FINANCIAL MARKETS AUTHORITY
TE MANA TĀTAI HOKOHOKO

Ripoata-ā-Tau
Annual Report

2021/22

About the Financial Markets Authority - Te Mana Tātai Hokohoko

The FMA is an independent Crown entity and New Zealand's principal conduct regulator of financial markets. Our overarching statutory purpose is to promote and facilitate the development of fair, efficient and transparent financial markets. Well-regulated financial markets are a cornerstone of a successful economy and the financial wellbeing of its participants. For more on our organisation and how we regulate see pages 31-45.

Compliance statement

Minister of Commerce and Consumer Affairs

This report is provided as required under sections 150 and 151 (3) of the Crown Entities Act 2004. It is the annual report of the Financial Markets Authority - Te Mana Tātai Hokohoko for the year ended 30 June 2022.

Mark Todd
Chair
Financial Markets Authority
16 December 2022

Elizabeth Longworth
Chair
Audit and Risk Committee
16 December 2022

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Financial Markets Authority Annual Report 2021/22

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Pūrongo mai i te Heamana
Message from the Chair

It has been a big year for us here at Te Mana Tātai Hokohoko.

First and foremost, we welcomed a new Chief Executive, Samantha Barrass. Sam returns to Aotearoa after many years overseas and brings a wealth of leadership experience and regulatory knowledge.

As you will see from her message, Sam has a clear-eyed vision for the FMA, which has received strong endorsement from the Board. She is already making a major impact through a strategic change programme designed to set us up for the future.

> "It is a privilege to be in a position to make a material contribution to financial markets where successful businesses support New Zealand and New Zealanders by putting the fair treatment of customers at the core of their operations."

In doing so, Sam is building on the work of Rob Everett who, as described in detail in our last Annual Report, made an outstanding contribution to the FMA over his tenure as Chief Executive.

This year we saw the passing of legislation for the Conduct of Financial Institutions regime (CoFI), which will expand our remit to cover the conduct regulation of banks, insurers and non-bank deposit takers. This is a substantial increase in our role and responsibilities, extending our focus beyond investors to users of financial services generally.

As well as this, we now have a mandate for the monitoring and enforcement of climate-related financial disclosures. Given what is at stake, this is an important responsibility that requires us to develop new skills and expertise.

While embracing these changes, we have retained focus on our core existing regulatory activities. These are highlighted in this report.

The Board is very proud of the work done by the FMA over the course of the year. We are also excited and energised by what lies ahead. It is a privilege to be in a position to make a material contribution to financial markets where successful businesses support New Zealand and New Zealanders by putting the fair treatment of customers at the core of their operations.

My thanks to the entire FMA team for their dedication and commitment, in an environment that has often been challenging. And particularly to Ainsley McLaren, who we farewelled from the Board at the completion of her term, and who made an outstanding contribution throughout her tenure.

Ngā mihi,

Mark Todd
Chair

Pūrongo mai i te Tumu Whakarae Matua
Message from the Chief Executive

With so much change on the horizon, it is not always easy to find a moment to look back. But this report is a valuable opportunity to reflect on how far the FMA has come, not just in terms of preparing for the future, but also in maintaining momentum on our existing core functions.

Our success in the latter area is reflected in the strong scores from stakeholders in our annual Ease of Doing Business survey: 91% of respondents agree the FMA supports market integrity, and 88% agree we help to raise standards of market conduct.

This support will stand us in good stead as we look to implement our remit expansion in collaboration with financial services providers, government and our other stakeholders. What will not change is the FMA's commitment to open, two-way communication with the aim of finding pragmatic solutions that respond to the needs of industry and consumers.

This year we have been laying the groundwork for the Conduct of Financial Institutions regime, which comes into force in early 2025. As well as planning our licensing and monitoring approach, we have been considering how prepared the industry is for the requirement to focus on fair outcomes for consumers. The banks and life insurers covered several years ago in our Conduct and Culture reviews have made improvements, but we have seen there is still work to do right across the sector.

Value has been the focus in our work on investment management. We carried out a review of how well fund managers are implementing our 2021 guidance on demonstrating the value for money they are providing to their customers. "Value" is broader than just fees, and we have observed that more needs to be done to a greater or lesser degree across the sector to secure funds' members' interests. This will remain an important focus of our work.

> "...it will be important to have a clear focus on the outcomes we are looking to see achieved. In particular, to support more New Zealanders than ever having confidence that the financial sector is working well for them."

During the year we used a wide variety of our enforcement tools to address harm and deter further misconduct. Misleading advertising was particularly in the spotlight: we issued guidance on how financial products should be promoted, and will continue to take action where we see egregious misconduct related to fair dealing.

Our work communicating directly with consumers has stepped up a gear. Off the back of this year's campaign encouraging KiwiSaver members to review their annual statement and investment settings, research showed that more members than ever read their statement and found the included retirement projections useful. While only part of the picture, this bodes well for New

Zealanders taking an increased interest in securing their financial future – which we will continue to support through our expanding focus on consumer outcomes.

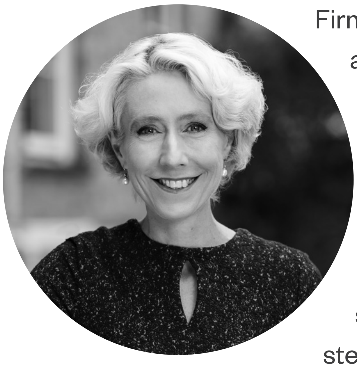
I would like to thank the FMA Board for their support and direction since I took up the Chief Executive role. My thanks also go to my predecessor Rob Everett, as well as FMA staff. I arrived at a high-performing organisation that has talent and a reputation for delivering, and that is well-placed to evolve to manage the coming changes.

We are in a period of significant change for regulators, for the industry, and for consumers, with a number of new regulatory regimes being implemented across financial advice, conduct requirements for insurers, banks and non-bank deposit takers, and early adoption of a climate related disclosure regime.

Consumers are looking for greater accessibility, for seamless digital experiences that they reach through their preferred channels. Many want to invest in products that take environmental, social and governance factors into account. They are looking for support as we enter a difficult economic environment.

Against this backdrop, it will be important to have a clear focus on the outcomes we are looking to see achieved. In particular, to support more New Zealanders than ever having confidence that the financial sector is working well for them. That they are getting products and services they have confidence in, understand, are priced fairly and are suited to their needs. At the very least it must mean that everyone can access essential financial services, with strong protection for vulnerable consumers.

The evolution will see the FMA building its understanding of all consumers' perspectives and experiences: Māori, Pākehā, Pasifika, all the peoples and cultures of Aotearoa. We will be investing in becoming significantly more research driven and intelligence led, enabling us to target our resources to the greatest risk of harm and the best opportunities.



Firms will see a palpable shift in our approach: a strong focus on the outcomes being achieved, with compliance being a means to an end and not an end in itself. There will need to be greater engagement and understanding between the FMA and the industry, building on what we have today, investing in mutual trust that we share the same goals of delivering fairness and value for all.

The FMA's expanded remit is a strong foundation for that goal. A focus on outcomes and fairness underpins many of the new frameworks, setting the scene for an unambiguous focus on the interests of all New Zealanders as we step together into the years ahead.

Ngā manaakitanga,

Samantha Barrass
Chief Executive

Ko te anga mō ngā whakaritenga me ngā ripoata
Planning and reporting framework

The following diagram shows how we deliver and assess performance of our statutory purpose, to support the Government's overall priorities.

Government priorities

To improve the wellbeing and living standards of New Zealanders through sustainable and inclusive growth

FMA's purpose

To promote and facilitate the development of fair, efficient and transparent financial markets

Strategic intentions

Governance and culture	Deterrence of misconduct	Implementation of remit changes	Investor and customer decision-making	Trust and confidence in capital markets

Assessing performance

SOI 1 The FMA's actions promote fair, efficient and transparent financial markets.

SOI 2	**SOI 3**	**SOI 4**	**SOI 5**	**SOI 6**
Financial service providers demonstrate an appropriate customer-centric culture and improvements in governance, incentive structures, sales and advice processes, and systems to mitigate conduct risk.	The FMA's actions promote credible deterrence of misconduct.	The FMA works with other regulatory and government agencies, and engages with market participants, to effectively and efficiently deliver its role in remit changes.	Investors and customers are engaged and make active and informed decisions based on clear, concise and effective information and communication.	The FMA's actions promote trust and confidence in, and sustainable development of, New Zealand's capital markets.

Planning and reporting framework

Our suite of corporate documents provides an accountability framework that allows us to plan and report back on the strategic intentions and activity that we deliver to fulfil our purpose.

Strategic Risk Outlook

Medium term (3-5 year) view of risks and issues, strategic priorities that reflect our key focus areas, and the regulatory outcomes we seek to achieve

Statement of Intent

Outlook and performance measures to show what success will look like over a four-year horizon for the FMA, market participants and investors

Annual Corporate Plan

Outlines activities for the coming year that will promote our strategic priorities, address regulatory risks and deliver sector outcomes

Statement of Performance Expectations

Annual performance targets and financial forecast showing how we intend to perform the services we receive funding for

Annual Report

Yearly report of progress against the Statement of Intent, results against Statement of Performance Expectations, and overview of key activities and achievements

ACP Throughout this report we highlight the focus areas from our 2021/22 Annual Corporate Plan (ACP) and provide an update on progress.

Te titiro ānō ki tātaritanga mō ngā tau 2021/22 me te pānui mai i ta mātou Pūrongo Whainga

2021/22 in review – reporting on our SOI measures

The following pages highlight activity from the 2021/22 year, categorised by the strategic intentions listed in our Statement of Intent (SOI), to demonstrate progress against the SOI performance measures.

Te whakatau ō te Rautaki whānui
Overarching strategic intention

Strategic intention: The FMA's actions promote fair, efficient and transparent financial markets

Fair, efficient and transparent financial markets are a cornerstone of a well-functioning New Zealand economy. This defines the FMA's overarching statutory purpose. Within our statutory framework, we therefore work and engage with financial service providers, investors and customers to promote and facilitate developments that enhance fairness, efficiency and transparency in financial markets.

Performance measure: SOI 1

The FMA's actions promote fair, efficient and transparent financial markets.

Activity contributing to this measure

All of our activity highlighted in this section ultimately aims to contribute to SOI 1. We use several measures to gauge the overall success of our activity.

Stakeholders agree that the FMA supports market integrity	
2017	88%
2018	87%
2019	88%
2020	89%
2021	89%
2022	**91%**

Stakeholders agree that the FMA helps raise standards of market conduct	
2017	85%
2018	82%
2019	84%
2020	85%
2021	87%
2022	**88%**

Source: Ease of Doing Business survey. See page 53 for details about the survey.

Investor confidence in New Zealand's financial markets being effectively regulated	
2016	63%
2017	69%
2018	59%
2019	60%
2020	68%
2021	67%
2022	**65%**

Source: Investor Confidence survey. See page 53 for details about the survey.

The past six to seven years have encompassed a significant amount of regulatory activity and change: from the final stages of implementing the Financial Markets Conduct Act 2013 (FMC Act) regime for a range of financial service providers, to launching the new regime for financial advice, and now the imminent introduction of conduct licensing for banks, insurers and non-bank deposit-takers, and climate-related reporting for some entities.

Across this time there has been extensive attention on poor conduct by parts of the finance sector, a number of high-profile misconduct cases impacting investors and market integrity, issues affecting the operational resilience of a range of financial service providers, market volatility related to the pandemic and to global economic and political issues, and an increase in investment-related frauds and scams.

Reflecting the same period, 2022 results for our three key measures are all relatively consistent with when we first began asking these questions. We believe this indicates that stakeholders and investors have maintained confidence in the FMA, the regulation of financial markets, and the actions we have taken in response to events – in the case of stakeholders, at a very high level.

In our Statement of Intent 2020-2024 we added two measures to help gauge perceptions across a wider range of New Zealanders. This is in line with our expanding remit under the CoFI regime, which will see us monitoring the conduct of providers of a wider range of financial products and services (see page 21).

Investors and customers agree that the FMA's actions help promote fair, efficient and transparent financial markets.	
2021	48%[1]
2022	**41%[2]**

Investors and customers are confident that New Zealand financial markets and financial service providers treat investors and customers fairly.	
2021	65%[1]
2022	**70%[2]**

Source: Investor Confidence survey. See page 53 for details about the survey.

These results indicate that while New Zealanders are generally confident that they will be treated fairly by the financial services system, we have work to do to bring perceptions of FMA actions up the same level.

1: For the 2021 survey, the methodology identified respondents as either "investors" or "non-investors", but did not explicitly identify respondents as "customers". Therefore there are limitations in how confident we can be that the results reflect the sentiments of non-investor customers of financial service providers, and these results cannot be directly compared to the 2022 results.

2: When non-customers (i.e. survey participants who indicated they did not hold at least one financial product or service) are excluded from the sample, the results for these measures are 42% and 71% respectively.

Ngā mahi Kawanatanga me ngā tīkanga

Governance and culture

Strategic intention: Regulated firms have customer-centric cultures that serve the needs of customers. In particular, firms have appropriate governance and systems to manage conduct risk

The internal culture of a financial services firm is a core driver of conduct. A customer-centric culture is an essential way for firms to reduce the likelihood and impact of misconduct. Governance, systems and controls that reflect a customer-centric approach are important elements of good conduct risk management.

Performance measure: SOI 2

Financial service providers demonstrate an appropriate customer-centric culture and improvements in governance, incentive structures, sales and advice processes, and systems to mitigate conduct risk.

Activity contributing to this measure

ACP Cyber and operational resilience

From our 2019 thematic review, ongoing monitoring work, and assessment of specific incidents, we have developed concerns about shortcomings in the cyber resilience and operational systems among entities we regulate, including underinvestment in technology and the use of unsupported or legacy systems. The financial services sector is a popular target for cyber criminals, recording the highest number of reported incidents across all industries in New Zealand for the quarter ended March 2022.

This year we published an information sheet to help financial services firms enhance the resilience of their technology and operational systems, and meet any relevant licence obligations. The information sheet provides guidance on risk management and resilience, and sets out our expectations for entities to report and remediate incidents. It also highlights our future focus on cyber resilience, which will include enhancing our monitoring approach and reviewing entity obligations.

ACP Managed investment scheme (MIS) sector risk assessment

We completed a sector risk assessment of managed investment schemes, in conjunction with scheme Supervisors, covering a range of risk factors relating to operations, investment and governance. In 2022/23 we will publish a report and engage with the sector on our findings, which will be used to inform our monitoring of entities and areas for further review.

Spotlight: Conduct and culture update

In 2018 and 2019 we partnered with the RBNZ to complete comprehensive reviews of the conduct and culture of New Zealand banks and life insurers. We found serious weakness across both sectors that were putting customers at risk of poor outcomes, and we required the firms to create action plans to address our concerns, and increase their focus on governance and conduct risk. We have been regularly reviewing progress on these plans.

Most banks and some insurers have completed their action plans and are now focused on embedding these practices into their business. Insurers and small banks generally remain further behind the large banks in this work.

