-Side Factors: Investor participation and institutional adoption drive liquidity in secondary markets. Factors such as ease of access, interoperability with traditional financial systems, and efficient trading mechanisms influence the level of demand for tokenised assets. b. Supply-Side Factors: The availability of tokenised assets on secondary markets is critical. This would require issuers, market makers, and liquidity providers to facilitate smooth trading. An example of where such an initiative has fallen short can be seen in the Qatar Financial Centre ("QFC") tokenisation regime as part of its Digital Assets Framework 2024.[1] The framework was established with no previous infrastructure in relation to secondary markets. What has become clear, as the QFC has struggled to operationalise this regulatory regime, is that for a tokenisation framework to be successful, there first has to be an operational secondary market and virtual asset ecosystem (i.e., exchanges, insurance, and software providers that can provide the services necessary for the industry to operate). 4. Settlement Mechanisms and Interoperability with Other Virtual Assets At its core, asset tokenisation involves the digital representation of physical and/or financial assets on a blockchain. The benefits of asset tokenisation include: ● Real-time settlement: Where transactions are executed and finalised instantly, thus seamlessly operating 24/7 to bypass delays associated with operations and processes for traditional markets. ● Fractional ownership: Fractional ownership allows assets to be divided into smaller, tradable units, making high-value investments more accessible to a broader audience. ● Transparency and immutability: Transactions recorded on the blockchain provide an unalterable record of ownership and transactions, which enables greater trust among users.

[1] See https://www.qfc.qa/en/media-centre/news/list/qatar-financial-centre-issues-qfc-digital-assets-framework-2024, *Qatar Financial Centre Issues QFC Digital Assets Framework 2024.*

	● Smart Contract Automation: The use of smart contracts, which are self-executing programs on a blockchain that automatically enforce agreements once predefined conditions are met, simplifies transactions, reduces manual intervention, and mitigates the risk of human error. However, to fully realise these benefits, a robust settlement infrastructure is essential. Tokenised assets require reliable virtual assets for on-chain settlement to ensure secure and efficient transactions. Stablecoins have emerged as a crucial part of the tokenisation ecosystem as a method of settlement and serve as a solid compromise between settlement in unbacked virtual assets subject to volatility and fiat settlement (the use of which ultimately defeats the purpose of tokenisation). A clear barrier to domestic tokenisation activity is a lack of existing infrastructure to support the settlement of tokenised transactions. On top of a regulatory framework for the issuance of stablecoins, this would involve core technical rails such as secure custody and key management, reliable oracle and price feed infrastructure, and banking integrations to ensure that settlement is practical and aligned effectively between on-chain and off-chain systems.
2	**Question: What do you see as the operational and technology challenges for adoption of tokenisation by your business or the market?** Ripple believes that while the regulatory gaps outlined in our response to Question 1 present significant barriers to adoption, equal attention must be given to the operational and technological challenges that currently constrain tokenisation in the New Zealand market. Addressing these foundational hurdles will be critical to realising the full efficiency and growth potential of tokenisation, and to fostering the institutional trust, market integrity, and scale necessary for broad-based adoption across New Zealand's financial markets. We categorise these challenges into legal and operational risks, where technology interacts with legacy legal concepts, and technological risks which are inherent to DLT. **A. <u>Legal and Operational Risks</u>** 1. <u>Legal Finality</u> One major challenge relates to investor protection and the concept of finality of settlement. In traditional financial markets, finality is a legally defined moment supported by statutes and regulatory frameworks that ensure a transaction is irreversible, even if one party becomes insolvent.

This legal solution becomes a complex technological and legal problem when transferred to an on-chain model. DLT implements the principle of Delivery-versus-Payment ("DvP") through atomic settlement, whereby the transfer of assets and payment occurs simultaneously and indivisibly within a single on-chain transaction. This model enhances efficiency by collapsing the functions of trading, clearing, and settlement into one process, potentially reshaping the role of clearing houses and related intermediaries.

However, unless irrevocable settlement is either hard-coded at the protocol level in smart contracts or expressly recognised through a regulatory mandate, investors cannot be certain their transaction will prevail in the event of a crisis. Consideration should therefore be given to requiring such a mechanism for trading in tokenised assets, in order to provide certainty of finality, strengthen investor protection, and foster institutional confidence in the domestic market.

2. Interoperability and Fragmentation

For tokenisation to achieve critical mass, different DLT networks and ledgers must be able to communicate seamlessly. Currently, the market is highly fragmented, with institutions experimenting on various isolated, permissioned, or public chains using disparate technical standards.

The lack of established, uniform technical standards and interoperability protocols means:

- Fragmented liquidity: Liquidity remains concentrated in isolated pools, directly impeding the formation of deep secondary markets and undermining efficient price discovery.
- Cross-platform transfer risk: Transfers across chains are complex and often rely on "bridge" protocols that could introduce significant security vulnerabilities. In addition, differences in token standards between platforms and issuers hinder the reliable execution of cross-token transfers.
- High cost of integration. The expense of connecting to multiple chains and maintaining disparate standards creates prohibitive barriers for smaller institutional participants.

3. Transparency and Data Trust for Real-World Assets (RWAs)

A significant operational challenge specific to the tokenisation of Real-World Assets ("RWAs") relates to the necessary transparency and assurance regarding the status of the underlying physical asset.

- Risk Disconnection: Purchasing a token representing a fractionalised amount of real estate may not provide investors with insight into the

physical condition of the property, creating a risk that the asset's value is misrepresented or that the linkage between the token (on-chain) and the asset (off-chain) is compromised. This mandates that issuers provide continuous verification of reserves and undergo regular, independent audits to ensure the token remains backed by verified assets.

- Oracles and Data Integrity: For commodities, particularly perishable goods (e.g., a tokenised bushel of corn), investors need assurance that data on quality, location, or expiry is accurate. This requires reliance on trusted 'oracle' services to securely bring off-chain data onto the blockchain, which introduces a new operational risk layer around data integrity and manipulation.

4. High Implementation Costs and Legacy Integration

Tokenisation requires a costly and time-intensive overhaul of existing back-office and middle-office systems in traditional Financial Institutions (FIs). For New Zealand FIs, the immediate short-term benefits often do not outweigh the substantial investment required to integrate DLT with complex, decades-old legacy infrastructure. This high barrier to entry significantly slows down domestic adoption, making the tokenisation business case only viable for specific, high-value, or illiquid assets in the short term.

B. Technological Risks

5. Smart Contract Vulnerabilities

The inherent risk of flaws in a self-executing code, such as smart contracts, is a pure technological challenge unique to DLT. A single programming error can lead to permanent, irreversible loss of funds or assets across the entire network, and the immutability of the blockchain makes remediation extremely difficult. This contrasts sharply with the ability of traditional financial infrastructure to reverse errors or recover losses through central administrative controls. The requirement for comprehensive, costly, and continuous auditing of smart contract code acts as a persistent operational hurdle and risk concern for institutional users.

