

JULY 2026

FMA custody consultation – summary

Consultation on custody of assets

The Financial Markets Authority – Te Mana Tātai Hokohoko (FMA) is seeking feedback on whether New Zealand’s law and practices for custody of assets are clear and fit for purpose.

Custody services help protect money and assets held on behalf of clients. They are an important part of New Zealand’s financial markets because they support trust, confidence and investor protection.

This document provides a summary of the discussion paper and the key topics covered.

Discussion paper

The [discussion paper](#) outlines the Financial Markets Authority’s (FMA) review of the legal and regulatory framework governing custody of client money and assets in New Zealand. Custody services - holding and safeguarding investor assets - are fundamental to trust and confidence in financial markets. Failures or delays in accessing assets can significantly undermine investor confidence and market integrity.

The paper does not propose reforms. Instead, it identifies issues and risks in the current regime and seeks feedback on whether these are material and how they might be addressed.

Context and rationale for review

Custody regulation in New Zealand has developed incrementally and has been described as relatively “light” compared with overseas regimes, while also being complex, fragmented and uneven.

At the same time, the scale and importance of custody have increased substantially. Assets held in custody - particularly through KiwiSaver and managed investment schemes - have grown rapidly, and market structures have become more complex and technology-driven.

Emerging technologies (e.g. digital assets and payment innovations), increasing cross-border investment, and concentration among large custodians are introducing new risks that the current regime does not clearly address.

The International Monetary Fund have identified weaknesses in New Zealand’s custody regulation, including the absence of licensing and limited supervisory tools.

Market landscape and current framework

Custody services support a broad range of financial activities, including managed funds, discretionary investment services, platforms, and direct investment holdings.

The market includes a mix of very large global custodians providing mainly wholesale services and small domestic providers. Custody is often bundled with administration or platform services.

The regulatory framework is based on obligations rather than licensing. Retail custodians must comply with baseline safekeeping requirements (such as holding assets on trust and segregating them) but are not subject to licensing, entry standards or licence conditions (such as operational resilience).

Responsibility for oversight often sits with the entity appointing the custodian (e.g. supervisors or DIMS providers), creating overlapping obligations and potentially inefficiency.

The regime is also uneven across sectors, resulting in different levels of regulatory protection for similar investments.

Evidence of risks and failures

The paper highlights several historical custody failures and recent examples of poor conduct (including fraud, commingling of assets, and lack of assurance), illustrating how weaknesses in governance, independence, and oversight can lead to investor harm.

Recent monitoring shows that while arrangements in the MIS sector are generally operating effectively, gaps remain in other areas such as oversight of outsourced custody and understanding of responsibilities, particularly among smaller firms.

Key issues identified

The paper identifies several issues and risks:

- **Complex, uneven and fragmented regime:** Rules are spread across legislation and vary by sector, creating uncertainty, compliance costs, and risk of non-compliance.
- **Limited oversight tools:** The absence of licensing reduces regulatory visibility, limits intervention options, and constrains proactive supervision.
- **Independence gaps:** Not all custodians are required to be independent, increasing conflict-of-interest risks.
- **Wholesale custody gaps:** A significant portion of retail investments are ultimately held in largely unregulated wholesale custody arrangements.
- **Low entry barriers:** There are minimal requirements for firms to enter the custody market, increasing the risk of under-resourced providers.
- **Lack of financial resource and resilience requirements:** Custodians are not subject to minimum capital, insurance, or operational resilience obligations.

- **Concentration risk:** A small number of large custodians hold a high proportion of assets, amplifying market impact if one fails.

Emerging risks

The paper also highlights gaps in how money held for payment services and digital or virtual assets is safeguarded. These arrangements usually fall outside the custody regime, meaning there are no obligations for segregation, trust arrangements or other custody safeguards.

Who should make a submission?

The FMA welcomes submissions from anyone with an interest in custody of assets, including:

- custodians (wholesale and retail)
- financial advice providers, DIMS providers, brokers and investment managers
- managed investment scheme managers and supervisors
- investors, consumers and industry groups
- Fintechs, legal advisers, academics and other interested parties.

How to make a submission

Submissions can be made using the feedback form available on the [FMA consultation webpage](#).

Stakeholders are encouraged to provide practical examples, evidence and views on the issues raised in the discussion paper.

- You can answer some or all of the consultation questions.
- You can focus on the areas most relevant to your organisation, sector or experience.
- You can include examples of what is working well and where issues may arise.

What happens next?

We will consider all feedback received and plan to hold an industry workshop on **19 August 2026** to explore the issues raised in more detail. Then we will publish a summary of submissions with any initial comments

Feedback from the consultation and workshop will help inform the FMA's ongoing regulatory work and any future advice to the Ministry of Business Innovation and Employment.