There is now more consistency in identifying and fixing issues or remediating customers promptly, but with room for improvement. We have also seen an improvement in dashboard reporting and the use of new metrics across both banks and insurers; there is still an over-reliance on lag indicators, which typically only identify issues that have already occurred, but many entities are developing new lead indicators that aim to help spot potential issues before customers are impacted.

Customer remediation

As part of the initial reviews, the banks and insurers were asked to report on any issues requiring remediation. As of mid-2022, $150 million had been returned to over 1.5 million impacted customers as a result of this remediation activity.

While the remediation work shows the extent of weaknesses in the systems and processes across banks and life insurers, we have noted improvements in governance during the 2021/22 year, with boards displaying a greater understanding of what needs to occur to achieve consistent fair customer treatment.

General insurers' conduct and culture

Fire and general insurers – classified as those providing house, contents, vehicle, commercial, liability, travel and health insurance – were not part of our 2019 review. However, we have set the same expectations for these entities as for life insurers, and this year published findings from a review of how well they are meeting these expectations.

We found that general insurers broadly lack understanding of, and commitment to, good conduct and culture practice, with only two out of 42 insurers meeting expectations.

We saw instances where sales and advice processes may not be serving the interests of customers, with many insurers failing to actively monitor product suitability, failing to effectively withdraw poor value or legacy products, and over-charging some customers. Examples of conduct requiring remediation activity as a result of the review included insurers double charging customers, not giving customers promised multi-policy discounts, and significantly overcharging some premiums due to poor IT systems.

While we found that 36 out of the 42 insurers had removed or committed to removing volume-based sales incentives for internal staff, most did not provide sufficient explanation of how their remuneration structures incentivise good conduct of intermediaries or ensure delivery of fair customer outcomes. Having procedures to manage the conflicts created by incentives is important to support customer interests.

We concluded that, as at the time of the review, the sector was not prepared for the Financial Markets (Conduct of Institutions) Amendment Bill, which will expand the FMA's remit to license and regulate the conduct of the insurance sector (see page 21).

FMA Director of Banking and Insurance Clare Bolingford said some insurers will need to carefully consider what they need to do to meet the proposed requirements for a licence to operate under the new conduct regime. "They will need to ensure that their products and services are clearly understood by customers and suited to their needs."

ACP Conduct guide

We intend to update our Guide to Good Conduct, to provide financial service providers with a single set of conduct principles that align with regulatory requirements for different segments of our regulated population and focus on good outcomes for consumers. The guide will also form the basis of a framework for assessing the conduct maturity of entities. This piece of work is still in progress but has been deferred, to allow us time to finalise our conduct framework and refine our overarching expectations in relation to good consumer outcomes, which will form the foundation of the updated guide.

ACP Discretionary investment management service (DIMS) sector risk assessment

Our planned sector risk assessment of DIMS providers is in progress, following a delay due to reprioritising some work, and will be completed in the 2022/23 year. The findings from this review will inform our future planned and thematic monitoring for the sector.

Review of credit card repayment insurance

We completed a review of credit card repayment insurance (CCRI), a form of insurance that covers some, or all, of a customer's outstanding credit card repayments in certain circumstances, including in the event of a customer's bankruptcy, redundancy, injury, illness or death.

While insurers have stopped offering this product since we highlighted concerns about it in 2019, we focused on whether providers were doing enough to ensure the product was suitable for existing customers.

Overall we found CCRI to be a poor value product that many customers may be paying for without being eligible for the expected benefits. We saw examples of sales and advice processes that did not serve the interests of customers, including providers not taking enough care to ensure policy-holders understood the product or the exclusions that may apply in the event of a claim.

One of our findings was that customers are often not even aware they have a policy, so alongside our report we promoted messages for consumers urging them to check whether they're paying for CCRI and consider if it still meets their needs.

ACP Spotlight: Value for money

In April 2021, the FMA published guidance setting expectations that fund managers would, with help from their Supervisors, annually review the reasonableness of their fees and value for money they provide to customers. The purpose of the guidance was to help fund managers and their supervisors meet existing statutory requirements to not charge unreasonable fees (for KiwiSaver providers) and to act in their members' interests (for all fund managers).

The guidance is clear that value for money does not necessarily mean 'cheap'. It frames value as, primarily, return after fees relative to an appropriate market index, but also as advice helping members to make good investment decisions, and other services – such as a good investment process – which demonstrably add to member balances.

The FMA and scheme Supervisors conducted a pilot study with 14 fund managers to ensure a consistent approach to the review process.

From the pilot study we saw:

- Repeatable competence (i.e. fund managers being able to consistently deliver intended performance) is present among fund managers with passive and active strategies, but the drag of fees reduces the benefit of this to investors in some funds.
- Some fund managers are not using an appropriate market index for their funds and/or performance fee models, and there is scepticism about the value of a market index in determining value for money.
- Managers commonly pay commission to third parties for introducing new members to their funds, thereby having an ongoing impact on fund costs and fees, without this payment being clearly disclosed to potential investors either by fund managers or advisers. Having procedures to manage the conflicts created by commissions is important to support customer interests.

We are committed to engaging with industry on the pilot findings, and we have other regulatory tools available if persistent conduct issues are found.

We do not have the power or desire to set fees or push the industry toward passive investment. We do not and will not confuse acting on poor value for money with preventing access to providers and products with a solid investment proposition and robust risk management, even if they are novel, relatively expensive – which is not the same as poor value – and/or relatively complex.

Performance indicator

Licensed market participants show how they achieve good customer outcomes

One of the ways we assess whether firms can demonstrate they have the elements of a customer-centric culture is through our monitoring programme, which focuses on culture, governance, and systems and controls. The desired outcome in our monitoring activities is to set expectations for the sectors we regulate, by identifying and deterring poor conduct, to raise standards across the industry and ultimately improve outcomes for consumers.

COVID-19 restrictions meant we were unable to conduct as many monitoring engagements as planned, and impacted our ability to conduct onsite reviews. However, the overall effectiveness of our monitoring activities remained strong, resulting in some entities requesting to cancel their licences as they were unable to meet their licence obligations, as well as action plans being put in place as a result of our findings, to bring entities back into a compliant state and reduce potential harm to consumers.

ACP Monitoring of derivative issuers (DIs)

Derivatives can offer benefits for certain customers, but carry a high degree of risk when sold inappropriately and without due care and attention to customers' understanding, experience and needs. Therefore, in line with our risk-based approach, DIs were a key focus in our planned monitoring.

The most common finding across these monitoring engagements was in relation to sales and advice processes not serving the interests of customers, with a lack of appropriate processes and controls to ensure customers are investing in suitable products. The derivatives issuer licence states that a licensee "must take all reasonable steps to determine whether the retail investor can understand the derivative and the risks involved", but we found little within the selected sample to assure us that these steps were being taken, both on an ongoing basis and at the time of onboarding new customers

Our findings in relation to governance showed that the boards of the entities reviewed lacked independence or were based overseas and exhibited poor oversight of the New Zealand business, market, customers and local regulatory obligations. It was also common to see compliance assurance programmes not covering all DI legal obligations, and not being updated following changes to the business or market conditions, resulting in entities carrying out compliance testing that was not appropriate for the activities of the business and lacked due customer focus.

Following our monitoring, entities have taken action to raise standards, but we have also seen some consolidation in the DI sector, and the withdrawal of some entities from the market. The provision of derivatives to retail customers remains an area of key focus for the FMA, especially ensuring that the rapid innovation typical to this sector is delivered in line with the clients' best interests.

Arai atu i ngā mahi hianga
Deterrence of misconduct

Strategic intention: We deter misconduct through effective enforcement action

Enforcing compliance with legislation and other regulations is core to our role as a regulator. Enforcement activity enables us to hold individuals and entities to account, send clear messages to industry regarding their obligations, and provide clarity on those obligations.

Performance measure: SOI 3

The FMA's actions promote credible deterrence of misconduct

Activity contributing to this measure

Enforcement activity

This calendar highlights key cases and actions where we have sought to hold individuals and entities to account for misconduct, and/or deter similar misconduct and poor behaviour.

July	• Cancelled the MIS manager licence of Fund Managers Otago, after finding inadequate compliance and governance arrangements had resulted in continued material breaches of its licence obligations. • Issued an infringement notice to equity crowdfunding service provider Equitise Pty Ltd for failing to file financial statements by the due date. • Censured financial services firm FoxPlan Ltd, after one of its nominated representatives provided services he was not permitted to give and other representatives offered services to clients they were not permitted to give. • Life insurer AIA admitted making false and/or misleading representations to customers in proceedings brought by the FMA.
August	• Filed civil High Court proceedings against Matthew Geoffrey Hill, CEO of NZX-listed New Talisman Gold Mines Limited, for alleged information-based market manipulation and making false and misleading representations, which were made on an online forum. • Issued a warning to Sharesies for failing to have sufficient anti-money laundering procedures, policies and controls in place. • Derivatives trading firm CLSA Premium New Zealand Limited was ordered to pay $770,000 for breaches of the Anti-Money Laundering and Countering Financing of Terrorism Act, following proceedings brought by the FMA.

October	• Directed property development and investment company Du Val to remove advertising materials likely to mislead or deceive investors. • Censured Firma NZ for breaches of its derivatives issuer licence obligations, including failing to meet some obligations related to client care, asset thresholds and required systems. • Formally censured Jarden Securities Limited for contraventions by OM Financial Limited (OMF) as a licensed derivatives issuer. OMF co-mingled derivative investor money with its own money, a breach of its derivatives issuer obligations.
December	• Filed High Court civil proceedings against Kiwibank for making false and/or misleading representations in relation to 35,000 home loan customers who did not have fee waivers applied to their accounts and were overcharged a total of $1,172,639. • Formally warned Squirrel P2P Trustee Limited for failing to obtain assurance engagements, as required by the custodian obligations set out in the Financial Markets Conduct Regulations. • Medicinal cannabis company Medical Kiwi Limited admitted breaching the fair dealing provisions of the FMC Act, in relation to false and misleading statements contained in disclosure for an offer of shares on equity crowdfunding platform PledgeMe. • Cancelled the financial advice provider licence of Wisdom House Investment Partners Limited, after finding its sole financial adviser engaged in serious misconduct at his previous employer.
February	• Filed proceedings against two individuals for alleged insider trading in relation to the sale of shares in Pushpay Holdings Limited.
March	• Censured CTRL Investments Limited for contravening the conditions of its derivatives issuer licence. • Directed Simplicity NZ Limited to remove advertising materials that breached fair dealing provisions, and ensure future advertising is compliant. • Zhongyang (Sean) Meng and Jiashun (Sam) Qian were ordered to pay pecuniary penalties of $180,000 and $130,000 respectively for market manipulation and disclosure breaches involving Oceania Natural Limited shares, following civil proceedings brought by the FMA.
April	• Issued a second infringement notice to Equitise Pty Ltd for failing to file financial statements on time, amid broader concerns about the firm's ability to meet regulatory reporting deadlines.
May	• Made a stop order against The One Management GP Limited regarding an offer in relation to The One Property LP, which is only available to wholesale investors, including eligible investors.
June	• OnePath Life (NZ) Limited and Cigna Life Insurance New Zealand Limited agreed to an enforceable undertaking which involved them jointly paying $180,000 to the FMA after admitting liability for breaching the fair dealing provisions of the Financial Markets Conduct Act 2013.

ACP Scams and frauds

The FMA is a member of the Interagency Fraud Working Group, which was established to reduce the incidence and impact of fraud in New Zealand. Information and updates about fraud are shared among its members, which include Consumer Protection (MBIE), the Telecommunications Forum, the Commerce Commission, Te Ara Ahunga Ora Retirement Commission, the Department of Internal Affairs, BNZ, ASB, ANZ, Police, Netsafe, the Serious Fraud Office, the Banking Ombudsman, and CERT NZ (Computer Emergency Response Team).

Since the start of COVID-19, we have seen a spike in investment scam complaints, particularly related to social media contact scams, romance-investment hybrid scams, and imposter websites. We publish alerts on our website and social media channels about businesses and offers to be wary of (see below), as well as case studies of real Kiwis who have been scammed, and general information about how to spot a scam.

Performance indicators

Warnings and alerts published

We regularly issue alerts through our website and social media, about schemes or entities that have the hallmarks of a scam, or may be offering unregulated products or services. Some alerts relate to multiple categories.

Category	2022	2021	2020
Suspected scam	105	89	75
Unregistered business	48	24	19
Fake regulator	1	2	2
Total	**111**	**95**	**83**

Stakeholder sentiment

Stakeholders agree that the FMA maintains a strong enforcement function and helps to deter misconduct by holding it to account	2022: 78%	2021: 71% 2020: 78%

Source: Ease of Doing Business survey. See page 53 for details about the survey.

This result has returned to its 2020 level after a dip last year. While our approach to enforcement did not substantially change over the period, stakeholder perceptions for a particular year may be influenced by individual cases or outcomes. We will continue to look for opportunities to promote our enforcement activity and work to help deter misconduct.

ACP Spotlight: Enforcement in relation to misleading advertising

We issued guidance on advertising financial products, which encourages firms to consider three basic principles:

1. It is the overall impression that counts
2. Omissions can be misleading, deceptive or confusing
3. Substantiate your claims

The guidance also sets out possible enforcement actions we could take where the fair dealing provisions of the FMC Act are breached, such as direction orders, stop orders, or court action.

Throughout the year we took enforcement action in multiple cases where we saw advertising that risked creating a misleading impression for prospective investors.

- We issued a direction to Simplicity NZ Limited to remove advertising materials that included an unsubstantiated claim that investors in the Simplicity KiwiSaver fund would be up to 20% better off than average, and ensure future advertising is compliant.
- We directed property development and investment company Du Val to remove advertising materials that favourably compared its investment fund to bank term deposits without a balanced view of the risk, and claimed there were no fees associated with the fund, despite the structure where the firm received 100% of all profits above the fixed return to investors effectively being a performance-based fee.
- We made a stop order against The One Management GP Limited regarding communication about a fund offer that was likely to be misleading or confusing with regards to the level of investment risk in relation to the structure of the offer, and the returns payable, which were advertised as a three-year total rather than on an annualised basis, obscuring comparability with other products.

Although the latter two offers were only available to wholesale investors (i.e. investors who meet a threshold to be classed as 'experienced'), we considered the way they were advertised meant there was considerable capacity for investors to be misled or confused.

Paul Gregory, FMA Director of Investment Management, said: "Advertising can strongly influence investors' decision-making, this is why the law states that any claims made in advertising must be substantiated. It is vital that providers ensure their marketing materials are factually accurate and don't mislead."

Whakaū i ngā rerekētanga o te tuku pūtea
Implementation of remit changes

Strategic intention: We deliver policy objectives in a way that promotes confidence in the regulatory regime and financial markets generally

A number of legislative reforms are underway. These are aimed at improving the conduct of financial institutions and market participants, and ultimately improving both the wellbeing of customers and investors, and confidence in financial markets.

By successfully implementing remit change (which includes building the FMA's internal capabilities to support these changes), we will deliver policy objectives in a way that promotes confidence in the regulatory regime and financial markets generally.