6. Market Surveillance

Consideration should also be given to the market surveillance challenges presented by on-chain trading. Tokenised assets are borderless and can be traded in multiple venues and across numerous protocols 24/7. This dramatically expands the surface area for market abuse (e.g., wash trading, front-running)[2]

[2] See https://www.iosco.org/library/pubdocs/pdf/IOSCOPD747.pdf, *FR11/2023 Policy Recommendations for Crypto and Digital Asset Markets Final Report – Recommendation 9 (Market Surveillance).*

	compared to a centralised stock exchange. The challenge is compounded by the complications introduced through cross-chain transactions, which make tracing market activity significantly more difficult. While blockchain analytic tools help to mitigate this concern to some extent, surveilling multiple channels, rather than a single venue as in the case of traditional stock exchanges, it demands considerably more resources and expertise from the FMA and market participants to implement a coherent surveillance strategy. Without effective, coordinated market surveillance, investors and institutional participants cannot be confident in the integrity of the data and price discovery they are receiving, resulting in less liquidity and higher costs.
3	**Question: What role (if any) do you see for the FMA relating to these barriers and challenges, and any opportunities?** Ripple believes the FMA's primary role is to act as a catalyst and steward, establishing legal certainty and fostering market integrity to facilitate the adoption of DLT in New Zealand's financial markets. The FMA should work to translate the fundamental market barriers identified in our response in Question 1 and the unique operational challenges detailed in our response to Question 2 into clear, risk-based regulatory solutions. 1. <u>Legal Certainty and Licensing Reform</u> The FMA should consider proactively addressing the regulatory uncertainty and the challenge of legal finality, through the following means of action: ● Issue DLT-Specific Guidance: The FMA should consider establishing detailed, constructive guidance clarifying how the FMC Act applies to core DLT concepts, including DvP settlement and its atomic implementation on-chain, as well as the use of smart contracts. Such guidance would reduce the need for firms to structure activity outside the regulatory perimeter. ● Review of Market Standards: The FMA should initiate a joint review with the Reserve Bank of New Zealand ("RBNZ") into current licensing and conduct standards for market infrastructure, such as those governing clearing and settlement, to accommodate the structural differences of atomic on-chain settlement. ● Transitional Relief: The FMA could leverage its broad exemption powers[3] under the FMC Act to provide transitional or tailored licensing relief for firms engaging in DLT pilots and use cases. This approach, similar to the regulatory relief granted by the Australian Securities and Investments Commission ("ASIC") for Project Acacia led by the Reserve Bank of

[3] See https://www.legislation.govt.nz/act/public/2013/0069/latest/DLM4091821.html, *Financial Markets Conduct Act 2013, Subpart 2—Exemptions.*

Australia ("RBA") and the Digital Finance Cooperative Research Centre ("DFCRC")[4], would enable DLT pilots to proceed under appropriate conduct and capital safeguards without immediately imposing the full compliance burden of legacy licensing requirements.

2. Implementation of a Regulatory Sandbox for Scalability

To address the high implementation costs and legacy integration challenges, the FMA should establish a dedicated regulatory sandbox for tokenised assets. A sandbox allows tokenised asset markets, innovative products, and value-creating services to operate in a controlled environment under regulatory oversight. It provides a practical mechanism for regulators and market participants to evaluate how emerging technologies interact with existing frameworks, and to identify where current regulations may be ineffective or where additional guidance is required.

The sandbox should prioritise supervised testing and evaluation, enabling regulators and market participants to identify where existing rules are ineffective for DLT-based solutions and where additional oversight is warranted. By monitoring DLT business models from issuance to settlement in near-live conditions, the FMA can reduce information asymmetry and co-develop fit-for-purpose regulatory frameworks. Equally important, the sandbox should define a clear, time-bound graduation pathway for successful pilots to transition into regulated status, drawing on examples such as the UK's Digital Securities Sandbox ("DSS") and Singapore's Project Guardian:

- Digital Securities Sandbox by the Bank of England ("BoE"): The DSS has focused on fostering innovation by providing a controlled environment for testing DLT solutions within financial market infrastructures ("FMI"). By allowing FMIs to trial new tokenised business models under a modified regulatory framework and clearly outlining the progression stages, it ensures a structured and gradual development while minimising systemic risk.
- Project Guardian by the Monetary Authority of Singapore ("MAS"): Project Guardian is a leading example of how regulatory sandboxes can drive the development of tokenisation. This collaborative initiative between the MAS and the industry allows financial institutions to experiment with RWA tokenisation, thereby enhancing market liquidity and efficiency. By bringing together key players from the finance and technology sectors, Project Guardian explores the use of DLT in the tokenisation of financial assets, such as digital bonds and other securities.

[4] See https://treasury.gov.au/media-release/project-acacia, *Project Acacia: RBA and DFCRC announce chosen industry participants and ASIC provides regulatory relief for tokenised asset settlement research project.*

	3. Establish Minimum Technology and Data Standards To mitigate the core technological risks identified, the FMA should require independent security audits of all smart contract protocols used in regulated tokenised offerings, both prior to issuance and on an ongoing basis. For tokenised real-world assets, issuers must also demonstrate continuous, independent verification of reserves and custody arrangements to ensure that tokens remain fully backed by verified assets at all times. In addition, the FMA should develop a comprehensive market surveillance strategy that leverages blockchain analytics and invests in the resources and expertise necessary to monitor the multiple channels and cross-chain transactions that characterise DLT markets. 4. Drive Interoperability and Settlement Asset Agnosticism To foster market liquidity and address fragmentation, the FMA should collaborate with the RBNZ to ensure the regulatory framework remains agnostic with respect to settlement assets, allowing the use of options, such as Central Bank Digital Currencies ("CBDCs"), tokenised deposits, and fiat-backed stablecoins. Such flexibility will support diverse settlement needs across wholesale and retail markets while enhancing efficiency and cross-border interoperability. At the same time, the FMA should promote the adoption of industry-wide technical standards for token issuance and interoperability, helping to reduce network fragmentation and lower the costs of accessing tokenised markets. This approach is consistent with international practice. In Singapore, Project Guardian[5] provides a settlement agnostic framework permitting CBDCs, tokenised deposits, and regulated stablecoins to be used in tokenisation pilots. MAS has also driven the development of common technical standards through Project Guardian and the Global Layer One[6] initiative to ensure interoperability across markets.

[5] See https://www.mas.gov.sg/schemes-and-initiatives/project-guardian, *Project Guardian.*

[6] See https://www.mas.gov.sg/publications/monographs-or-information-paper/2024/gl1-whitepaper, *Global Layer 1 (GL1) Whitepaper.*

4	**Question: Thinking about issues like market conduct, investor protection, governance and custody, what are the main consumer and investor risks you see in the market relating to tokenisation compared to traditional offerings?** Ripple believes that while RWA tokenisation offers significant advantages, it could also shift and amplify core financial risks. The main consumer and investor risks arise from the mismatch between the technology's decentralised operation and the existing centralised regulatory safeguards, particularly across custody, settlement, and data trust. These risks are the consequences of the operational and technological hurdles identified in our response to Question 2. 1. <u>Custody and Counterparty Risk</u> The most material and immediate risk to investors is the lack of statutory protection for client assets when dealing with the vast majority of tokens, contrasted with the robust safeguards applied to traditional financial products. This risk is twofold: Firstly, due to the regulatory scope of the FMC Act's stringent client money and property safeguards, i.e., mandating segregation and protection against insolvency, virtual assets are not explicitly included. This means that these rules are not clearly applied to the custody services offered by virtual asset trading platforms. This regulatory gap and lack of clarity exposes New Zealand investors to critical counterparty and custody risks in the event of a VASP insolvency or operational failure. Secondly, dual custody risks emerge when tokenising RWAs. On-chain tokens are custodied differently from their underlying physical or legal off-chain asset, which blurs responsibility and creates uncertainty regarding who is legally responsible for maintaining the asset linkage, a governance risk traditionally managed by Central Securities Depositories ("CSDs"). 2. <u>Investor Protection and Legal Finality Risks</u> The unique features of DLT transform settlement and transparency risks into legal and operational challenges for investors. The key risk to investor protection lies in the legal finality of settlement, where DLT's instantaneous DvP settlement does not automatically carry the same legal guarantee of finality provided by centralised systems. Unless irrevocable settlement provisions are hard-coded into the smart contract and legally mandated, investors cannot be certain their transaction will prevail in the event of a counterparty insolvency, increasing their exposure to loss.