Performance measure: SOI 4

The FMA works with other regulatory and government agencies, and engages with market participants, to effectively and efficiently deliver its role in remit changes

Activity contributing to this measure

ACP Preparing for the Conduct of Financial Institutions regime

The Financial Markets (Conduct of Institutions) Amendment Bill (CoFI) set out a framework for the FMA to license and monitor banks, insurers and non-bank deposit takers in respect of their conduct towards customers. These entities will be required to comply with a "fair conduct principle", and establish, implement and maintain a fair conduct programme.

We have continued to work on our approach to licensing and implementation, including:

- developing the set of questions that will be asked during the application process, ahead of the anticipated 2023 date to begin accepting applications
- finalising the draft licence standard conditions to release for consultation
- drafting guidance for fair conduct programmes, and holding workshops with the sector on the role of intermediaries in the new regime
- engaging with MBIE on the development of regulations that will support the regime.

The Financial Markets (Conduct of Institutions) Amendment Bill (CoFI) was passed into law in June 2022.

ACP Implementing the new financial advice regime

The new regime for financial advice aims to improve access to quality financial advice, and requires anyone giving advice to retail clients to operate under a financial advice provider licence issued by the FMA.

We continued to support the transitional financial advice regime, as well as helping providers prepare for full licensing, and assessing incoming licence applications.

We hosted workshops and seminars throughout the country, and developed comprehensive licensing tools and guides, including '8 Steps to Applying', to assist smaller financial advice providers (FAPs) with transitioning to a full licence in time for the March 2023 deadline.

We have also developed guidance to clarify our expectations on aspects of the new financial advice regime, such as record keeping, cyber security and business continuity planning, and managing key outsourcing arrangements.

ACP Supporting changes to the KiwiSaver default provider structure

New arrangements for default KiwiSaver schemes commenced on 1 December 2021, directly affecting more than 300,000 members who by then had not made an active choice about their scheme.

Roughly three-quarters of these members were transferred out of the five departing schemes and into the six appointed schemes (four of which were remaining as default providers and two of which were new). The other quarter stayed with the four remaining schemes but were switched from a conservative fund to a balanced fund.

A collective effort by default providers and the Financial Services Council, overseen and coordinated by Inland Revenue, MBIE and the FMA ensured an orderly transition of those members and their assets.

ACP Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT)

We contributed to the statutory review of the AML/CFT Act. This project, which is being led by the Ministry of Justice, aims to identify potential improvements to New Zealand's AML policy and processes, following public consultation and the recent Financial Action Task Force review of the effectiveness of our AML regime.

We continued our regular compliance monitoring of AML reporting entities, in some cases having to conduct desk-based rather than onsite reviews due to COVID-19 lockdowns. We issued a formal warning to Sharesies Limited and Sharesies Nominee Limited for failing to have sufficient anti-money laundering procedures, policies, and controls in place, as well as a number of private warnings to other entities.

We also published updated AML risk ratings for each of the financial service sectors we monitor, and for the first time included Virtual Asset Service Providers, which are rated as high risk due to the greater levels of anonymity associated with virtual assets.

ACP Innovation and fintech

In conjunction with the other Council of Financial Regulators (CoFR) members, we launched fintech.govt.nz – our forum for fintech-related regulation. The website offers a guidance service for anyone with an innovative fintech idea, product or service who is seeking information on related regulatory matters.

ACP Other remit changes

Financial Market Infrastructures

The Reserve Bank of New Zealand (RBNZ) and FMA released the finalised framework for assessing the systemic importance of Financial Market Infrastructures (FMIs), following consultation with industry and stakeholders. FMIs are a set of critical systems that allow electronic payments and financial market transactions to occur. RBNZ and the FMA are the joint regulator of FMIs under the Financial Market Infrastructure Act.

Financial benchmarks

The new licensing regime for administration of financial benchmarks is now in place. The regime will provide additional assurance around the accuracy, integrity, reliability and continuity of New Zealand's benchmarks, which are used to determine the price, value or performance of financial instruments.

Performance indicator

Stakeholders agree that the FMA is effective and efficient in its role of implementing remit changes	**2022:** 59%	**2021: 60%** **2020: 71%**

Source: Ease of Doing Business survey. See page 53 for details about the survey.

This result has remained consistent with last year. The drop in 2021 coincides with the increase in the number of remit changes in progress, and may indicate stakeholders feel burdened by changes that impact them. Where possible we aim to mitigate burden by engaging with the market (through channels such as consultation, workshops, and our stakeholder relationship management programme), to seek feedback on impacts and suggestions for implementation.

ACP Spotlight: Climate-related disclosures

New legislation passed in 2021 will require certain entities, known as Climate Reporting Entities (CREs), to produce annual climate statements. The aim of the legislation is to help ensure the effects of climate change are routinely considered in businesses, investments, lending and insurance underwriting decisions.

Around 200 entities will be part of this new regime, and will be required to:

- prepare an annual climate statement that discloses information about the effects of climate change on their business or investments, in accordance with climate standards issued by the independent External Reporting Board (XRB)
- obtain independent assurance about the part of the climate statement that relates to the disclosure of greenhouse gas emissions
- comply with record-keeping requirements, and make the climate statements available to the public.

The FMA will be responsible for independent monitoring and enforcement of the CRD regime, as well as providing guidance about compliance expectations, and reporting on our monitoring activity and findings.

While the regime is in the development stages, we have been supporting XRB's consultation on disclosure standards for strategy, metrics and targets. We have also been planning our own approach, including boosting internal capability for monitoring, and publishing our anticipated implementation approach.

We stated: "Our initial regulatory approach will be focused on supporting CREs and other relevant stakeholders as they prepare for the new regime, and encouraging the development of good practice. In the early stages of the new regime, enforcement action is likely to be focused only on serious misconduct, such as failure to produce climate statements or where climate statements are false or misleading."

Whiriwhiringa Kaupapa mo ngā kaiwhakarato me ngā kaiutu moni

Investor and customer decision-making

Strategic intention: Investors and customers are engaged and make active choices based on clear, concise and effective information

We expect all financial service providers to ensure communications with investors and customers are clear, concise and effective. This includes making efforts to ensure customers and investors are engaged and make active decisions on an ongoing basis about the financial products and services they purchase.

We follow these same principles when communicating directly with consumers in our own promotional campaigns and investor capability resources.

By focusing on this area, we expect to see improved engagement by investors and customers with product providers and improved conduct, communications and disclosure by those providers. This will lead to improved decision-making and the purchase of more suitable products.

Performance measure: SOI 5

Investors and customers are engaged and make active and informed decisions based on clear, concise and effective information and communication

Activity contributing to this measure

KiwiSaver

This year's KiwiSaver consumer campaign, timed to coincide with annual statements being sent, focused on our key messages of encouraging members to check their balance and projected retirement savings, and adjust their settings to help meet their financial goals. The campaign achieved significant reach, with our content getting in front of people approximately 4.95 million times in media coverage, paid advertising and social media.

The effectiveness of these annual campaigns can be seen in the results of our latest KiwiSaver statements survey[3], which found 80% of members had read their latest statement, compared to 76% in 2020. There was also a rise in those who said they found the projected retirement balances on their statements "useful", from 80% in 2020, the year they were introduced, to 90% this year.

3: Survey of a representative sample of 2,008 New Zealanders aged 18 and over, to measure recall and readership of annual KiwiSaver statements and evaluate consumer satisfaction with KiwiSaver providers. This survey was conducted in July 2022 and published in September 2022, outside of the reporting period.

Market volatility

Towards the end of 2021, our investor communications focused on understanding market volatility. We published an article from popular money commentator Mary Holm titled 'Investing is for the long term', and promoted resources on preparing for a potential downturn and how to respond when markets fall. The market did trend down over the first half of 2022, and we continued to include volatility messaging in our investor communications.

ACP Treatment of wholesale investors

We sought information from firms and reviewed the use of the wholesale offer disclosure exclusion. Work on this will continue in 2022/23, including publishing our findings, and considering enforcement action where our review found potential misconduct.

Throughout the year we also took enforcement action in cases where advertising of wholesale offers was likely to mislead or confuse prospective investors (see 'Enforcement in relation to misleading advertising' on page 20).

ACP Spotlight: Responding to increased retail participation in markets

We commissioned research to better understand the behaviours and intentions of new investors who had started investing via online platforms over the past couple of years. While the research found online investment platforms have given people a better understanding of financial markets, it also showed some risks related to 'FOMO' – fear of missing out. For example, 31% of investors said they jumped into an investment in the last two years because they didn't want to miss out, and 27% said they invested based on a recommendation from someone they know without doing their own research.

Based on this, our World Investor Week campaign centred on the idea of "taking a mo'" to research investments and make a plan before giving in to FOMO. We created the '5 Ds of DIY investing', highlighting aspects for new investors to consider before making a decision.

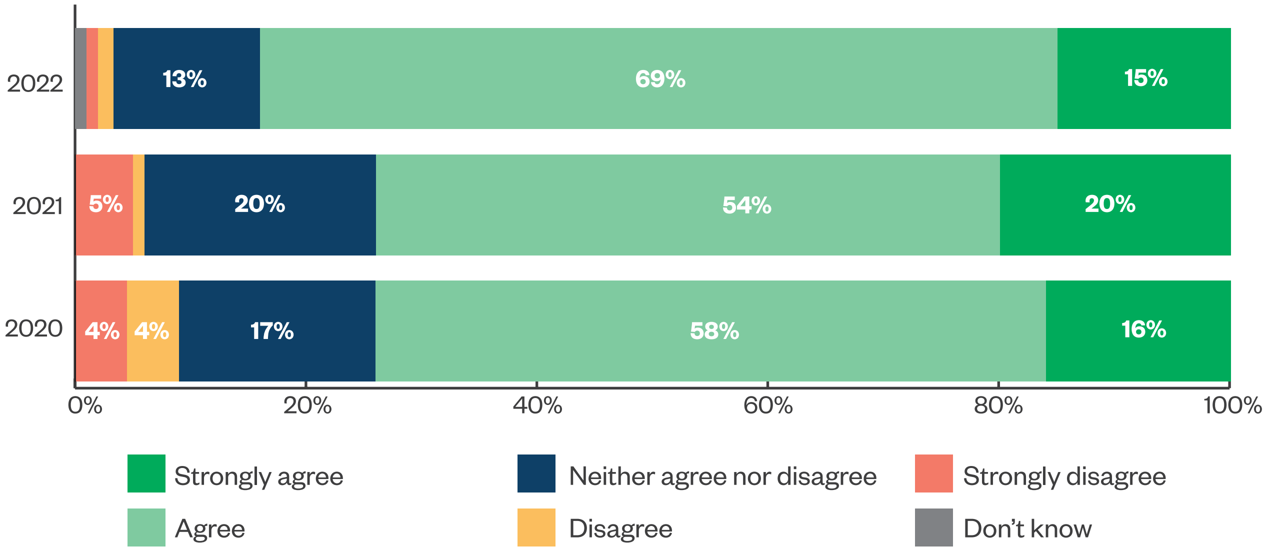
To help extend our audience, we created a working group for the campaign that included the NZX, the Financial Services Council, Te Ara Ahunga Ora Retirement Commission, and the NZ Shareholders Association.

Throughout World Investor Week we promoted the '5 Ds' on our website and social media channels. We partnered with media outlets on contributed articles and a podcast, and our Investor Capability Manager was interviewed on Newshub's The AM Show.

Although we had to limit the campaign to almost exclusively online activity due to COVID-19 alert levels, it reached people approximately 322,500 times across social media, and associated media coverage had a combined potential audience of more than 580,000 New Zealanders.

Performance indicator

To what extent do you agree or disagree that the information materials you received were clear, concise and effective?



Source: Investor Confidence survey. See page 53 for details about the survey.

This measure asks how useful investors found the disclosure information they received when considering an investment. The proportion of those who answered favourably increased, possibly reflecting our work influencing firms to improve their offer information, and also our communications to investors highlighting what they should know about a product before investing, which may give them a greater understanding of how to interpret this information.

Te whakapono me te manawanui ki nga Makete Nunui
Trust and confidence in capital markets

Strategic intention: Investors and participants have trust and confidence in New Zealand capital markets, enabling the sustainable growth of those markets

There are numerous factors that drive trust, confidence and growth in capital markets. We seek to promote trust and confidence by exercising our regulatory responsibilities, in particular:

- influencing improvements in audit quality, disclosure and financial reporting, and corporate governance
- maintaining effective oversight of NZX and other licensed capital-raising platforms
- providing credible deterrence in relation to trading misconduct.

This area is closely linked to both investor and customer decision-making, and deterrence of misconduct. For this area we are looking to see an improved level of confidence in the regulation of New Zealand capital markets, as well as higher levels of trust and confidence in those markets overall.

Performance measure: SOI 6

The FMA's actions promote trust and confidence in, and sustainable development of, New Zealand's capital markets

Activity contributing to this measure

ACP Audit quality monitoring

Under the Auditor Regulation Act 2011, we must carry out a quality review of the systems, policies and procedures of registered audit firms at least once every four years. We also review a selection of FMC reporting entity audit files from these audit firms, for compliance with the Auditing and Assurance Standards. Our reviews help improve audit quality and ensure audit opinions are reliable.

The 2021 reviews found that auditors responded well to financial reporting challenges presented by the pandemic, and made improvements in how they applied professional scepticism and supported accounting estimates with enhanced documentation, which are areas we have highlighted in past reviews.

Of the audit files we reviewed, 76% were found to be compliant, an increase on the previous two years' samples (65% in 2019/20 and 67% in 2018/19). Although these are not direct comparisons as the sample of firms and files changes each year, this result gives us confidence that our reviews and guidance have helped to improve audit quality.

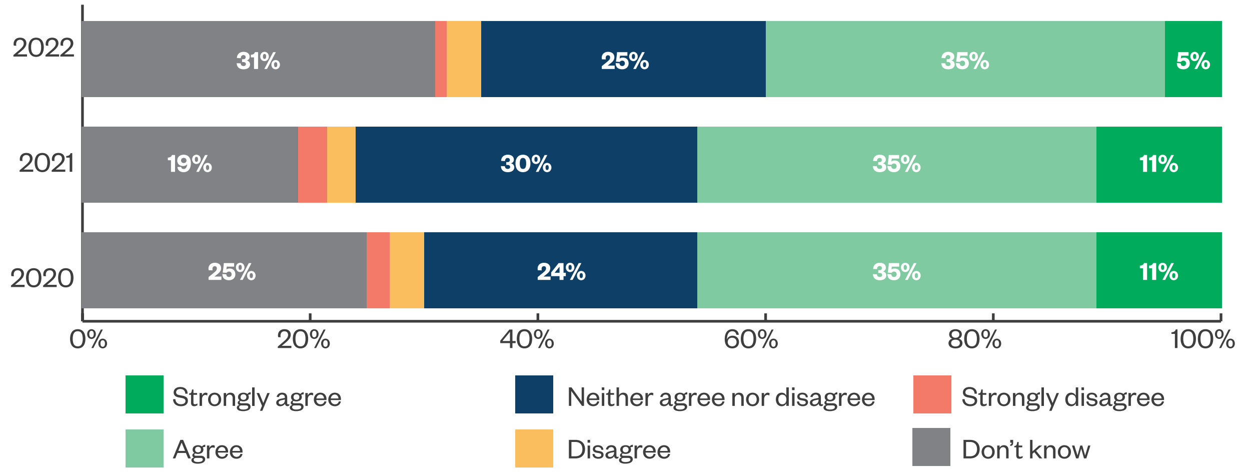
ACP **Financial reporting obligations**

We monitor compliance with financial reporting requirements, including filing of financial statements for FMC reporting entities. In the 2021/2022 financial year, we issued two infringement notices and two warning letters to reporting entities and their directors in relation to non-filing. We also directed one entity to correct a disclosure error in their next financial statements.