	Furthermore, while DLT offers immutable transaction transparency, it introduces risks regarding the trust and verification of off-chain RWA data. Purchasing tokens requires assurances that the underlying asset's condition, value, or existence is not being misrepresented. Without mandated, continuous independent auditing and verification of reserves, the token may become a digital construct unsupported by verified assets. 3. <u>Governance and Market Conduct Risks</u> RWA tokenisation could also introducs novel risks to governance and market conduct frameworks that are not adequately addressed under traditional financial regulation. Tokenised products are governed by smart contracts that automate key transaction and governance functions. While this automation enhances efficiency, it also creates a unique point of vulnerability: errors, coding bugs, or design flaws in the contract logic can be exploited in ways that may lead to irreversible loss of funds or assets. Unlike traditional financial instruments, there is no centralised intermediary capable of manually intervening to halt or reverse transactions once executed. Mandating independent, third-party smart contract audits prior to issuance, and as part of ongoing compliance, is therefore a necessary safeguard to maintain investor protection and market integrity. In parallel, the borderless nature of tokenised trading conducted across multiple jurisdictions, platforms, and blockchain networks substantially increases the complexity of effective supervision. Traditional surveillance models, which are often designed for monitoring activity on a single domestic exchange, are insufficient to detect misconduct in these decentralised and cross-border environments. This fragmentation creates heightened risks of market manipulation, insider trading, and cross-venue arbitrage going undetected. To address these gaps, regulators will need to establish a more resource-intensive and technologically enabled surveillance framework, incorporating blockchain analytics and international supervisory cooperation, to ensure robust oversight of tokenised markets.

5	**Question: What role do you see for tokenisation in the future of New Zealand's financial markets? What current or emerging use cases for tokenisation are most relevant or promising in the New Zealand market?** Ripple believes tokenisation is well-positioned to reshape the foundations of New Zealand's financial markets by moving beyond merely digitising assets. In partnership with the Boston Consulting Group ("BCG"), Ripple recently published a report on tokenisation[7], which highlights that the financial industry is undergoing a significant transformation as tokenisation reshapes traditional asset management. By converting assets into programmable, interoperable digital tokens recorded on shared ledgers, financial systems are becoming more efficient, accessible, and responsive to modern market demands. The report also projects that RWA tokenisation could grow from approximately USD 0.6 trillion in 2025 to nearly USD 19 trillion by 2033, reflecting a 53% compound annual growth rate. The report identifies three phases of adoption: a. Low-Risk Adoption: Early pilots focused on regulated instruments such as money market funds and corporate bonds, primarily to build institutional capabilities in custody, issuance, and settlement. b. Institutional Expansion: Expansion into more complex assets such as private credit, structured finance, and real estate, with greater emphasis on liquidity, composability, and broader investor access, dependent on regulatory clarity and secondary market depth. c. Market Transformation: A system-wide shift to illiquid assets including private equity, hedge funds, and infrastructure, requiring comprehensive lifecycle regulation, secondary market liquidity, and cross-industry coordination. As outlined in our response to Question 1, the general benefits of tokenisation, such as real-time settlement, fractionalised ownership, transparency, and smart contract automation, are well recognised across the industry. In the domestic context, however, the central role of tokenisation will be to translate these benefits into tangible structural improvements across the New Zealand financial system, which includes: ● Liquidity: By enabling fractional ownership and 24/7 trading, tokenisation can deepen liquidity in traditionally illiquid markets such as private equity, debt, and real estate. This is especially important in a smaller economy like New Zealand, where limited market depth has constrained efficient capital formation.

[7] See https://ripple.com/reports/approaching-tokenization-at-the-tipping-point.pdf, *Approaching the Tokenization Tipping Point.*

	● Efficiency: Smart contract automation and DvP enable near-instant clearing and settlement, significantly reducing reliance on the prevailing T+2 securities settlement cycle and the associated reconciliation processes, custodial holds, and counterparty risk. ● Market Access: Tokenisation lowers investment thresholds through fractionalisation, making high-value asset classes such as infrastructure and sustainability-linked instruments accessible to a broader pool of retail and institutional investors. This enhances financial inclusion and opens new channels for domestic issuers to access global capital. Lastly, the most relevant use cases in the New Zealand market context will be those that address areas of current market friction or illiquidity, consistent with the FMA's interest in real-world assets: ● Tokenised RWAs in Primary Industries: Fractional interests in forestry, agricultural land, carbon credits, and specialised commodities can connect domestic businesses to global capital pools while providing programmable exposure to investors. ● Private Capital Markets: Tokenisation can create transparent secondary markets for private equity and debt, offering liquidity pathways for investors and more efficient capital formation for issuers. ● Settlement Assets: Digital assets such as regulated fiat-backed stablecoins are essential to provide the digital cash leg that enables 24/7 DvP settlement across tokenised markets, significantly reducing settlement risk.
6	**Question: Do you consider that the current law helps or hinders domestic tokenisation activity, and why?** New Zealand's financial markets benefit from a robust, foundational legal framework, consistent with the FMA's regulatory approach of being "pro-innovation, flexible, and technology neutral."[8] However, to realise the full potential of tokenisation and ensure market scaling, this framework should provide complete regulatory clarity for virtual assets. This necessitates moving beyond the structural ambiguity that is currently impeding the adoption of a tokenised asset market. Ripple encourages the FMA to pursue constructive reforms to align the legal framework with the principle of "same activity, same risk, same regulation". Currently, the impediments to domestic adoption of tokenisation can be broadly classified into the lack of a unified taxonomy for virtual assets, and the licensing

[8] See https://www.fma.govt.nz/business/focus-areas/consultation/tokenisation-in-financial-markets/, *Discussion paper: Tokenisation in financial markets.*

reforms needed to factor in the nuances and characteristics of DLT-based transactions.

1. Lack of a Unified Taxonomy

The regulatory perimeter currently lacks a cohesive, statutory definition for virtual assets. This critical absence forces a complex, case-by-case analysis of every token against multiple, overlapping legal standards, making the legal classification of the token the primary source of perimeter uncertainty and unnecessary burden. This lack of a unified taxonomy is the foundation of the structural ambiguity that deters institutional adoption and fails to account for DLT's integration of traditionally separate financial market functions (e.g., clearing and settlement).

Additionally, the absence of a single classification system leads to ambiguity across several legislative domains:

- Securities Law: If a tokenised RWA functions as one of the four financial products defined by the FMA Act, namely equity security, debt security, managed investment product, or derivative, it is subject to requirements like disclosure under a Product Disclosure Statement ("PDS") and FMA licensing under the FMA Act. The challenge lies in the case-by-case classification of hybrid tokens, which rarely fit neatly into traditional categories. For example, a single token may grant the holder a fixed income payout, which might suggest a debt security, while also granting the right to vote on governance decisions of the underlying pool, which might suggest a managed investment product. Since the FMC Act requires a hierarchical classification, this legal hybridity increases the complexity of determining the correct compliance path.
- Property & Contract Law: The legal treatment of the token depends on aligning the on-chain token transfer with the off-chain legal title governed by general New Zealand law, particularly the Property Law Act 2007[9], which is critical for fractional ownership of real estate. Tokenisation challenges the clear establishment of fundamental property concepts like possession, title transfer, and perfection of security interests in a DLT environment. Furthermore, smart contracts should satisfy the scrutiny of general principles of the Contract and Commercial Law Act 2017[10] regarding their enforceability, consent, and interpretation when executed automatically.
- AML/CFT Regulations: Under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009[11] ("AML/CFT Act"), issuers of tokenised

[9] See https://www.legislation.govt.nz/act/public/2007/0091/latest/versions.aspx, *Property Law Act 2007*.