Accurate and complete financial statements that are filed in a timely manner are important for investor decision-making. By investigating non-compliance with financial reporting, including filing obligations, and taking regulatory action when warranted, we intend to maintain trust and confidence in markets and listed entities.

Performance indicator

FMA's actions promote trust and confidence in New Zealand capital markets



Source: Investor Confidence Survey. See page 53 for details about the survey.

The overall proportion of positive responses dropped slightly this year. The objective with much of our enforcement activity (see pages 17-20) is to promote trust and confidence in capital markets by taking action against misconduct. However, a significant amount of our work in this space is 'behind the scenes' influencing regulated entities or investigating referrals, and the number and profile of misconduct cases can vary between years. This means investors may not always be aware of our actions, which is supported by the large proportion of respondents who answered 'Don't know'. We will continue to look for opportunities to publicise our work related to maintaining trust and confidence in capital markets.

ACP Market integrity

Our focus on market integrity includes investigating referrals from NZX and other complainants about activity that may indicate misconduct. This year, a number of these investigations resulted in enforcement action in relation to insider trading and market manipulation – see the calendar of enforcement activity on pages 17-18 for more detail.

Reviews of climate-related disclosures

As the climate-related disclosures regime (see page 24) has not yet commenced, we have not undertaken any reviews of these disclosures. Our first reviews take place in the 2023/24 year.

ACP Spotlight: NZX obligations review and action plan

In 2020, NZX experienced system issues and a cyber-attack that resulted in market outages. We launched a targeted review into these issues, which found NZX did not have adequate capability across its people, processes and platform to comply with its market operator obligations. As a result, NZX produced an action plan, which it has been progressing over the past two years.

In this year's review of NZX, we found that it complied with its licensed market operator obligations over the last year, and has successfully implemented its action plan, significantly improving its technological maturity, system sustainability, resiliency, and risk capability.

Our review also noted:

- NZX made a notable investment in its people, processes and systems
- an uplift in capability with recruitment of experienced personnel and design of new key roles
- market participant feedback indicated improved engagement with the industry through dedicated relationship management arrangements, the introduction of the Technology Working Group, and more open dialogue
- a downward trend in market-impacting incidents
- NZ RegCo (NZX's frontline regulator) operated effectively during its first full year, continuously enhancing its frameworks and arrangements to support its work, and demonstrating an appropriate level of independence from NZX.

FMA's Acting Director of Capital Markets Paul Gregory said: "NZX has thoroughly engaged with the FMA reviews, made meaningful investments in systems and resources and seen an uplift in its performance against the obligations in the FMA's annual review. This shows the benefit of serious engagement with FMA oversight and supervision."

Tō mātou rōpū
Our organisation

Mō ā mātou mahi
About the FMA

The FMA is an independent Crown entity and New Zealand's principal conduct regulator of financial markets. Our overarching statutory purpose is to promote and facilitate the development of fair, efficient and transparent financial markets. Well-regulated financial markets are a cornerstone of a successful economy and the financial wellbeing of its participants.

What we do

As New Zealand's principal conduct regulator of financial markets, we focus on protecting investors, customers and the integrity of markets through influencing how participants behave towards their customers, investors and each other.

Our activities include:

- **Policy and guidance:** We engage and provide information and guidance that assists firms and professionals to comply with the law. We keep under review the law and practices relating to financial markets and participants.
- **Information and resources:** We provide information and resources to help investors and customers make better investment and financial decisions.
- **Licensing:** We license a range of firms and professionals that meet the requirements in law.
- **Monitoring and supervision:** We monitor and assess conduct, compliance and competency of market participants.
- **Investigations and enforcement:** Through our investigation and enforcement activities we aim to raise standards of behaviour, deter misconduct, and hold to account those whose conduct harms the operation of our financial markets.
- **Environmental scanning:** We scan the environment to identify the most significant risks to and opportunities for promoting our priorities.

In delivering our functions we work and engage closely with industry, investors and customers, the Government and other agencies.

The legislation underpinning our work includes:

- Financial Markets Authority Act 2011
- Financial Markets Conduct Act 2013
- Auditor Regulation Act 2011
- Financial Advisers Act 2008
- Financial Markets Supervisors Act 2011
- KiwiSaver Act 2006 (Part 4 and Schedule 1)
- Anti-Money Laundering and Countering Financing of Terrorism Act 2009

How we approach our work

The following principles underpin our regulatory approach and guide our regulatory decisions.

- **Open:** We are open about our intentions and actions. We are clear about what we expect from others and what they can expect from us. Communications are targeted, clear and concise, using straightforward language. We accept and respond to constructive feedback.
- **System-focused:** We work with others to improve New Zealand's financial system. Success needs contributions from other regulatory agencies, so we collaborate and share. We identify gaps in our remit and powers and try to mitigate them through relationships and ability to influence. We're willing to pilot or co-design new approaches.
- **Proportionate:** The expectations we set and how we enforce them are balanced, consistent, and fair. Our response to poor conduct is proportionate to its nature, the harm caused, and to changing market environments. We are conscious of unnecessary regulatory burden. We are agile, responsive and pragmatic.
- **Risk-based:** We identify and analyse patterns of risk, behaviour and capability within regulated populations, users, and the market to understand the most significant risks to our vision and purpose, and, with reference to our risk appetite, to help us prioritise and decide our response to address these. When we have determined our response, we are decisive.
- **Always improving:** We seek and use data and intelligence to make better decisions. We learn about the behaviour of those we regulate (and their consumers and investors). We are flexible and respond to market innovations and changes. We seek to be innovative and forward-looking in our use of technology, new regulatory approaches and ways of working.
- **Accountable:** We communicate our regulatory approach, goals, objectives and progress made. We continually assess whether we have the right tools and capabilities and seek to improve. We are accountable for the actions we take (and choose not to take).
- **Disciplined:** We act consistently with our remit and are prepared to make well-considered trade-offs, to ensure we focus on where we have the most ability to make a difference to participant behaviour, market vibrancy and innovation, and the wellbeing of New Zealand consumers.

Who we regulate

Retail Advice and Access

Enables distribution of products on an advised or sales basis, or directly through online platforms

- Financial Advice Providers
- Derivatives issuers
- Retail platforms and aggregators
- Alternative capital raising (eg peer-to-peer and crowdfunding)

Capital Markets

Enables matching of issuers with investors, and creation and trading of securities

- Issuers
- Brokers
- Trading venues (eg financial product markets such as NZX)
- Audit
- Market infrastructure (eg settlement systems)

Investment Management

Provides investment vehicles and services to enable investors to seek returns on capital

- Retail funds, KiwiSaver, superannuation etc
- Wholesale funds
- Supervisors and licensed independent trustees
- Discretionary investment management services (DIMS)
- Custodians

Insurance

Provides risk management functions for both individuals and businesses

- Life insurance
- Non-life insurance

Banking

Provides access to deposit taking, payment services, and lending facilities (both secured and unsecured)

- Deposit taking
- Payment services
- Mortgages
- Overdrafts
- Credit cards
- Personal loans

Key:

- Direct regulatory relationship with FMA, including licensed participants
- Other participants/ activities that benefit from FMA regulation

Poari
Board

Mark Todd

Chairman, LLB Hons

Mark has over 25 years' experience in financial markets regulation, including as a partner at a major law firm and through holding governance roles with both listed and unlisted companies. He co-founded Anti-Money Laundering Solutions and chaired Mint Asset Management. He was also the Customer Advocate at Westpac New Zealand.

Current term ends May 2024.

Steven Bardy

B.Ec, LLB(Hons) (ANU), MBA (LBS), GAICD

Steven is a senior executive with extensive experience as a regulator and advisor in financial services and financial services regulation. He consults on financial services regulation to the World Bank and is a senior advisor to Principia Advisory, a European based global leader in ethics consulting. He was previously Managing Director of Promontory Australia, an IBM company, and a senior executive leader at the Australian Securities and Investments Commission. He was also the inaugural chair of the Assessment Committee of the International Organization of Securities Commissions (IOSCO) and an ASIC representative on the IOSCO Board. His earlier career included working in the finance and tax practices of the Australia and US offices of an international law firm, holding ministerial advisor positions across a number of portfolios in the Victorian Government, holding senior risk and compliance positions in an Australasian Bank, and strategy consulting in both Australia and Europe.

Current term ends February 2027

Sue Chetwin

CNZM, LLB

Sue has more than 12 years' experience working for and on behalf of consumers and is the former CEO of Consumer New Zealand. She is a strong supporter of financial regulations that encourage innovation while protecting consumer interests. She chairs the Government's review of drug buying agency PHARMAC and is a member of the Law Society Independent Steering Group Committee considering the terms of reference for the statutory framework for legal services. She is also a director of Food Standards Australia NZ. Her experience includes 25 years in journalism including editing the Sunday News, Sunday Star Times and Herald on Sunday.

Current term ends November 2025

Kendall Flutey (Ngāi Tahu, Ngāti Kahungunu) Member, BCom, PG Dip in Accounting, MEntr 	Kendall is the co-Founder and co-CEO of Banqer, a financial education company that delivers experiential software to develop financial literacy and capability in their learners. She is also a Commissioner to the Insurance & Financial Services Ombudsman Scheme, and a member of the Digital Council for Aotearoa. Current term ends February 2027
Prasanna Gai B.Ec (Hons), M.Phil, D.Phil 	Prasanna is Professor of Macroeconomics and Head of the Departments of Economics and Accounting & Finance at the University of Auckland. He brings over 25 years of experience in financial market issues from academic and high-level policy roles. Prasanna is a Senior Research Fellow at the Deutsche Bundesbank and an Academic Adviser to the Bank of Canada. He has previously served as Special Adviser to the Governor of the Bank of Canada, Senior Adviser at the Bank of England, and Member of the Advisory Scientific Committee of the European Systemic Risk Board. He was also Professor of Economics at the Australian National University and a Visiting Fellow of All Souls College, Oxford. Current term ends April 2023
Elizabeth Longworth FMA Audit and Risk Committee Chair, LLM 	Elizabeth has over 20 years' legal experience, predominantly in commercial, banking and technology law, as well as international governance and development expertise. She has specialties in information policies and disclosure, risk management, ESG, ethics and ADR. As the Executive Director of UNESCO, Paris, Elizabeth had strategic and oversight responsibilities across the organisation. She was the Director of the UN office for disaster risk reduction, Geneva. Previous NZ roles include Sector Director at Industry New Zealand and In-house Counsel at the Reserve Bank. Current term ends July 2023
Vanessa Stoddart BCom/LLB (Hons), PG Dip in Prof Ethics 	Vanessa is a Director of Channel Infrastructure, OneFortyOne Plantations Pty Ltd and a member of the board of Te Whatu Ora. She also holds other charitable and advisory governance roles. She was previously a senior executive at Air New Zealand and CEO of Carter Holt Harvey Packaging Australia Current term ends February 2024

Christopher Swasbrook

BCom

Christopher has more than 25 years' experience in stockbroking and funds management. He is currently the Managing Director of Elevation Capital Management Limited, Director of NZX-listed New Zealand Rural Land Company, NZX-listed Allied Farmers Limited, Bethunes Investments Limited and SwimTastic Limited. He is also a Member of NZ Markets Disciplinary Tribunal (since 2013) and a Member of the NZX Listing Sub-Committee (since 2008). He was previously a Partner at Goldman Sachs JBWere.

Current term ends June 2024

Mark Weenink

LLB, MBA

Mark is an experienced corporate lawyer and was most recently General Counsel at Westpac New Zealand. Prior to joining Westpac, Mr Weenink held various positions, including Managing Partner at Minter Ellison Rudd Watts, and Head of Legal at Challenger Asset Management in Sydney.

Current term ends February 2027

Outgoing member

Ainsley McLaren – term ended September 2021

Komiti Whakahaere
Executive committee

Chief Executive Samantha Barrass B.Com (Econ), BCA. Hons (Econ), MSc (Econ)

Samantha has extensive international regulatory experience, most recently as Chief Executive of UK's Business Banking Resolution Service, a dispute resolution scheme for banks and business customers. Prior to that she was Chief Executive of the Gibraltar Financial Services Commission, which oversees the prudential and conduct regulation of Gibraltar's financial services sector. She has held a number of other senior roles at finance regulators and industry associations, including the UK's Financial Conduct Authority and the London Investment Banking Association.

Samantha grew up in Christchurch, and studied Economics at the University of Canterbury and Victoria University of Wellington, before beginning her career as an economist at the Reserve Bank of New Zealand.

Director Banking & Insurance Conduct; Acting Director Supervision; Acting Director External Communications & Investor Capability Clare Bolingford

Clare is leading the FMA's implementation of the new conduct regime for banks, insurers and non-bank deposit takers. In her acting role she leads the teams responsible for investor capability, media, publications, marketing and digital communications.

Clare previously worked for the Financial Conduct Authority in the UK for almost 20 years in a variety of policy, change implementation and supervision roles, including oversight of large banking groups and financial advisers. She also spent two years at the UK Treasury, leading capital markets and prudential policy.

Director Regulation and Operations John Botica

John oversees our compliance, licensing, intelligence and conduct assessment functions, and leads the FMA's corporate services team which includes the strategic and day-to-day functions of our finance, facilities, technology and project management functions.

He is an experienced senior executive, director and consultant in the financial services industry. In previous roles, he was the co-founder of the Assure NZ Group, managing director at Guardian Trust and general manager wealth management at AXA.

Director People & Capability Sarah Feehan

Sarah leads the FMA's people and capability function, including recruitment, employment relations, organisational culture and performance management.

Sarah has worked with a number of professional services firms. She was a member of the senior leadership team for a national advertising agency. Before joining the FMA in 2016, Sarah was HR Manager at one of New Zealand's top law firms.

Director Investment Management; Acting Director Capital Markets Paul Gregory

Paul is responsible for the FMA's strategy and approach to investment management providers and products, including KiwiSaver. In his acting role he also leads the teams responsible for oversight of primary and secondary markets, disclosure and financial reporting by issuers, market infrastructure, intermediary platforms and audit quality.

His experience includes Chief Operations Officer at PIE Funds, positions in the investment and communications teams at the New Zealand Superannuation Fund, and communications management roles at Macquarie Group, SKYCITY and Westpac.