[10] See https://www.legislation.govt.nz/act/public/2017/0005/21.0/dlm6844033.html, *Contract and Commercial Law Act 2017*.

[11] See https://www.legislation.govt.nz/act/public/2009/0035/latest/DLM2140720.html, *Anti-Money Laundering and Countering Financing of Terrorism Act 2009*.

RWAs are required to comply with AML/CFT regulations. Operational VASPs in New Zealand are already subject to mandatory AML/CFT registration, as noted earlier in our response to Question 1, and ongoing compliance procedures. However, the supervisory responsibility is fragmented among different regulatory agencies. The Department of Internal Affairs ("DIA") serves as the primary supervisor for most VASPs, while the FMA oversees AML/CFT compliance in relation to regulated financial products. This creates a dual regulatory perimeter in which the classification of a token, such as whether it qualifies as a security under the FMC Act or is treated as a non-security virtual asset, determines the relevant reporting line and supervisor. As a result, issuers may face overlapping or redundant compliance requirements across agencies, requiring precise coordination in compliance planning.

2. Need for Licensing Reforms

The case for licensing reform in New Zealand arises from the structural misalignment between DLT capabilities and the existing market services framework. Under the FMC Act, trading venues, custodians, and other market service providers require separate licenses, each subject to distinct governance and capital requirements. The Financial Market Infrastructures Act 2021[12] ("FMI Act") similarly provides for the designation and oversight of systemically important clearing and settlement systems, with obligations tailored to the risks inherent in sequential market functions.

DLT, however, enables atomic settlement, as noted in our response in Question 2. By eliminating counterparty and settlement risks that clearing houses and central counterparties are designed to address in traditional markets, DLT fundamentally alters the risk profile of market infrastructure. Applying current licensing regimes to such models may therefore create duplicative or disproportionate requirements, as operators would be required to comply with safeguards designed for risks that the technology has already mitigated.

New Zealand's legislative framework continues to treat trading, clearing, and settlement as distinct functions, reflected in the allocation of separate licensing categories and oversight responsibilities. In a digital asset context, these activities converge: trading and settlement are inseparable, and clearing is not a discrete stage. Without a fit-for-purpose licensing pathway that accounts for these structural differences, the framework risks imposing undue compliance burdens and limiting the development of innovative tokenisation models.

[12] See https://www.legislation.govt.nz/act/public/2021/0013/latest/LMS102992.html, *Financial Market Infrastructures Act 2021.*

7	**Question: Does financial markets legislation exclude or appropriately capture products and services relating to tokenisation, and why?** Ripple considers that while New Zealand's financial markets legislation provides a robust and technology-neutral foundation, it is structurally misaligned with the features of tokenisation. The FMC Act can appropriately capture tokens that are straightforward digital representations of existing financial products, such as tokenised shares. However, the framework substantially excludes the novel product features and essential infrastructure services unique to DLT. 1. Gaps in capturing essential infrastructure The legislation's limited scope in accommodating the underlying technological mechanisms and risk controls necessary for secure, scalable DLT markets presents a systemic structural impediment to tokenisation, which is demonstrated by the following critical gaps: ● Legal Finality: The FMC Act does not contain a framework for recognising the finality of atomic settlement, as noted in our response to Question 2. Without statutory recognition, the efficiency benefits of DLT remain legally uncertain. ● Custody Rules: As outlined in our response to Question 4, the stringent client money and property safeguards that apply to regulated financial products do not extend to most VASPs, thereby creating a material investor protection gap. ● Smart Contracts and Title Verification: The enforceability of smart contracts, and the mechanisms needed to verify on-chain ownership changes against off-chain legal title, remain unaddressed in law. These gaps pose systemic risks for tokenised real-world assets. 2. Exclusion of Novel Token Features The legislation's classification methods limit its capacity to accommodate the full range of innovation DLT enables, particularly where definitions of "Financial Product" under the FMC Act prove restrictive. This exclusion stems from the law's inability to categorise or govern the native programmability of tokens, as illustrated by the following features: ● Programmable rights and governance: Tokens can natively embed and automate corporate actions, such as voting rights, dividend payouts, and collateral management, through self-executing code. The FMC Act, built on paper-based legal agreements and centralised intermediaries for these functions, struggles to apply appropriate governance duties when rights are enforced solely by a smart contract. Tokens that grant significant

	governance rights can thereby fall into a regulatory grey area or outside the perimeter entirely, risking investor confusion and regulatory arbitrage. ● Nature of issuance: The current legislation struggles to maintain structural compatibility when confronted with the diverse nature of token issuance. Specifically, the FMC Act does not effectively distinguish between tokens that are digital representations of an existing off-chain security, i.e., a 'digital twin', and those that are issued natively on-chain. Native issuance fundamentally challenges the legal system by bypassing traditional corporate registries, securities depositories, and market operators, thereby complicating the legal basis for issuance, registration, and transfer of title that the existing legislative framework was designed to assume. A constructive licensing pathway should resolve this structural ambiguity to facilitate both forms of issuance responsibly. While the FMC Act provides the FMA with designation and exemption powers, reliance on these tools alone is insufficient. They can bridge short-term gaps but cannot resolve the deeper structural misalignment. A scalable solution requires legislative reform that explicitly embeds DLT concepts within the regulatory framework to ensure appropriate capture of tokenised products and services.
8	**Question: Do have any views on whether specific tokens (or tokens with certain characteristics) or specific services associated with tokens or tokenisation are appropriately included or excluded from financial markets legislation?** Building on the structural gaps identified in Question 7, Ripple notes that current definitions set out in the FMC Act will not capture the majority of tokenised assets. While the law appropriately captures tokenised instruments that are direct digital equivalents of financial products, it excludes certain token characteristics and critical services. This creates scope for regulatory arbitrage, inconsistent investor protections, and barriers to institutional adoption. 1. Token Characteristics Requiring Clarification The absence of a unified statutory taxonomy necessitates immediate clarification on how specific token characteristics are treated under the law to prevent regulatory ambiguity and arbitrage, as demonstrated by the following categories: ● Governance and Token Rights: Tokens that provide rights to governance or revenue-sharing are often excluded if they are not structured as equity or managed investment products, even though their economic substance is comparable. This exclusion creates scope for arbitrage and uneven investor protection.

	• Utility Tokens and NFTs: Utility tokens and Non-Fungible Tokens ("NFTs") with limited functionality, such as access rights and collectables, may appropriately remain outside the perimeter. However, where such tokens embed financial rights, such as fractional ownership, revenue entitlements, or embedded investment functions, the absence of clear guidance risks confusion and uneven treatment. In other jurisdictions, such as the EU's Markets in Crypto-Assets Regulation ("MiCA")[13], the framework draws clear distinctions between different categories of tokens based on their economic substance. Utility tokens are defined as crypto-assets intended to provide digital access to goods or services available on DLT, and are not treated as financial instruments. By contrast, Asset-Referenced Tokens ("ARTs") and E-Money Tokens ("EMTs") are subject to prudential, reserve, and governance requirements. This functional categorisation ensures that low-risk tokens remain outside of onerous regimes, while tokens with financial characteristics are comprehensively regulated, reducing any legal and regulatory ambiguity. By embedding this proportionality into the legislative framework, MiCA reduces regulatory arbitrage and provides certainty for issuers and investors alike. 2. Services and Infrastructure Currently Excluded To support the secure and scalable growth of tokenised markets, the legal perimeter should be expanded to proactively capture the following critical infrastructure and services that DLT necessitates: • Virtual Asset Custody: Custody of virtual assets falls outside the client money and property protections in the FMC Act, leaving investors exposed if a VASP fails. Custody of virtual assets should be explicitly included, in line with global best practices such as Singapore's Payment Services Act 2019[14], which imposes safeguarding requirements on Digital Payment Token ("DPT") Service Providers, thereby closing a critical investor protection gap. • Stablecoin Issuance: Stablecoins play a central role in enabling atomic settlement and cross-border tokenisation pilots, yet their issuance remains ambiguously regulated in New Zealand, straddling the FMA, RBNZ, DIA, as well as the treatment as non-financial assets. This fragmentation undermines New Zealand's ability to support cross-border interoperability and institutional adoption. By contrast, Hong Kong's licensing regime for fiat-referenced stablecoin ("FRS") issuers[15], which came into effect in August 2025, and Singapore's proposed Stablecoin Regulatory Framework

[13] See https://eur-lex.europa.eu/eli/reg/2023/1114/oj/eng, *Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937 (Text with EEA relevance).*

[14] See https://sso.agc.gov.sg/act/psa2019, *Payment Services Act 2019 (2020 Revised Edition).*

[15] See https://www.elegislation.gov.hk/hk/cap656, *Cap. 656 Stablecoins Ordinance.*

	for Single-Currency Stablecoins ("SCS")[16], which is expected to be introduced into legislation, both establish clear prudential and conduct standards, including reserve backing, redemption rights, and disclosure requirements. New Zealand should consider developing a coordinated regulatory framework for stablecoin issuance to provide legal certainty, align with international benchmarks, and support their use as settlement assets in tokenised markets.
9	**Question: Do you consider that a bespoke regulatory framework for tokenisation is desirable? Or would refinements to the existing principles-based framework be sufficient, or a combination of both?** As per our answer to Question 6, Ripple supports a comprehensive reform of the existing framework to accommodate tokenised asset markets and the unique features of such products. However, achieving this necessary long-term reform requires a managed, phased strategy. Ripple firmly advocates for a combination approach. While immediate refinements and guidance are necessary to unlock short-term activity, foundational legislative reform is required to ensure long-term stability and accommodate the structural changes introduced by DLT. 1. <u>Short-Term Approach: Refinements and Flexibility</u> In the immediate term, relying solely on refinements and existing FMA powers is the most practical path forward, but it is not sufficient for true scalability. ● <u>Agile Innovation:</u> The FMA should continue to leverage its technology-neutral principles and its exemption powers to provide the flexibility needed for DLT experimentation, such as providing transitional licensing relief, as detailed in Question 3. ● <u>Supervised DLT Experimentation:</u> Establishing a regulatory sandbox, as outlined in our response to Question 3, would provide a practical mechanism for regulators and industry to test tokenisation models and determine which provisions of the FMC Act and FMI Act are incompatible with DLT-based market activity. 2. <u>Long-Term Approach: Bespoke Regulatory Reform</u>

[16] See https://www.mas.gov.sg/news/media-releases/2023/mas-finalises-stablecoin-regulatory-framework, *MAS Finalises Stablecoin Regulatory Framework*.

	Ultimately, bespoke legislative reform is desirable because the current law is structurally incompatible with DLT, particularly in wholesale markets, as argued in Question 6 and Question 7. ● Centralisation Bias: The DLT model cannot be fully reconciled with legal frameworks designed entirely around centralised intermediaries. This requires legislative change to redefine concepts like legal finality and market infrastructure. ● Token Taxonomy: To address the ambiguity and prevent regulatory arbitrage, a bespoke token taxonomy should be legislated to classify novel token characteristics based on their economic substance, providing legal clarity where the prescriptive definitions of the FMC Act currently fail. ● Consolidated Licensing: Reforms should also lead to a consolidated licensing regime for market infrastructure that recognises trading, clearing, and settlement as a single technological function in a DLT environment, rather than the fragmented licensing of the legacy system. We believe the most responsible path is to move from short-term refinement to long-term regulatory reform. The FMA should start by implementing the transitional measures and regulatory learning programs now, while simultaneously committing to a comprehensive assessment and law reform process necessary to fully future-proof New Zealand's financial market legislation.
10	**Question: Do you have any observations about the overall coherence of how virtual assets are treated across regulatory systems, such as payments, financial markets, tax, AML/CFT?** Ripple observes that New Zealand's treatment of virtual assets remains fragmented and lacks coherence across payments regulation, financial-markets law, tax, and AML/CFT supervision. While each regime is credible when considered individually, their combined application creates perimeter uncertainty, duplicative obligations, and material gaps in areas critical to tokenisation. At the same time, there are encouraging signs of progress in specific areas of regulatory development. In particular, Ripple commends the RBNZ for its ongoing work on the exploration of CBDCs. The RBNZ's proactive consultation process demonstrates a clear willingness to engage stakeholders, test potential use cases, and evaluate the implications for monetary policy and financial stability. This provides a strong foundation for innovation in public money. However, this progress should not occur in isolation. To realise the full benefits of tokenisation and digital money, parallel regulatory development for private money, particularly fiat-referenced

stablecoins, is essential. Without a coherent framework governing both public and private settlement assets, New Zealand risks entrenching a dual-track system that fragments liquidity, limits interoperability, and constrains cross-border participation.

1. Areas of Incoherence

The combined application of New Zealand's current regulatory systems creates significant perimeter uncertainty and fragmentation, particularly in key areas critical to tokenisation, as detailed below:

- Payments Perimeter: The Retail Payment System Act 2022[17] regulates designated card networks but does not provide a clear legal pathway for stablecoins or tokenised deposits as settlement instruments.
- Legal Finality: The FMI Act recognises finality for transactions within designated FMI systems, but it remains unclear how on-chain atomic settlement achieves legal finality outside such systems.
- Custody Safeguards: The FMC Act requires client money and property protections for regulated financial products, but these safeguards do not extend to most VASPs, leaving investors exposed in insolvency scenarios.
- Token Classification: The absence of a unified taxonomy under the FMC Act forces costly, case-by-case classification of hybrid tokens and encourages regulatory arbitrage.
- AML Supervision: The tripartite allocation between DIA, FMA, and RBNZ leads to overlaps and uncertainty for tokenised offerings that straddle non-security virtual assets and regulated financial products.
- Tax Treatment: The Inland Revenue ("IRD") treatment of cryptoassets as property[18] is consistent within tax policy but diverges from payments law treatment, reinforcing the lack of coherence across systems.

To support safe and scalable adoption, a coordinated policy approach is required, beginning with targeted short-term administrative measures and progressing toward medium-term legislative refinement.

To address immediate market friction and regulatory incoherence, coordination and risk mitigation must be prioritised. The Council of Financial Regulators ("CoFR"), the primary forum for inter-agency collaboration across the financial sector, should designate a clear policy lead on virtual-asset perimeter issues to drive consistent treatment of stablecoins between the RBNZ and FMA.