General Counsel; Acting Director Strategy & Stakeholder Relations Liam Mason

Liam leads our enforcement and litigation, policy and governance, corporate legal and evidence and investigations teams, and in his acting role is responsible for overseeing regulatory strategy and prioritisation, sector risk management, and government and industry relations.

Liam has been with the FMA since its inception. He has extensive experience in securities law and corporate governance matters, advising on securities and financial services law and policy, Crown entity governance and legal compliance.

Tāngata
People

ACP Leadership, accountability and culture

With the arrival of a new Chief Executive, our emphasis on creating and maintaining strong and stable leadership has increased. The importance of strong leadership at all levels of the organisation has been regularly reinforced. We survey all staff to check their views on engagement and workplace culture, and follow up with action planning based on the survey results. Our vision, purpose and values are being embedded into the operating rhythm of the organisation, with a focus on co-designing a wellbeing strategy for the workplace.

Employment type

	2022	2021	2020
Total	**311**	263	241
Permanent	**267**	242	213
Fixed-term	**12**	5	5
Contractor/temp	**29**	14	18
Secondee	**3**	2	2
Voluntary turnover*	**17.5%**	9.6%	13.8%
Average service length	**3.2 years**	3.2 years	3.3 years

* Based on resignations of permanent employees only.

Employee development, promotion and exit

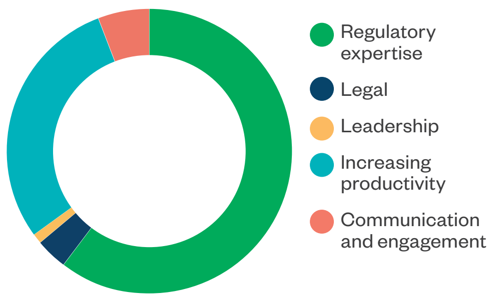
A refreshed learning and development strategy has been developed in response to the changing environment brought about by organisational growth, our new regulatory approach, COVID-19 disruptions and new flexible ways of working. The strategy is supported by elements such as a leadership model and capability framework that drives development, processes to support leaders making development decisions, and a comprehensive learning catalogue. Our aim is to ensure these elements work and are supported in the changing business environment. Staff feedback continues to be extremely positive.

Roles are advertised internally to allow for career development opportunities. In 2021/22 around 25% of roles were filled by internal candidates, demonstrating the depth of talent within the organisation.

For all staff who resign, we offer both an exit survey and a one-to-one follow-up meeting to understand their reasons for leaving, and areas where we can improve. This information is themed, and, with the permission of the employee, shared with management to help improve people's working experiences. We also report turnover and reasons for leaving to the Board on a regular basis.

Capability framework

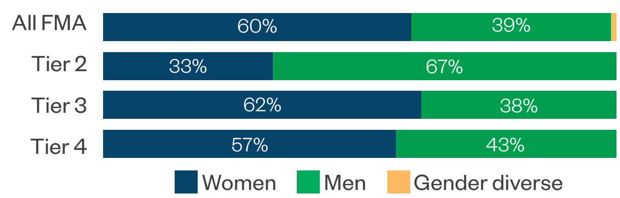
Proportion of training session attendance by theme



Inclusion and diversity

Our Inclusion and Diversity Advisory Group has two main areas of focus: celebrating diversity internally through cultural events and learning opportunities, and identifying best practice initiatives, supported by insights from a staff survey, for the FMA to consider. Where possible we will align new initiatives with the current strategic change programme.

Gender



Age

13%	37%	25%	17%	4%
20-29	30-39	40-49	50-59	>60

Ethnicity/nationality*

52%	23%	21%	5%	3%	6%
NZ European/ Pākehā	European	Asian (inc. Middle Eastern)	Māori	Pacific islander	Other or not specified

* Survey permitted respondents to select multiple options

Flexibility and work design

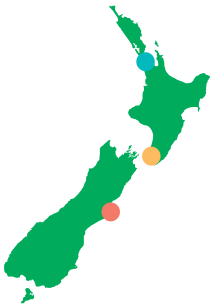
We have been operating with flexible working for some time. Following feedback from staff in our annual workplace survey, we have broadly adopted an approach where staff can work three days in the office and two days remotely. This supports collaboration and keeping our culture strong, while also recognising the benefits of remote working. We continue to offer flexibility of working hours and work patterns. We offer centrally located offices, with modern facilities and close to public transport, supported by systems and equipment to allow a flexible and rewarding working experience.

Location

72% Auckland

26% Wellington

2% Christchurch



With our expanded remit, our staff have been actively involved in the design of a new operating model by giving feedback at various stages of the process, as well as receiving regular progress updates.

ACP Remuneration, recognition and conditions

We recognise and reward individual employees' contributions towards achieving the FMA's strategic outcomes. The objective of our reward approach is to attract and retain appropriately skilled people, and to recognise and reward performance and development that aligns with our organisational strategic objectives and standards of behaviour.

Our remuneration approach sits within the organisation's broader approach to reward and recognition, which incorporates both financial and non-financial rewards, the latter including additional leave, flexible working practices, and our wellbeing programme.

Harassment and bullying prevention

We foster a workplace environment that supports all employees to treat each other with respect. As a result, we do not tolerate bullying, harassment or discrimination of any form in the workplace. We encourage the reporting of any such behaviour, and have various means by which an individual can escalate their concerns both internally and externally. We follow WorkSafe guidance on understanding what bullying is and what we can do to support an environment of zero tolerance. We have a bullying, harassment and discrimination policy and resolution guidelines, and online training which all staff are required to complete. We also seek staff feedback on whether our systems for dealing with intimidating behaviours, workplace bullying and harassment are clear and effective.

Safe and healthy environment

Health issues

7%	Mental health	0%	Neurological or intellectual
1%	Hearing	3%	Other
0%	Sight		

We are currently developing a wellbeing strategy, based on staff feedback, to ensure we have a healthy workplace where staff are productive, engaged and supported. We offer regular wellbeing seminars with experts, covering a wide range of topics such as stress, burnout, mindset, nutrition, movement and ergonomics. This focus on education empowers people to take responsibility for their own wellbeing. We also offer a 16-week wellbeing programme provided by leading wellness specialists in partnership with Firstbeat, to enhance participants' health, wellbeing and personal performance.

Our Health, Safety and Wellbeing Committee meets regularly to discuss relevant topics and proactive management of any issues. The committee ensures practices, policies and processes are fit for purpose, and has a continuous risk identification approach. It also helps organise participation in national wellbeing and anti-bullying initiatives such as Mental Health Awareness Week, Pink Shirt Day and Gumboot Day.

Recruitment, selection and induction

COVID-19 has continued to impact recruitment, with lockdowns and border restrictions contributing to an increasingly tight labour market. Our recruitment, selection and onboarding activities have been adapted to function remotely when necessary.

We have diversified our talent sourcing strategies, and streamlined our selection and onboarding processes by introducing new technology and upskilling our teams. Our staff survey shows a high level of satisfaction with our recruitment and induction processes.

Where we find our staff*

	2022	2021	2020
Corporate	**18%**	6%	23%
Financial services	**14%**	10%	9%
Government	**21%**	14%	25%
International	**6%**	6%	4%
Internal	**23%**	48%	16%
Legal	**4%**	5%	10%
Other	**14%**	11%	13%

* Based on recruitment of permanent and fixed-term employees only.

Ngā Kaupapa Here me ngā mahi Kāwanatanga
Governance, policies and operations

The FMA was established by the Financial Markets Authority Act 2011. The Minister of Commerce and Consumer Affairs is responsible for the FMA. The Minister sends us an annual Letter of Expectations. We frequently engage with the Minister, briefing him on our current priorities and discussing the alignment of our work with the Government's objectives.

FMA Board

The Crown Entities Act 2004 sets out the collective and individual duties of the FMA Board and its members. The Board is the governing body of the FMA. The Board's focus is generally on the critical strategic and regulatory policy issues that determine the overall success of FMA. This includes:

- setting the FMA's strategic direction and strategic priorities
- appointing the Chief Executive and providing oversight of their performance and, through them, FMA staff
- ensuring the FMA's actions are consistent with its objectives, functions, SOI and output agreement (if any)
- maintaining appropriate relationships with stakeholders
- complying with the FMA's obligations under the Health and Safety at Work Act 2015
- ensuring the FMA operates in a financially responsible manner – achieving results and doing so within budget (operating within agreed budget parameters and managing assets and liabilities prudently).

The Board is responsible for setting policies to govern how the FMA operates, including policies for:

- managing staff conflicts of interest
- holding and dealing with information securely
- procurement and purchasing
- managing sensitive expenditure and the receipt of gifts.

The Board has delegated most regulatory decisions to staff, but retains ultimate decision-making authority for the use of some of the FMA's powers related to enforcement and exemptions. These matters are often considered by a division of the Board, which is a group of at least three Board members who have been assigned to deal with a matter or class of matter.

The Board has also two subcommittees:

- the Audit and Risk Committee, which advises on internal controls, accounting policies and internal and external audit, and approves the financial statements. On risk management, the Committee advises on key issue or project risks and provides oversight of the FMA's framework for managing organisation-wide strategic and operational risks

- the People, Performance and Remuneration Committee, which oversees FMA's performance, remuneration, development and engagement systems, including setting the Chief Executive's remuneration and key performance indicators, and considering talent management and succession planning strategies.

Group	Number of meetings 2021/22
FMA Board	12
Audit and Risk Committee	7
People, Performance and Remuneration Committee	5
Exemptions Division	4
Enforcement Division	11

The FMA Board is appointed by the Governor-General, on the advice of the Minister. Industry representation is an important factor in the makeup of the Board. Members are drawn from a range of sectors, including financial services, with a particular focus on governance experience or expertise, or otherwise representing views of stakeholders such as retail investors and consumers.

The diverse views and expertise offered by members of the Board are valuable inputs to the FMA meeting its regulatory objectives.

It is inevitable, with a Board featuring market representatives, that some members may have a potential or actual conflict of interest in relation to a decision to be made or matter to be considered. The FMA has well-established conflict management practices consistent with sections 62 to 72 of the Crown Entities Act 2004, which set out the conflict of interest and disclosure rules for members of Crown Entities. In the event that a potential or actual conflict is identified for a member in relation to matters for Board decision or consideration, that member is recused from taking part in the discussion on the matter and does not receive any materials or information relating to the matter.

Internal governance

The Chief Executive's role is to manage the FMA on behalf of the Board and exercise the powers of the Board that the Board delegates to them. The FMA has a comprehensive delegations framework, to ensure approvals (particularly those relating to enforcement activity and the granting of licences and authorisations) can only be made by an appropriately senior staff member.

The Executive Committee, comprising the Chief Executive and the directors (see pages 34-38), is a forum for executive decision-making on issues of strategic importance to the FMA.

We also have a range of internal committees and groups that meet regularly to review significant policies, projects and decisions. These include:

- Strategy Committee
- Regulatory Policy Committee
- Investigations Review Group
- KiwiSaver Strategy Group

- Knowledge Management Committee
- Change Governance Committee

The committees are comprised of relevant experts and senior staff from across the organisation.

Our Risk and Assurance Manager runs a continuous review programme to ensure the integrity of our operational and risk management processes. FMA staff are subject to a code of conduct, and a range of policies relating to finance, employee obligations, information management and travel.

Conflict of interest independent review

This year the FMA was subject to an independent review into the advice provided to the Minister of Commerce and Consumer Affairs, in relation to the appointment of default KiwiSaver providers in 2021 and whether this was impacted by a conflict of interest of Rob Everett, who was the FMA's Chief Executive at the time.

The review found Mr Everett had proactively disclosed a conflict of interest with one of the providers and, as a result, took no part in the process. It further found that conflict of interest did not have any impact on the advice the FMA provided to the Minister regarding the appointment of default KiwiSaver providers.

However, the review did identify shortcomings in how the conflict was managed, and recommended a number of changes to the FMA's conflicts of interest processes. We accepted these findings, and committed to implementing all of the recommendations.

ACP Te Ao Māori strategy

We progressed work on our Te Ao Māori strategy, which aims to embed Te Ao Māori into the FMA's practices, and identify and respond to financial markets issues and opportunities as part of our commitment to Te Tiriti o Waitangi principles. We have provided Te Reo classes and tikanga workshops for staff, and hosted seminars with external speakers to better understand the Māori world view and issues in the financial sector. These steps are the start of ensuring the organisation builds on its commitment of enduring relationships, fairness and transparency, and cultural confidence.

ACP Readiness programme

As outlined in the 2021/22 Annual Corporate Plan, the readiness programme aimed to evolve our organisation to be ready for our expanded remit and increased responsibilities, including redefining our regulatory approach, evolving our data, intelligence and strategy frameworks, strengthening and streamlining our decision-making processes, and reviewing our operating model. Work on these projects progressed throughout the year, but at a slower pace than anticipated, as some activity was deferred to ease pressure during the August 2021 COVID-19 lockdown.

Many of these projects are now continuing under the banner of the Strategic Change Programme, as outlined in the 2022/23 Annual Corporate Plan, which involves moving beyond 'readiness', to planning and implementing changes that will position the FMA to oversee a broader remit and become a more outcomes-focused regulator.

ACP System investment

Our multi-year Digital Transformation programme, which aims to make the FMA's information technology functions and systems more cost-effective, agile, secure and modern, is nearing completion. This year we have focused on the final two projects: migrating our document management and customer relationship management systems to the cloud. This work is well underway and substantially on track, although have been impacted by specialist skills shortages.

We also commenced a cyber-security improvement programme, which aims to strengthen our already-sound cyber-security capability, including improving policies, staff awareness and governance.

ACP CoFR system engagement

We continued to engage with our fellow CoFR (Council of Financial Regulators) members to deliver on the council's priorities. This year CoFR added a new priority theme, cyber-resilience, and carried out work to determine the focus areas for this theme.

CoFR also launched the fintech forum website (see page 23), completed a scoping exercise in relation to risks and opportunities for crypto-assets, and established a new monitoring forum to coordinate monitoring of entities across CoFR members.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of the Financial Markets Authority's financial statements and performance information for the year ended 30 June 2022

The Auditor-General is the auditor of Financial Markets Authority (the Authority). The Auditor-General has appointed me, René van Zyl, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, including the performance information for an appropriation, of the Authority on his behalf.

Opinion

We have audited:

- the financial statements of the Authority on pages 62 to 97, that comprise the statement of financial position as at 30 June 2022, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Authority on pages 10 to 30 and 52 to 61.

In our opinion:

- the financial statements of the Authority on pages 62 to 97:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2022; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the performance information on pages 10 to 30 and 52 to 61:
  - presents fairly, in all material respects, the Authority's performance for the year ended 30 June 2022, including:
    - for each class of reportable outputs:
      - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and

        - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
    - what has been achieved with the appropriation; and
    - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.
- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 16 December 2022. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board for the financial statements and the performance information

The Board is responsible on behalf of the Authority for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of the Authority for assessing the Authority's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Authority, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Authority's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- We evaluate the appropriateness of the reported performance information within the Authority's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 9, pages 31 to 45, pages 50 to 51 and pages 98 to 100 but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Authority in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Authority.