[17] See https://www.legislation.govt.nz/act/public/2022/0021/latest/whole.html, *Retail Payment System Act 2022.*

[18] See https://www.ird.govt.nz/cryptoassets#:~:text=Cryptoassets%20are%20treated%20as%20a,on%20what%20they%20are%20called, *Ngā rawa whiti-rangi, Cryptoassets.*

	Concurrently, the FMA should focus on de-risking investor activity by proactively extending client-asset protections to regulated virtual asset custody providers, as highlighted in our response to Questions 11 and 12. To enable constructive innovation, the FMA should also leverage its exemptive powers to permit controlled pilots of tokenised secondary markets and on-chain DvP, as proposed in our response to Questions 3 and 11. For long-term stability and market function, structural legislative refinement is essential. This requires legislative action to redefine core market concepts: firstly, by providing statutory recognition of finality for DLT-based settlement outside FMI designation, as noted in our response to Question 11; and secondly, by embedding a unified token taxonomy in the FMC Act to reduce ambiguity and arbitrate consistently between utility and financial tokens, as discussed in our response to Question 6. These targeted reforms would effectively address the root structural uncertainties and establish a resilient foundation for consistent regulatory treatment.
11	**Question: What changes (if any) do you consider may be necessary or desirable to explore for existing financial markets legislation to improve business confidence, and promote and facilitate innovation, market access and function, and investor protection?** As per our response in Question 9, Ripple would advocate for a phased approach to legislative change that prioritises immediate transitional relief while committing to long-term structural reform. This is necessary because the current financial markets legislation is structurally misaligned with the integrated nature of DLT, which hinders business confidence and market scalability, as detailed in our response in Question 6 and 9.

12	**Question: What approaches do you consider may be necessary or desirable from the FMA as the regulator to improve market confidence and investor protections for tokenisation initiatives, and why?** To bridge the confidence gap between traditional investors and the novel risks of DLT, the FMA should focus on issuing specific, mandatory requirements that translate existing prudential safeguards to the digital environment. Public trust and institutional confidence depend on the FMA establishing clear, accountable, and enforceable standards across three critical areas: asset safeguarding, infrastructure integrity, and legal certainty. 1. <u>Asset Safeguarding</u> The most material and immediate risk to both retail and institutional confidence is the lack of statutory protection for client assets. As outlined in our response to Question 4, most virtual asset custody arrangements fall outside the client money and property safeguards set out in the FMC Act, leaving investors exposed in the event of a VASP failure. To close this investor-protection gap, the FMA should extend these safeguards to explicitly cover the custody of virtual assets by regulated service providers. Such a reform would provide a legally mandated assurance that client assets are segregated and protected, restoring a baseline of trust that is critical to further adoption (as mentioned in our response to Questions 7 and 10). 2. <u>Infrastructure Integrity</u> Investor confidence also depends on the integrity and resilience of the infrastructure that underpins tokenised markets. The unique risks of DLT demand clear operational and technical standards. First, the FMA should mandate independent, third-party security audits of all smart contracts used in regulated tokenised offerings, as suggested in our responses to Questions 3 and 4. This requirement would directly address the risk that a single programming error could result in the permanent, irreversible loss of assets, as noted in our response to Question 2, and would assure investors of the robustness of the protocols. Second, for tokenised RWAs, issuers should be required to demonstrate continuous, independent verification of reserves and custody arrangements to ensure tokens remain fully backed by verifiable off-chain assets. This measure would address the risks of data disconnection and integrity failures identified in our responses to Questions 2 and 4.

	3. Legal Certainty Finally, scaling tokenised markets and achieving institutional adoption will require greater legal certainty and coherent supervision. Current uncertainty around market function, highlighted in our response to Question 1, impedes confidence. To resolve this, the FMA, in coordination with the RBNZ, should issue guidance or pursue statutory reform that provides legal recognition for atomic DvP settlement. This reform would ensure that transactions are final and enforceable even in cases of counterparty insolvency, thereby addressing the settlement risks raised in Question 4 and reaffirmed in Question 10. In parallel, the FMA should develop a proactive market surveillance strategy that leverages blockchain analytics and invests in the expertise necessary to monitor activity across venues and chains. Given the borderless, 24/7 nature of tokenised markets, effective surveillance will be essential to maintain the integrity of price discovery and strengthen market confidence.

13	**Question: Given international regulatory and market activity (see Appendix), do you have views on how the regulatory system should manage cross-border and jurisdictional issues?** The open and borderless architecture of DLT means that cross-border interoperability is crucial to the commercial viability and global scaling of the New Zealand tokenisation market. Building on the FMA's role in establishing market integrity as discussed in our response to Question 12, the regulatory system should commit to international alignment over domestic isolation. 1. Adopt Global Standards and Establish Equivalence The FMA should anchor New Zealand's framework in high, globally accepted regulatory benchmarks to attract international institutional capital and combat financial crime. ● Harmonisation and Equivalence: New Zealand should manage cross-border risks by adhering to the principle of 'same activity, same risk, same regulation' and aligning with standards set by global bodies like the International Organization of Securities Commissions (IOSCO) and the Financial Stability Board (FSB). The framework should establish clear pathways for substitutional compliance and regulatory equivalence, i.e., mutual recognition arrangements. This recognises that compliance with a robust foreign regime warrants a modified or exempted compliance pathway in New Zealand, reducing duplicative costs. ● Regulatory Coordination: Coordination is necessary to align AML/CFT standards globally, actively preventing regulatory arbitrage. The FMA should continue to support initiatives that build regulatory capacity and leverage blockchain analytics' transparency for coordinated cross-border supervision and data sharing. 2. Prioritise Interoperable Digital Settlement Assets To realise the efficiency gains of DLT and facilitate atomic settlement, the regulatory system should proactively enable the use of digital settlement instruments that function globally. ● Digital Settlement Asset Agnosticism: As mentioned in our response to Question 3, the regulatory framework should be agnostic toward the form of digital money used for settlement in wholesale markets. While the RBNZ explores a CBDC, the system should equally enable the regulated use of private sector, fiat-backed stablecoins, as these are the most efficient and interoperable vehicles for cross-border DLT settlement. ● Preventing Fragmentation: Facilitating seamless cross-chain and cross-jurisdictional transfers is key to preserving liquidity. The system should

	support the development of technical and legal interfaces between traditional market infrastructures and new DLT systems to avoid creating new barriers to efficiency. 3. Ensure Legal Recognition and Transferability Regulatory efforts should address the jurisdictional uncertainty surrounding the legal status and transfer of token ownership to secure financial stability and market function. ● Mutual Recognition of Ownership: Given that tokenised assets operate in global markets, the legal framework should manage cross-border transferability by ensuring that ownership structures are legally recognised across jurisdictions. The FMA should advocate for frameworks that support the mutual recognition of legal title and beneficial ownership associated with tokens. This recognition should be guided by a risk-sensitive, activity-based, and technology-neutral approach to maximise transferability and prevent cross-border regulatory fragmentation.

14.	**Question: Do you have any other observations or comments about tokenisation in financial markets?** Beyond the structural and legislative reforms detailed in our preceding responses, Ripple would like to make an observation on custody arrangements, which represent a critical nexus of trust and risk unique to the DLT ecosystem. Effective custody measures are a key pillar of trust in all financial service industries and it is important to ensure industry best practices are maintained. Custody methods can come in different formats, and should be best decided by firms based on their risk management framework. There are different ways to implement a custody regime to safeguard assets, such as self-custody and/or using a third-party service provider. Each format carries its own specific benefits and risks and will be more suitable depending on the business model or intentions of the investor or beneficial owner. In line with the principle of "same activity, same risk, same regulation", we believe that the FMA should remain neutral in this regard and that there should be a focus on adopting international best practices and standards. Self-custody, which carries its own specific benefits and risks, will be more suitable depending on the business model or intentions of the investor or beneficial owner. We believe it is essential to assess and address the risk associated with different custody technologies and formats, maintaining a technological-agnostic framework while balancing security with operational efficiency. In relation to the associated risks, self-custody relies on the user maintaining access to their private keys and therefore if these keys are lost, the assets will likely be permanently lost. This contrasts with third party custody providers whereby key recovery mechanisms are usually in place. However, self-custody also gives investors direct control over their assets, and eliminates the risk of a custodian's insolvency or losses due to a cyber attack on a custodian provider. As such, we believe custody technology solutions should provide robust methods for key recovery in disaster scenarios where the key becomes unavailable or inaccessible.
Feedback summary – *if you wish to highlight anything in particular*	

Please note: Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.