René van Zyl
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

Te paearu o ā mātou mahi

How we performed

Pūrongo o te Kawenga
Statement of Responsibility

The Board is responsible for the preparation of the FMA's financial statements and statement of performance, and for the judgments made in them. The Board is responsible for any end-of-year performance information provided by the FMA under section 19A of the Public Finance Act 1989. The Board is responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. In the Board's opinion, these financial statements and statement of performance fairly reflect the financial position and operation of the FMA for the year ended 30 June 2022.

Mark Todd
Chair
Financial Markets Authority
16 December 2022

Elizabeth Longworth
Chair
Audit and Risk Committee
16 December 2022

Pūrongo o te Mahi
Statement of Performance

This section describes the progress made by the FMA in achieving the levels of performance outlined in the Statement of Performance Expectations (SPE) for 2021/22.

The FMA receives funding from the Ministry of Business, Innovation and Employment through Vote Business, Science and Innovation to deliver services through two output classes – Services and Advice to Support Well-functioning Financial Markets, and Financial Markets Authority Litigation Fund.

Under the SPE, the FMA has performance standards and measures for each of the two output classes for the 12 months ended 30 June 2022. The output class Services and Advice to Support Well-functioning Financial Markets is reported under three categories which align to the classifications within this multi category appropriation. The financial results for each output class and each category for the multi-category appropriation are reported on throughout this section.

Performance targets are included for each appropriation. Where the performance targets in the Vote align with the target in the FMA's SPE they are reported against under the applicable category in this section of the Annual Report. Where the performance target in the Vote differs from the target in the SPE or there is not a corresponding target in the SPE these targets are separately identified.

The aim of our regulatory activities, in line with our strategic priorities and appropriation category, is to minimise conduct risks, improve behaviours within our markets, and benefit market participants and investors.

The purpose of this appropriation is to support well-functioning financial markets through the activities of the FMA. Success is measured by SPE 1, the overarching measure that reflects our overall statutory purpose of fair, transparent and efficient financial markets.

Performance standards and measures for the output of the FMA for the 12 months ended 30 June 2022

For our SPE performance measures, assessment of our performance against the targets is based on the following scaled rating system.

- Achieved – result is 100% or more of target.
- Substantially achieved – result is within 5% of target (calculated as the result proportionate to the target being between 95% and 99.99%).
- Not achieved – result is more than 5% below target (calculated as the result proportionate to the target being less than 95%).

Surveys

Data for some of our performance measures and reporting come from the following surveys.

Ease of Doing Business survey

Survey of key FMA stakeholders to understand the effectiveness of interactions FMA has with stakeholders and satisfaction with the service it provides.

2022	2021	2020
Sample: 162 responses **Margin of error:** +/-7% (at the 95% confidence level) **Response rate:** 34%	**Sample:** 112 responses **Margin of error:** +/- 9.9% (at the 95% confidence level). **Response rate:** 22%	**Sample:** 98 responses **Margin of error:** +/- 9.9% (at the 95% confidence level) **Response rate:** 18%

Investor Confidence survey

Survey of New Zealanders' attitudes towards and confidence in New Zealand's financial markets. The data are weighted to ensure the sample is representative of the New Zealand population by age, gender, region, and ethnicity, therefore there is no response rate for this survey.

2022	2021	2020
Sample: 2509 responses **Margin of error:** +/- 2% (at the 95% confidence level)	**Sample:** 1020 responses **Margin of error:** +/-3% (at the 95% confidence level)	**Sample:** 1003 responses **Margin of error:** +/-3% (at the 95% confidence level)

For 2022 there were changes to the scope of the survey.

a. Previously the investor confidence questions were a standalone survey, whereas in the 2022 survey they were included as part of a larger survey intended to give the FMA a broad understanding of consumers' experiences with the financial sector. As part of this the sample size was also increased, resulting in a smaller margin of error.

b. Some questions, including the measure contributing to SPE 1, were measured slightly differently – on 5-point scale instead of a 4-point scale, consistent with questionnaire design best practice.

Stakeholder Relationship Management survey

Survey of entities that participate in our Stakeholder Relationship Management programme. As the survey population is small and limited, there is no margin of error for this survey.

2022	2021	2020
Sample: 31 responses **Response rate:** 79.5%	**Sample:** 20 responses **Response rate:** 77%	**Sample:** 18 responses **Response rate:** 69%

Overarching measure

The overarching measure reflects the Multi-Category Appropriation 'Services and Advice to Support Well-functioning Financial Markets', which covers all three funding categories. The single overarching purpose of this appropriation is to support well-functioning financial markets through the activities of the Financial Markets Authority.

RESTATED ACTUAL $000s 12 Months to 30 Jun 21		ACTUAL $000s 12 Months to 30 Jun 22	BUDGET $000s 12 Months to 30 Jun 22
48,500	Appropriation Revenue	53,500	53,500
44	Interest Revenue	111	46
1,066	Other Revenue	1,116	447
49,610	**Total Revenue**	**54,727**	**53,993**
48,342	**Total Expenditure**	**55,446**	**55,212**
1,268	**Surplus / (Deficit)**	**(719)**	**(1,219)**

An assessment of our achievements with this appropriation is included on the following pages under each category. We have also achieved the following results for the category measures listed below.

Measure	Target 2021/22	Actual 2021/22	Actual 2020/21	Information source
SPE 1 Index measure Financial service providers and investors of New Zealand financial services believe that FMA's actions promote fair, efficient and transparent financial markets[4]	Achieved	**Achieved** Achievement of this measure is based on meeting the targets for the two sub-components below.	Achieved	See below
Index sub-measures				
Stakeholders agree that the FMA's actions help raise standards of market conduct and integrity[4]	85%	**89.5% - Achieved** This result has remained stable and shows continuing high degree of support for FMA's actions.	88%	Ease of Doing Business survey[5]
Investors are confident in the quality of regulation of New Zealand's financial markets[4]	65%	**65% - Achieved** This result is relatively consistent with previous years, indicating confidence has been maintained during recent market volatility.	67%	Investor Confidence survey[5]

4: These measures are also included in the 2021/22 Vote Business, Science and Innovation Estimates of Appropriations.

5: See page 53 for information about the survey.

Category One: Investigation and Enforcement Functions

This category is limited to the performance of statutory functions relating to the investigation and enforcement of financial markets legislation, including the assessment of complaints, tips, and referrals.

RESTATED ACTUAL $000s 12 Months to 30 Jun 21		ACTUAL $000s 12 Months to 30 Jun 22	BUDGET $000s 12 Months to 30 Jun 22
10,283	Appropriation Revenue	11,342	11,342
-	Interest Revenue	-	-
-	Other Revenue	-	-
10,283	**Total Revenue**	**11,342**	**11,342**
12,292	**Total Expenditure**	**15,529**	**11,705**
(2,009)	**Surplus / (Deficit)**	**(4,187)**	**(363)**

Major variances against budget: Expenditure is more than budget primarily due to more investigation and enforcement actions taking place during the period than budget.

Our achievements in this category for the 2021/22 year include:

- A range of investigation and enforcement activity, including the activity highlighted in the enforcement calendar on page 17-18
- Assessment of complaints, tips and referrals, which has resulted in investigations, enforcement activity, and publication of scam alerts (see page 19)

We have also achieved the following results for the category measures listed below.

Measure	Target 2021/22	Actual 2021/22	Actual 2020/21	Information source
SPE 2 Progress of all investigation cases is reported to the FMA Board every 40 working days[6]	100%	**100% - Achieved** Papers for the Board accompanied by a case schedule setting out the progress of all investigation and litigation matters were prepared at least once every 40 working days.	100%	Internal tracking of investigation and enforcement activity
SPE 3 Misconduct cases[7] are evaluated and decisions on follow-up actions are made within 9 working days of the information received date[8]	85%	**87.59% - Achieved** To help improve compliance with the 9-day timeframe, last year we implemented weekly reporting, and follow-ups on cases that are nearing the deadline, and have seen this year's result exceed the target.	84.93%	Internal tracking of misconduct cases

6: This measure is also included in the 2021/22 Vote Business, Science and Innovation Estimates of Appropriations.

7: Misconduct cases involve an "allegation of financial markets conduct that could result in harm", whereas an investigation requires formal trigger points, including reasonable grounds to suspect a breach of any financial markets legislation. This requires more than mere suspicion or hunch; a basis on objective information is required.

8: This measure is also included in the 2021/22 Vote Business, Science and Innovation Estimates of Appropriations; in that document the target is stated as 'Achieved'.

Category Two: Licensing and Compliance Monitoring Functions

This category is limited to the performance of statutory functions relating to licensing of market participants and risk-based monitoring of compliance, including disclosure requirements under financial markets legislation.

RESTATED ACTUAL $000s 12 Months to 30 Jun 21		ACTUAL $000s 12 Months to 30 Jun 22	BUDGET $000s 12 Months to 30 Jun 22
19,059	Appropriation Revenue	21,025	21,025
44	Interest Revenue	111	46
1,066	Other Revenue	1,116	447
20,169	**Total Revenue**	**22,252**	**21,518**
20,726	**Total Expenditure**	**20,686**	**21,698**
(557)	**Surplus / (Deficit)**	**1,566**	**(180)**

Major variances against budget: Revenue is above budget due to higher than anticipated licensing fees received during the period. Expenditure is less than budget due to less licensing and compliance monitoring work during the period.

Our achievements in this category for the 2021/22 year include:

- Licensing market participants, including assessing transitional and full financial advice provider licence applications to support the new regulatory regime for financial advice (see page 22)
- Compliance monitoring including:
  - Planned monitoring of licensed derivatives issuers (see page 16)
  - Review of general insurers conduct and culture (see page 13)
  - Review of fund managers' implementation of our expectations for assessing fees and value for money (see page 15)
  - Reviews of FMC reporting entities' financial reporting disclosures (see page 29)
  - Annual review of NZX's licensed market operator obligations (see page 30)

We have also achieved the following results for the category measures listed below.

Measure	Target 2021/22	Actual 2021/22	Actual 2020/21	Information source
SPE 4 Once received by the FMA, fully completed licence applications are processed within 60 working days[9]	93%	**99.16% - Achieved** Of the 1193 fully completed licence applications we processed this year, 10 were not processed within the 60-day timeframe.	98.73%	Internal tracking of relevant documents and activity

9: This measure is also included in the 2021/22 Vote Business, Science and Innovation Estimates of Appropriations.

Measure	Target 2021/22	Actual 2021/22	Actual 2020/21	Information source
SPE 5 New regulated offers are risk-assessed within five working days after a new Product Disclosure Statement (PDS) is registered[10]	100%	**83% - Not achieved** This result comprises 100% compliance from 1 July 2021 to 30 April 2022, and 0% compliance from 1 May to 30 June 2022. From May we no longer measured these data, as we changed our process to only complete Product Disclosure Statement risk assessments on a 'by-exception' basis (e.g. because of novelty, high risk or other factors meriting the attention). This is in line with our overall approach to regulation, which means we have shifted our focus and resources for regulated offers to detecting misconduct and providing guidance in areas with the greatest risks of harm. We have removed this measure from our Statement of Performance reporting for subsequent years.	100%	Internal tracking of relevant documents and activity
SPE 6 Applications for individual exemptions are processed within 30 working days of receiving all relevant information or as communicated with reasons to the applicant	100%	**100% - Achieved** Of the 24 applications for individual exemptions we received, 23 were completed within the relevant timeframe or as communicated with reasons to the applicant, and one was withdrawn by the applicant.	100%	Internal tracking of relevant documents and activity

10: A risk estimate framework is used to risk assess Product Disclosure Statements to plot the relative risk of an offer on a risk matrix by likelihood of harm and consequence of harm. During a risk assessment, different factors are weighted and a risk estimate of Low, Medium Low, Medium High, or High is produced. Low or Medium Low-scored offers are reviewed further at the discretion of staff.

Measure	Target 2021/22	Actual 2021/22	Actual 2020/21	Information source
SPE 7 The FMA undertakes a range of proactive, reactive and thematic monitoring activity to target risks identified in response to the regulatory risks identified[11]	Achieved	**Achieved** We undertook a range of monitoring and licensing activities during the period. This activity is highlighted throughout this report[12], and included: • Ongoing review of updates provided by banks and insurers as part of the Conduct & Culture review • Onsite and desk-based monitoring of derivative issuers, financial advice providers, and AML/CFT reporting entities • Commencement of re-licensing for all five licensed Supervisors • Pilot study of fund manager value for money review guidance implementation • Ongoing reviews of audit quality • Investigating referrals related to potential market misconduct • Reviewing FAP licence applications, and industry engagement with the advice sector • Producing external publications including: - Record keeping information sheet for financial advice providers - Cyber security and operational systems resilience. - AML/CFT sector risk assessment and monitoring report; - credit card repayment insurance review; - conduct and culture of non-life insurers.	New for 2020/21	Internal tracking of relevant documents and activity

11: This measure is also included in the 2021/22 Vote Business, Science and Innovation Estimates of Appropriations.

12: In the report we also highlight monitoring-related activity that was not carried out as planned, e.g the DIMS sector risk assessment on page 14 and the performance indicator on page 16.

Category Three: Market Analysis and Guidance, Investor Awareness and Regulatory Engagement Functions

This category is limited to the performance of statutory functions relating to market intelligence, guidance, investor education, and regulatory and government co-operation and advice.

RESTATED ACTUAL $000s 12 Months to 30 Jun 21		ACTUAL $000s 12 Months to 30 Jun 22	BUDGET $000s 12 Months to 30 Jun 22
19,158	Appropriation Revenue	21,133	21,133
-	Interest Revenue	-	-
-	Other Revenue	-	-
19,158	**Total Revenue**	**21,133**	**21,133**
15,324	**Total Expenditure**	**19,231**	**21,809**
3,834	**Surplus / (Deficit)**	**1,902**	**(676)**

Major variances against budget: Expenditure is under budget primarily due to a moderate shift in focus during the year towards category one work.

Our achievements in this category for the 2021/22 year include:

- Publishing guidance for market participants, including in relation to cyber-resilience (page 12) and advertising of financial products (page 20)
- Running a consumer information campaign encouraging KiwiSaver members to check their investment settings (see page 25)
- Communications activity targeting new investors with guidance resources, in response to increased retail participation in markets (see page 26)
- Collaborating with MBIE on the implementation of the new Conduct of Financial Institutions regulatory regime (see page 21)
- Working with MBIE and Inland Revenue to support changes to the KiwiSaver default provider structure (see page 22)

We have also achieved the following results for the category measures listed below.

Measure	Target 2021/22	Actual 2021/22	Actual 2020/21	Information source
SPE 8 The FMA undertakes a range of speeches and presentations (in-person and online) to inform and assist users and providers of financial services[13]	30 speeches and presentations	**41 speeches and presentations – Achieved** This year's presentations covered a range of themes, with a particular focus on the remit changes, conduct expectations and financial advice	39 speeches and presentations	Count of speeches and presentations that meet the aims of the measure

13: This measure is also included in the 2021/22 Vote Business, Science and Innovation Estimates of Appropriations; in that document the wording of the measure is "The FMA undertakes at least 30 speeches and presentations (in-person and online) to inform and assist users and providers of financial services" and the target is 'Achieved'.