Thank you for your feedback – we appreciate your time and input.

SIA | SECURITIES INDUSTRY ASSOCIATION

[redacted]
[redacted]
Financial Markets Authority - Te Mana Tatai Hokohoko
Level 5, Ernst & Young Building,
2 Takutai Square, Britomart,
Auckland, 1143

[redacted]
CC:consultation@fma.govt.nz

13 November 2025

Tēnā koe [redacted],

Securities Industry Association submission: Consultation – Tokenisation in financial markets (September 2025)

1. The Securities Industry Association (**SIA**) thanks the Financial Markets Authority - Te Mana Tatai Hokohoko (**FMA**) for the opportunity to respond to its consultation on "Tokenisation in financial markets" (published September 2025).

About SIA

2. SIA represents the shared interests of sharebroking, wealth management and investment banking firms that are accredited NZX Market Participants. SIA members employ more than 550 accredited NZX, NZDX, and NZX Derivatives Advisers and more than 540 Financial Advisers nationwide. Our members' combined businesses work with over 1,000,000 New Zealand retail investors, with total investment assets exceeding $100 billion, including $90 billion held in custodial accounts. Members also work with local and global institutions that invest in New Zealand. More information about SIA is at www.securities.org.nz

Submission overview

3. SIA supports the FMA's intent to understand the challenges and opportunities related to the current use and future potential of tokenisation in New Zealand. We appreciate the opportunity to present the perspective of NZX Trading and Advising Participants.

4. We believe that regulatory settings relating to tokenisation must be flexible and non-prescriptive and deliver fair outcomes for consumers, businesses, regulators and government. We support FMA's commitment to being a pro-innovation, engagement-led, and technology-neutral regulator, and its intent to support innovation, improve regulatory certainty and enhance consumer protections with regard to tokenisation.

5. We provide more detail on the following considerations:
   i) How is the current market and regulatory environment helping or hindering domestic tokenisation?

ii) What opportunities, benefits or risks or you see for tokenisation for New Zealand financial markets?'
iii) What should or could the future market and regulatory environment look like?

How is the current market and regulatory environment helping or hindering domestic tokenisation?

6. While tokenised financial products are being explored and introduced in some jurisdictions, distributed ledger technology (**DLT**) remains niche. New Zealand's regulatory settings would need to be sufficiently clearly defined, appropriate financial market infrastructure established, and sufficient consumer demand and confidence achieved to encourage New Zealand-based entities to pursue and invest in systems that support tokenised financial products.

7. The FMA's regulatory sandbox is a good example of providing a safe environment for exploring innovation and developing technology, including blockchain. We note that it is essential to take the time to 'get it right' while striking a balance that enables and facilitates progress to adopting any such technology or platforms.

What opportunities, benefits or risks or you see for tokenisation for New Zealand financial markets?

Opportunities and benefits

8. We support the use of new technologies when they deliver genuine efficiencies for businesses and benefits to consumers —for example, cost savings, time savings, increased market access, improved onboarding processes, or greater security or visibility of transactions. In this regard, whether the technology is current (traditional) or emerging, what is important is ensuring the integrity of any such technology to minimise risk to business and consumers.

9. We are broadly supportive of listed securities, such as equity, debt, derivatives or funds, being tokenised. We see potential advantages for issuers in using DLT, for example, issuing tokens with variable class attributes or fractional shares, or providing transparency into ownership, such as through a share register. Tokenisation could also be explored as a mechanism for public-private partnerships, such as the funding of infrastructure projects. What is critical is maintaining a level playing field in the status and regulation of financial products regardless of the format in which they are issued or traded.

Challenges and risks

10. For the integrity, transparency, and consumer confidence of capital markets, we strongly favour the same high standards of regulation being applied as in current (traditional) settings. For example, all issuers, traders and financial advisers need to be licensed, supervised, and subject to the same product disclosure statement (**PDS**) obligations and other regulatory requirements under the Financial Markets Conduct Act (**FMC Act**) to ensure the same high levels of regulatory standards and consumer protections are in place.

11. Consumer education will be an important part of developing consumer understanding and confidence in tokenised products. While the industry is generally supportive of exploring tokenisation, a cautious approach may be necessary from a financial advice perspective when advising clients on the suitability of investment portfolios that may include tokenised financial products. There may be nuances specific to these product types that clients may not fully understand, such as financial stability, liquidity, or future trading options. Some tokenised

transactions may pose risks and be appropriate only for certain clients, or may require limitations for wholesale investors. We anticipate that disclosure regimes will need to be examined carefully in this regard.

12. It should be acknowledged that some technologies present challenges. For example, they may not actually add much value in terms of efficiencies or may create consumer vulnerabilities. There could be significant investment required for businesses for technology and systems development that 'speak' or 'connect' to each other, such as recognised technology standards and systems to ensure interoperability between digital wallets and broker accounts. There may also be ongoing costs due to compliance and regulatory requirements, staff training, and supporting consumer onboarding and adoption. All of these need due consideration.

13. The focus should be on what blockchain enables rather than the technology itself, especially as it is suggested that many tokens may not change much in terms of regulation compared to existing systems. Technology may not always be faster, and there may still be a need for manual checks, balances, and oversight. For example, the need to ensure there is a clear 'paper trail' with regard to verification and record keeping.

14. As discussed above, it is pivotal to maintain the integrity, transparency, and consumer confidence of capital markets. Taking a technology-neutral approach means applying the same high regulatory standards to both traditional and tokenised financial products.

What should or could the future market and regulatory environment look like?

Approach to the regulatory settings

15. SIA supports FMA taking a principles-based and technology-agnostic approach to regulation. We understand some new technologies may already be captured in the existing regulatory framework. However, we acknowledge that there may be regulatory challenges associated with emerging technologies as they are developed or in the early stages of adoption; therefore, we recognise the need to future-proof regulation and ensure it is fit for purpose.

Best practices and level playing fields

16. We support the development of early regulation to provide clarity and certainty to developers and adopters of technology. We also support the notion that New Zealand should align with international best practices, global standards, and regulations (where relevant). This is helpful for both domestic and international stakeholders to have a clear understanding of the regulatory playing field and ensure that it is level, with opportunities maximised for both businesses and consumers. What is critical is that the same rules and regulations apply to all methods of transacting, whether traditional or tokenised.

Product and scenario testing needed

17. We acknowledge the potential for new financial instruments to be enabled by smart contracts, which could require new regulatory approaches and further exploration to understand how they would be treated across a range of securities scenarios, for example, convertible notes in the case of a default. We would welcome the opportunity to be part of that process.

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Conclusion

18. We thank the FMA for initiating this discussion. There remains considerable ground to cover in thinking through and discussing this topic. Thank you for the opportunity to contribute to this initial consultation. SIA members would be interested in participating further as this progresses.
19. No part of this submission is required to be kept confidential. We understand it may be requested under the Official Information Act 1982.

20. Please get in touch should you have questions about any points raised in this submission or require further information.