Measure	Target 2021/22	Actual 2021/22	Actual 2020/21	Information source
SPE 9 Participants find FMA communication clear, concise and effective[14]	75%	**72% - Substantially achieved** The drop from last year is within the margin of error and not significant. The other communication measures in the survey tell a strong story of helping industry to understand our approach to regulation (90%) and our expectations for their organisation (83%). While these overall scores are encouraging, market feedback mentioned the need to use plain English and provide information that is easily understood. We will focus on the clarity of the material produced for industry.	76%	Ease of Doing Business survey[15]
SPE 10 Number of website page views of FMA's investor content[16]	Increase on prior year benchmark of 31,968 unique page views (1 Jul 2020-30 Jun 2021)	**36,927 unique page views – Achieved** The result reflects the success of our consumer campaigns, which increasingly leverage social media to direct people to resources on our website.	31,968 unique page views	Google Analytics page view data from all pages within relevant investor sections of the FMA website
SPE 11 Market participants within the stakeholder relationship management programme (SHRM), who responded to our survey, say they have benefited from the relationship[14]	95%	**90.3% – Substantially achieved** The meeting frequency for the SHRM programme changed this year, with some entities having fewer meetings than previously, and COVID-19 restrictions resulted in some engagements being cancelled – meaning some participants may not have experienced the benefit they expected. We will share this survey result with entities and seek possible opportunities for improvement. 31 out of 39 SHRM participants responded to the survey.	100%	Survey of SHRM members[15]

14: These measures are also included in the 2021/22 Vote Business, Science and Innovation Estimates of Appropriations.

15: See page 53 for information about the survey.

16: This measure is also included in the 2021/22 Vote Business, Science and Innovation Estimates of Appropriations; in that document the wording of the measure is "Number of website page-views of FMA's investor content have increased year to year" and the target is 'Achieved'.

Financial Markets Authority Litigation Fund

This appropriation is limited to meeting the cost of major litigation activity arising from the enforcement of financial markets and securities markets law, or defending litigation action taken against the FMA.

ACTUAL $000s 12 Months to 30 Jun 21		ACTUAL $000s 12 Months to 30 Jun 22	BUDGET $000s 12 Months to 30 Jun 22
2,016	Appropriation Revenue*	2,594	3,000
1	Other Revenue	10	-
2,017	**Total Revenue**	**2,604**	**3,000**
2,017	**Total Expenditure**	**2,604**	**3,000**
-	**Surplus / (Deficit)**	**-**	**-**

Major variances against budget: Both litigation revenue and expenditure are below budget because of the timing of litigation matters and the settlement of litigation brought by the FMA proceedings.

*The appropriation revenue received by the FMA equals the Government's actual expenses incurred in relation to the appropriations, which is a required disclosure from the Public Finance Act.

Assessment of performance

The FMA in the Estimates of Appropriation is required to report the following performance information for this appropriation measure.

Measure	Target 2021/22	Actual 2021/22	Actual 2020/21
Litigation undertaken as per Fund's use conditions[17]	Achieved	**Achieved** The FMA undertook litigation using the litigation fund as per the conditions of use.	Achieved

Our achievements in this category for the 2021/22 year include progress on litigation activity in relation to the following cases:

- CLSA
- Medical Kiwi
- Oceania
- Cigna and OnePath

See Note 3 to the financial statements on pages 70-71 for more details of these cases.

17: This measure is also included in the 2021/22 Vote Business, Science and Innovation Estimates of Appropriations.

Ngā Pūrongo Pūtea
Financial statements

Statement of Comprehensive Revenue and Expense

For the 12 months ended 30 June 2022

Restated actual 2021 $000s		Note	Actual 2022 $000s	Budget 2022 $000s
	REVENUE FROM NON-EXCHANGE TRANSACTIONS			
48,500	Government grant	2	53,500	53,500
2,016	Litigation fund revenue	3	2,594	3,000
	REVENUE FROM EXCHANGE TRANSACTIONS			
44	Interest		111	46
1	Interest - litigation fund	3	10	-
1,066	Other revenue	4	1,116	447
51,627	**Total revenue**		**57,331**	**56,993**
	EXPENDITURE			
33,132	Personnel expenses*	5	39,321	37,113
3,131	Depreciation and amortisation*	8,9	3,182	4,404
12,079	Other operating expenditure*	7	12,943	13,695
2,017	Litigation fund expenditure	3	2,604	3,000
50,359	**Total expenditure**		**58,050**	**58,212**
1,268	Surplus / (deficit)*		(719)	(1,219)
1,268	**Total comprehensive revenue and expenses**		**(719)**	**(1,219)**
	TOTAL COMPREHENSIVE REVENUE AND EXPENSE COMPRISES:			
1,268	Net operating surplus / (deficit)*		(719)	(1,219)
-	Net litigation fund surplus / (deficit)	3	-	-
1,268	**Total comprehensive revenue and expenses**		**(719)**	**(1,219)**

Explanations of major variances against budget are provided in Note 21. The accompanying notes form part of these financial statements.

*The prior year's numbers are restated for all the financial statements due to the change in accounting policy for SaaS as noted in Note 1, 9 and 23.

Statement of Changes in Equity

For the 12 months ended 30 June 2022

Restated actual 2021 $000s		Actual 2022 $000s	Budget 2022 $000s
	OPENING BALANCE		
(2,733)	Accumulated funds / (deficit) as previously published	-	-
(1,134)	Adjustment due to change in accounting for SaaS	-	-
(3,867)	Accumulated funds / (deficit)*	(2,599)	(533)
11,027	Capital contributions as previously published	12,577	12,577
7,160	**Total opening balance (restated)**	**9,978**	**12,044**
	COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR		
1,812	Net operating surplus / (deficit) as previously published	-	-
(544)	Adjustment due to change in accounting for SaaS	-	-
1,268	Net operating surplus / (deficit)*	(719)	(1,219)
-	Net litigation fund surplus / (deficit) previously published	-	-
1,268	**Total comprehensive revenue and expense (restated)**	**(719)**	**(1,219)**
	CAPITAL CONTRIBUTIONS / (REPAYMENTS) FOR THE YEAR		
1,550	Current contributions as previously published	-	1,100
1,550	**Total capital contributions / (repayments)**	**-**	**1,100**
9,978	**Closing balances (restated)**	**9,259**	**11,925**
(921)	Accumulated funds / (deficit) as previously published	-	-
(1,678)	Adjustment due to change in accounting for SaaS	-	-
(2,599)	Accumulated funds / (deficit)*	(3,318)	(1,752)
12,577	Capital contribution previously published	12,577	13,677
9,978	**Total closing balances (restated)**	**9,259**	**11,925**

Explanations of major variances against budget are provided in Note 21. The accompanying notes form part of these financial statements.

*The prior year's numbers are restated for all the financial statements due to the change in accounting policy for SaaS as noted in Note 1, 9 and 23.

Statement of Financial Position

As at 30 June 2022

Restated actual 2021 $000s		Note	Actual 2022 $000s	Budget 2022 $000s
	ASSETS			
	Current assets			
5,030	Cash and cash equivalents - operating fund		6,404	2,091
2,812	Cash and cash equivalents - litigation fund		2,178	677
1,000	Term deposits		2,000	1,000
286	GST receivable		341	311
1,583	Receivables and prepayments	13	1,746	1,113
10,711	**Total current assets**		**12,669**	**5,192**
	Non-current assets			
3,592	Property, plant and equipment	8	3,080	2,602
5,661	Intangible assets*	9	4,813	11,335
9,253	**Total non-current assets**		**7,893**	**13,937**
19,964	**Total assets**		**20,562**	**19,129**
	LIABILITIES			
	Current liabilities			
5,093	Creditors and other payables	14	5,324	3,757
2,538	Employee entitlements	5	3,179	2,282
1	Lease liabilities	11	22	142
7,632	**Total current liabilities**		**8,525**	**6,181**
	Non-current liabilities			
482	Lease liabilities	11	1,117	284
1,872	Provisions	12	1,661	739
2,354	**Total non-current liabilities**		**2,778**	**1,023**
9,986	**Total liabilities**		**11,303**	**7,204**
	EQUITY			
(2,599)	Accumulated funds / (deficit)*		(3,318)	(1,752)
12,577	Capital contributions		12,577	13,677
9,978	**Total equity**		**9,259**	**11,925**
19,964	**Total equity and liabilities**		**20,562**	**19,129**

Explanations of major variances against budget are provided in Note 21. The accompanying notes form part of these financial statements.

*The prior year's numbers are restated for all the financial statements due to the change in accounting policy for SaaS as noted in Note 1, 9 and 23.

Statement of Cash Flows

For the 12 months ended 30 June 2022

Restated actual 2021 $000s		Note	Actual 2022 $000s	Budget 2022 $000s
	CASH FLOWS FROM OPERATING ACTIVITIES			
	Cash was provided from:			
	Receipts from non-exchange transactions:			
48,500	- government grant	2	53,500	53,500
4,000	- litigation fund revenue		2,000	3,000
	Receipts from exchange transactions:			
40	- interest		106	46
994	- other revenue		1,085	447
	- MBIE fees and levies (net)		83	-
58	- litigation cost awarded (net)		501	-
	Cash was disbursed to:			
(2,159)	- MBIE repayment of underutilised fund		-	-
(22)	- MBIE fees and levies (net)		-	-
(16,438)	- suppliers*		(18,084)	(18,196)
(30,022)	- employees*		(34,632)	(35,232)
257	- goods and services tax (net)		(68)	46
5,208	**Net cash flows from operating activities**	15	**4,491**	**3,611**
	CASH FLOWS FROM INVESTING ACTIVITIES			
	Cash was provided from:			
5	- sale of fixed assets		2	-
7,000	- decrease in term deposits		3,000	18,000
	Cash was applied to:			
(876)	- purchase of property, plant and equipment		(1,273)	(981)
(1,677)	- purchase of intangible assets*		(1,480)	(5,493)
(8,000)	- increase in term deposits		(4,000)	(16,000)
(3,548)	**Net cash flows from investing activities**		**(3,751)**	**(4,474)**
	CASH FLOWS FROM FINANCING ACTIVITIES			
1,550	- Capital contribution		-	1,100
1,550	**Net cash flows from financing activities**		**-**	**1,100**
3,210	Net increase / (decrease) in cash and cash equivalents		740	237
4,632	Cash and cash equivalents at the beginning of the year		7,842	2,531
7,842	**Cash and cash equivalents at the end of the year**		**8,582**	**2,768**
	COMPRISING			
5,030	Cash and cash equivalents - operating fund		6,404	2,091
2,812	Cash and cash equivalents - litigation fund		2,178	677
7,842			**8,582**	**2,768**

Explanations of major variances against budget are provided in Note 21. The accompanying notes form part of these financial statements.

*The prior year's numbers are restated for all the financial statements due to the change in accounting policy for SaaS as noted in Note 1, 9 and 23.

Ngā tūhinga mo ngā pūrongo putea
Notes to the financial statements

For the 12 months ended 30 June 2022

Who is the FMA and what is the basis of financial statement preparation?

Note 1 — Reporting entity and basis of preparation

The FMA is an independent Crown entity as defined by the Crown Entities Act 2004. The FMA was established on 1 May 2011 by the Financial Markets Authority Act 2011, is domiciled in New Zealand and its ultimate parent is the New Zealand Crown.

The FMA is responsible for ensuring public confidence in New Zealand's financial markets, promoting innovation and supporting the growth of New Zealand's capital base through effective regulation.

The financial statements for the FMA are for the year ended 30 June 2022, and were approved by the Board on 16 December 2022.

Basis of preparation

The financial statements have been prepared on a going-concern basis, and the accounting policies have been applied consistently throughout the year.

Statement of compliance and measurement base

These financial statements for the FMA have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirements to comply with generally accepted accounting practice in New Zealand (NZ GAAP). The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

Functional and presentational currency

These financial statements are presented in New Zealand dollars, which is the entity's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand dollars ($000).

Use of estimates and judgments

The process of applying accounting policies requires the FMA to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on past experience and various other factors that are believed to be reasonable under the circumstances. Estimates have been used in calculating provisions and useful lives of property, plant and equipment and intangible assets. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Standards issued and not yet effective and not early adopted

Standards and amendments, issued but not yet effective, that have not been early adopted are:

PBE IPSAS 41 Financial Instruments

PBE IPSAS 41 replaces PBE IFRS 9 Financial Instruments and is effective for the year ending 30 June 2023, with earlier adoption permitted. The FMA has assessed that there will be little change as a result of adopting the new standard, as the requirements are similar to those contained in PBE IFRS 9. The FMA does not intend to early adopt the standard.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 Presentation of Financial Statements and is effective for the year ending 30 June 2023, with earlier adoption permitted. The FMA has not yet determined how application of PBE FRS 48 will affect its statement of performance. It does not plan to early adopt the standard.

Other accounting policies

Significant accounting policies

Significant accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Term deposits

This category includes only term deposits with maturities greater than three months.

Goods and services tax

All items in the financial statements are exclusive of goods and services tax (GST), except for receivables and payables which are presented on a GST-inclusive basis.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of current assets or current liabilities in the statement of financial position.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

The FMA is a public authority, and consequently is exempt from the payment of income tax under the Income Tax Act 2007. Accordingly, no provision has been made for income tax.

Cost allocation policy

The FMA has determined the cost of outputs using the cost allocation system outlined below.

- Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific output.
- Direct costs are charged directly to outputs. Indirect costs are charged to outputs based on cost drivers and related activity or usage information. Personnel costs are charged on the basis of actual time incurred. Other indirect costs are assigned to outputs based on the proportion of direct staff time for each output.

Equity

The FMA's equity comprises the following reserves:

- Accumulated funds / (deficit) arising from normal operating activities, funded by a government appropriation and other revenue.
- Capital contribution reserve comprising closing accumulated funds transfers from the Securities Commission and capital contributions made to fund specific capital investment.

Changes to Significant accounting policy

Software-as-a-Service (SaaS) arrangements

In April 2021, the International Financial Reporting Standards Interpretations Committee (IFRIC) released an agenda decision clarifying how configuration and customisation costs incurred in implementing SaaS should be accounted for.

While the decision of the IFRIC do not directly impact PBE standards, in the absence of a PBE standard specifically dealing with such costs, management considers the IFRIC decision relevant to the accounting for similar types of arrangement of the FMA in accordance with PBE IPSAS 31 Intangible assets.

The FMA revised its accounting policy in relation to cost of software in a SaaS arrangement and configuration and customisation costs incurred in implementing SaaS arrangements from 1 July 2021 to be consistent with the IFRIC agenda decision. The change in accounting policy has been applied retrospectively and has restated comparative balances. The impact of the change in accounting policy is that some of previously capitalised intangible assets no longer meet the criteria for capitalisation and have therefore been expensed. Refer to note 23 – Restatement of comparative figures for more details.