Nāku noa, nā

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SECURITIES INDUSTRY ASSOCIATION

[redacted]

WORLD GOLD COUNCIL

Financial Markets Authority
Te Mana Takai Hokohoko
Level 2, Grey Street, PO Box 1179
Wellington 6140
New Zealand

London, 27 October 2025

Response to Discussion Paper: Tokenisation in financial markets

The World Gold Council is pleased to provide feedback on FMA's Discussion Paper 'Tokenisation in Financial Markets'. We support fair and proportionate access to gold and tokenised gold as a strategic asset. Building on international experience, we welcome the opportunity to share perspectives that could inform New Zealand's approach to tokenisation.

About the World Gold Council

The World Gold Council is dedicated to ensuring that gold remains an integral part of the global economy.
We are an association whose 32 members are the world's leading gold mining companies with operations in over 45 countries, and our initiatives impact every aspect of the gold industry. We aim at:

- Improving access to gold by tackling regulatory and infrastructure barriers to gold investment
- Improving understanding of the gold market and the role of gold as an investment asset
- Developing industry standards and improving integrity and trust in gold.

Since we were founded in 1987, the structure and size of the gold industry has changed significantly. The gold market has grown significantly. Today, gold is increasingly recognised as a mainstream asset that meaningfully contributes to prosperity, financial market stability, and society as a whole.

The World Gold Council's ambition is to further the digital transformation of the global gold market to meet the expectations of today's consumers, investors, and the financial services community. The tokenisation of gold and digitalisation of trading and supply management processes, is essential to the modernisation of the market.

The World Gold Council is a Partner Member of the Financial Markets Standards Board (FMSB) and our CEO, David Tait, chairs the Precious Metals Working Group.

WORLD GOLD COUNCIL

Gold as an asset class

Gold has unique properties and is an essential investment for many individual and institutional investors. Private investments in gold account for close to US$ 6 trillion in holdings, and roughly US$ 4.5 trillion are held in gold reserves by central banks around the world.[1]
Gold tokens introduce an innovative way to own physical gold and the market for gold tokens could over the coming years also become significant is size.

Regulating tokens representing 1:1 ownership in physical gold

Developing effective regulation for digitalised gold will help the industry innovate while ensuring customer and investor protection. To achieve these goals three principles are essential:

- Proportionate risk mitigation
- Non-discrimination against gold tokens as compared to traditional gold products
- Adequate operational model

Any regulation of gold-backed tokens - or other tokens backed 1:1 by physical assets - should take into account their specific risk profile, which differs significantly from other types of crypto assets.
Gold-backed tokens, like other tokens, which are fully backed by one commodity or asset, differ from other types of crypto-assets. Fully gold-backed tokens are not a financial liability of the issuer but give investors an outright ownership in physical gold. The issuers of such tokens, as compared to other types of tokens, do not bear certain risks like counterparty risks, maturity risks, or risks related to leverage. Regulation addressing the appropriate level of risk - rather than a one-size-fits-all approach - would support the development of the market while ensuring a high level of protection for investors.

While operational safeguards in the form of ensuring safekeeping assets and implementing audit requirements should uniformly apply to tokens, others such as imposing capital requirements should not apply or be appropriately tailored to the type of token. Regulation should ensure that gold-backed tokens will not be unnecessarily discriminated against, when compared with other forms of gold investments such as Gold ETFs or Gold ETCs. For example, the imposition of higher capital requirements for fully gold-backed tokens than for other gold products would counteract key goals of crypto regulation such as strengthening innovation and financial inclusion.

Adequate and effective regulation should also consider operational specifics of gold-backed tokens or other tokens backed by tangible assets. Physical custody by vault and warehouse operators must remain possible. Vault and warehouse operators typically do not fall under financial market regulations but should be permitted as custodians. A further specific of commodity-backed tokens is it should provide both cash settlement and physical redemption option. The regulation should provide for enough time according to respective market practices to meet any delivery requirements, while ensuring a high level of transparency vis-à-vis holders.

Sensible, proportionate and effective regulation of crypto-assets will provide consumers with new products that meet their needs while ensuring appropriate investor protection. Such regulation will foster responsible innovation while preserving financial stability in the respective markets.

[1] Source: Gold Demand Trends and Above Ground Stocks, 2021, https://www.goldhub.com

Benefits for New Zealand markets

Tokenised direct ownership of allocated gold can broaden access, improve transparency and reduce settlement frictions without changing the economic substance of what investors hold. It can offer households a simple, fully reserved savings instrument, provide diversification for institutions, and supply high-quality collateral.
With clear perimeter guidance and proportionate safeguards, New Zealand can enable this innovation confidently while maintaining high standards of market integrity and investor protection. We would be pleased to discuss these suggestions in more detail with you or provide technical detail or best practices used internationally.

Responses to key consultation questions

Q1: In your view, what are the main market barriers and opportunities for domestic tokenisation activity in financial markets?

Response: Opportunities include broader access to gold, lower costs and trading frictions, enhanced liquidity and transparency, as well as increased functionality of gold. Tokenising gold facilitates its use beyond traditional functions such as a store of value, investment asset, hedge, and portfolio diversifier, enabling it to also serve as collateral, support investment financing, and function as a medium of exchange.

The regulatory uncertainty regarding classification of direct-ownership tokens is one of the primary obstacles, which raises costs and deters responsible entrants. Providing legal and compliance clarity on how tokens are classified would help to overcome any barriers caused by uncertainty on this point.

It is also important that issuers demonstrate their token genuinely represents digital ownership of physical gold by ensuring the underlying reserves accurately reflect this. Tokens fully backed by physical gold differ from those supported by a mix of physical gold, gold derivatives, gold ETCs/ETNs, other non-gold financial or non-financial instruments, or synthetic structures that merely track the gold price without any reserves.

Q7 & **Q8**: Inclusion/exclusion of token types and services

Response: Tokens that provide claims or derivative exposure to gold should be regulated as financial products, with relevant licensing for associated services. Tokens that digitise direct should allow enforceable ownership of physical gold, with proportionate client-asset protections.

Q11: What changes (if any) do you consider may be necessary or desirable to explore for existing financial markets legislation to improve business confidence, and promote and facilitate innovation, market access and function, and investor protection?

Response: Issue a short perimeter note or decision tree (e.g. direct ownership); require disclosure of key token facts for retail offers; and recognise independent reserve assurance as a key requirement for tokens providing direct ownership in real world assets such as gold. The

disclosure of key token facts and retail offers should be recognised in the form of a white paper that is provided by the issuer.
Existing legislation applying to gold should be reviewed to ensure it adequately accounts for digital gold. This includes frameworks applicable to banks, asset managers, pension funds, and other regulations. Clear regulation is essential to give investors confidence when engaging with tokenised gold. This applies both where digital gold is treated in a new way and where a “look-through” approach is applied.

Closing

With clear guidance on the regulatory perimeter and proportionate client-asset safeguards, New Zealand can confidently enable tokenised direct ownership of real-world assets like gold while maintaining high standards of market integrity and investor protection. We would be pleased to discuss these suggestions or provide technical detail on reserves, capital requirements, custody, redemption, assurance and disclosure practices used internationally.
We appreciate your consideration of our comments and remain at your disposal should you have any questions.

Yours sincerely,
The World Gold Council

Our contact details

[redacted]

AUCKLAND – Level 5, Ernst & Young Building, 2 Takutai Square, Britomart | PO Box 106 672, Auckland 1143
WELLINGTON – Level 1, 215 Lambton Quay | PO Box 1179, Wellington 6140

fma.govt.nz