Where do FMA's funds come from?

Note 2 — Revenue from the Crown

Revenue from the Crown is recognised as revenue when earned and is reported in the financial period when the funding becomes receivable by the FMA. Revenue is measured at the fair value of consideration received or receivable.

The FMA has been provided with funding from the Crown for specific purposes as set out in its founding legislation and the scope of the relevant Government appropriations. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to Government funding.

Note 3 — Litigation fund revenue

The current litigation funding agreement was signed with MBIE in July 2020. Under the funding agreement, the FMA can retain up to $3 million in the litigation fund account on its balance sheet at any point in time. As and when the amount held in the litigation fund account falls below $2 million, the FMA can request a top up to an amount not exceeding $3 million. Any underspend in the FMA's litigation fund appropriation can be retained across financial years. To implement this, litigation funding that is appropriated but not disbursed to the FMA will be retained within the Litigation Fund appropriation at the end of each financial year up to a maximum of $10 million. In the 2021/2022 Estimates of Appropriation, the approved litigation funding for the 2021/22 financial year was $5 million. In the supplementary Estimates this was adjusted to $9.851m, to reflect the underspend from the prior year. During the year, the FMA received a total of $2 million and spent $2.6 million.

The funding is non-exchange revenue. Amounts received are accounted for as litigation revenue received in advance and the revenue is recognised as the expenditure is incurred. Any unspent or unapplied fund not exceeding $3 million at balance date are retained by the FMA and disclosed as litigation revenue received in advance. The fund is restricted for approved litigation purposes only as criteria set out in the litigation funding agreement.

Litigation fund reconciliation from opening to closing balance

	Actual 2022 $000s	Actual 2021 $000s
Litigation grant received in advance / repayable to the Crown - opening balance	**2,299**	**2,159**
Litigation fund repaid to MBIE	**-**	**(2,159)**
Litigation appropriation received during the year	2,000	4,000
GST on litigation appropriation received	300	600
Interest revenue	10	1
Total litigation fund receipts including GST	**2,310**	**4,601**
Expenditure on eligible litigation	(2,604)	(2,017)
GST on expenditure on eligible litigation	(381)	(285)
Reversal of over accrual brought forward from prior year	-	-
Total litigation expenditure including GST	**(2,985)**	**(2,302)**
Net litigation movement	**(675)**	**140***
Litigation grant received in advance - closing balance	**1,624**	**2,299**
Comprising		
Litigation cash and cash equivalents	**2,178**	**2,812**
Trade and other payables to be funded from litigation fund	(536)	(481)
Litigation expenditure funded by FMA's operating fund repayable back to FMA's operating fund	(18)	(32)
Litigation grant received in advance	**1,624**	**2,299**

*For clarity and better flow of the table, net litigation funding inflow/(outflow) figure for 2021 comparative has been updated.

CLSA – The FMA filed civil pecuniary penalty proceedings against CLSA in July 2020 for breaches of the AML/CFT Act 2009. In September 2021, CLSA was ordered to pay a pecuniary penalty of $770,000 and $14,340 as a cost award to FMA. Both payments were received by FMA in October 2021 and they were subsequently transferred to the Crown.

Medical Kiwi – In December 2022, Medical Kiwi entered into an enforceable undertaking with the FMA in respect of admissions to breaching the fair dealing provisions of the Financial Markets Conduct Act 2013. As part of the enforceable undertaking, Medical Kiwi was ordered to make a payment in lieu of a pecuniary penalty in the sum of $250,000. Out of the total, $ 10,858 was paid to FMA for staff cost of the hours spent on the case.

Payment was received by FMA in January 2022 and the balance was transferred to the Crown in February 2022.

Oceania – The FMA filed civil pecuniary penalty proceedings against Oceania in April 2019 for breaches of the FMCA. In March 2022, two individuals have been ordered to pay pecuniary penalties of $180,000 and $130,000 respectively for market manipulation and disclosure breaches involving Oceania Natural Limited (ONL) shares. Both payments were received by FMA in April 2022. The penalty is to be applied first to pay the FMA's actual costs in bringing the proceedings and the balance is yet to be transferred to the Crown.

Cigna and OnePath – In June 2022, OnePath and Cigna offered an enforceable undertaking to the FMA in respect of admissions to breaching the fair dealing provisions of the Financial Markets Conduct Act 2013. A term of the enforceable undertaking required Cigna and OnePath to make a joint payment of $180,000 to the FMA in lieu of a pecuniary penalty. Payment was received by FMA in June 2022. The penalty is to be applied first to pay the FMA's actual costs in bringing the proceedings and the balance is yet to be transferred to the Crown.

Note 4 - Other revenue

	Actual 2022 $000s	Actual 2021 $000s
Audit quality review fees	268	255
Licence fees*	814	719
Sundry revenue	26	74
Superannuation fees	8	18
Total other revenue	**1,116**	**1,066**

*Revenue for licence fees comprises application fees and hours charged for additional work performed. Revenue is recognised by reference to the stage of completion of the application at the reporting date and the probability of economic benefits accruing to the FMA.

How does the FMA spend the funds?

Note 5 — Personnel costs

Employee entitlements

Short-term employee entitlements, including holidays, are recognised as an expense over the period in which they accrue. Employee entitlements that are expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related service are measured based on accrued entitlements at current rates of pay.

A liability and an expense are recognised for performance pay where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

Superannuation Schemes

Obligations for contributions to KiwiSaver, the State Sector Retirement Savings Scheme and the Government Superannuation Fund are accounted for as defined contribution superannuation schemes and are recognised as an expense in the statement of comprehensive revenue and expense as incurred.

	Actual 2022 $000s	Restated Actual 2021 $000s
Salaries and wages**	32,817	28,306
Defined contribution plan employer contributions	960	854
Other employment related costs*	132	28
Member and committee fess	520	503
Contract staff**	3,253	2,889
Recruitment, retention and transitional costs	909	391
Redundancy and other termination payments	89	-
Increase/(decrease) in employee entitlements	641	161
Total personnel costs	**39,321**	**33,132**

*Other employment related costs include ACC, FBT and cash contribution to staff home office.

**The prior year's numbers are restated due to the change in accounting policy for SaaS as noted in Note 1, 9 and 23.

During the 12-month period ended 30 June 2022, four employees received compensation and other benefits in relation to cessation $88,867 (2021: None, $Nil).

Employee remuneration

During the period, the number of employees who received remuneration and other benefits in excess of $100,000, were:

Remuneration paid or payable ($)	Number of employees 2022	Number of employees 2021
570,001 to 580,000	-	1
430,001 to 440,000	1	-
390,001 to 400,000	-	1
340,001 to 350,000	2	-
330,001 to 340,000	1	1
320,001 to 330,000	1	-
310,001 to 320,000	1	1
300,001 to 310,000	-	3
290,001 to 300,000	1	-
280,001 to 290,000	1	2
270,001 to 280,000	-	1
260,001 to 270,000	1	-
250,001 to 260,000	1	1
240,001 to 250,000	1	-
230,001 to 240,000	1	1
220,001 to 230,000	3	1
210,001 to 220,000	3	2
200,001 to 210,000	4	3
190,001 to 200,000	5	5
180,001 to 190,000	6	5
170,001 to 180,000	5	2
160,001 to 170,000	9	7
150,001 to 160,000	21	9
140,001 to 150,000	15	14
130,001 to 140,000	19	24
120,001 to 130,000	18	16
110,001 to 120,000	21	22
100,001 to 110,000	20	20
Total	**161**	**142**

Breakdown of employee entitlements

	Actual 2022 $000s	Actual 2021 $000s
Current Portion		
Accrued salaries and wages	781	671
Annual leave	2,398	1,867
Total Current Portion	3,179	2,538
Total employee entitlements	**3,179**	**2,538**

Composition of Board Members' remuneration

Members' fees are paid on the basis of time spent on the work of the FMA. Fees were:

	Actual 2022 $000s	Actual 2021 $000s
S. Chetwin	46	42
P. Gai	52	43
E. Longworth	60	58
A. McLaren	11	48
M. Stiassny	-	11
V. Stoddart	45	45
C. Swasbrook	42	37
K. Flutey	12	-
M. Weenink	12	-
S. Bardy	13	-
M. Todd	198	178
Total Board Members' remuneration	**491**	**462**

A total payment of $3,750 was made to one board observer in the period (2021: $15,000).

There have been no payments made to committee members appointed by the Board who are not Board members during the financial year.

No Board members received compensation or other benefits in relation to cessation (2021: $nil).

New member:	
Member name	**Membership term start date**
K. Flutey	March 2022
M. Weenink	March 2022
S. Bardy	March 2022

Leaving member:	
Member name	**Membership term expiry date**
A. McLaren	September 2021
T. Greenaway (Observer)	September 2021

Composition of Code Committee remuneration

Code Committee fees are paid on the basis of time spent on the work of the committee. Fees were:

	Actual 2022 $000s	Actual 2021 $000s
B. Benson	2	0.3
J. Berry	0.2	0.4
A. Dale-Jones	23	8
S. Edmond	-	-
G. Edwards	5	1
D. Ireland	-	1
B. McCleland	1	0.3
B. McCulloch	0.4	1
P. Mersi	1	0.4
T. Singleton	1	0.3
K. Coutts	-	-
E. Jurgeleit	-	-
G. Young	-	-
Total Code Committee remuneration	**33.6**	**12.7**

New member:	
Member name	**Membership term start date**
K. Coutts	April 2022
E. Jurgeleit	April 2022

Leaving member:	
Member name	**Membership term expiry date**
J. Berry	July 2021
B. McCulloch	July 2021
S. Edmond	July 2021
G. Young	March 2021*

*G.Young's term was expired in March 2021 but this disclosure was omitted from the 2020/21 annual report.

Composition of Financial Advisers Disciplinary Committee remuneration

Financial Advisers Disciplinary Committee fees are paid on the basis of time spent on the work of the committee. Fees were:

	Actual 2022 $000s	Actual 2021 $000s
T. Berry	-	4
S. Hassan	-	2
J. Matthews	-	1
J. Robertson (Sir Bruce Robertson)	-	6
D. Tulloch	-	1
D. Auld	-	-
S. Weir	-	6
Total Financial Advisers Disciplinary Committee remuneration	**-**	**20**

New member:	
Member name	**Membership term start date**
D. Auld	April 2022

Leaving member:	
Member name	**Membership term expiry date**
S. Hassan	September 2021

Professional indemnity insurance

The FMA has purchased directors' and officers' liability and professional indemnity insurance cover during the period. This insurance is in respect of the liability or costs of Board members and employees.

Note 6 — Transactions with related parties

The FMA is controlled by the Crown.

Related party disclosures have not been made for transactions with related parties that are:

- within a normal supplier or client/recipient relationship; and
- on terms and conditions no more or less favourable than those that it is reasonable to expect the FMA would have adopted in dealing with the party at arm's length in the same circumstances.

Transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are on normal terms and conditions consistent with the normal operating arrangements between government agencies.

Audit New Zealand performs the 2022 annual audit of the FMA. The FMA has undertaken a quality review of Audit New Zealand in accordance with the Memorandum of Understanding between the FMA and the Auditor-General dated 21 July 2016. The review will not include any audit files where René van Zyl, appointed by the Auditor General to audit the FMA, acted as the appointed auditor. The findings of this review will be provided to the Auditor General.

There are no related party transactions required to be disclosed.

Key management personnel compensation

	Actual 2022	Actual 2021
SHORT TERM EMPLOYEE BENEFITS		
Board member's remuneration ($000s)	491	462
Full time equivalent members	1.04	1.26
Code Committee remuneration ($000s)	34	13
Full time equivalent members	0.12	0.05
Disciplinary Committee remuneration ($000s)	-	20
Full time equivalent members	-	0.06
Executive team remuneration ($000s)	3,570	3,705
Full time equivalent members	10.22	10.80
Total key management personnel remuneration ($000s)	**4,095**	**4,200**
Total full-time equivalent personnel	**11.38**	**12.17**

Key management personnel include all board and committee members and the executive team. The full-time equivalent for board and committee members has been determined based on the frequency and length of board and committee meetings, and the estimated time to prepare for such meetings.

An analysis of Board member remuneration is provided in Note 5.

Note 7 — Other operating expenses

	Actual 2022 $000s	Restated Actual 2021 $000s
Fees to Audit New Zealand for financial statements audit	170	127
Impairment losses	(14)	850
Loss on disposal of fixed assets	1	2
Operating lease expenses	3,674	2,308
Professional services	2,567	2,314
Services and supplies*	5,971	6,055
Travel and accommodation	574	423
Total other operating expenses	**12,943**	**12,079**

Services and supplies are mainly ICT expenses.

*The prior year's numbers are restated due to the change in accounting policy for SaaS as noted in Note 1, 9 and 23

Property, plant and software used by the FMA for its operations

Note 8 — Property, plant and equipment

Property, plant and equipment are recognised at cost less depreciation, and less any impairment losses.

Where an item of property, plant and equipment is acquired in a non-exchange transaction for $nil or nominal consideration, the asset is initially measured at its fair value.

Costs are recognised as Capital work in progress until the assets are operating in a manner intended by management, at which time they are transferred to property, plant and equipment. When put into use, the depreciation charge commences.

Additions

The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to FMA and the cost of the item can be measured reliably.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.

Impairment of property, plant and equipment

Property, plant and equipment that have finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The *recoverable amount is the higher of an asset's fair value less costs to sell and value in use.*

Given that the FMA's property, plant and equipment assets are not held with the primary objective of generating a commercial return, these assets are classified as non-cash generating assets, and therefore the value in use of these assets is measured on the basis of depreciated replacement cost.

An impairment loss is recognised in the statement of comprehensive revenue and expense whenever the carrying amount of an asset exceeds its recoverable amount. Any reversal of impairment losses is also recognised in the statement of comprehensive revenue and expense.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment, at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of property, plant, and equipment have been estimated as follows:

Office equipment	*Straight line over a period of 3 to 8 years based on the estimated useful lives of each category of asset*
Office furniture	*Straight line over a period of 4 to 10 years based on the estimated useful lives of each category of asset*
Leasehold improvements	*Straight line over remaining life of lease*

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

	Office equipment $000s	Office furniture $000s	Leasehold improvements $000s	Capital work in progress $000s	Total $000s
COST					
Property, plant and equipment at 1 July 2020	1,659	875	3,654	174	6,362
Additions	190	161	1,718	485	2,554
Disposals/adjustments	(168)	-	(20)	-	(188)
Reclassification to ICT Costs	-	-	-	(18)	(18)
Transfer from capital work in progress	4	119	33	(156)	-
Balance at 30 June 2021/1 July 2021	**1,685**	**1,155**	**5,385**	**485**	**8,710**
Additions	592	87	35		714
Reversal of prior year's over-accrual	-	-	-	(42)	(42)
Disposals	(6)	(8)	(211)		(225)
Transfer from capital work in progress	10	87	346	(443)	-
Balance at 30 June 2022	**2,281**	**1,321**	**5,555**	**-**	**9,157**
ACCUMULATED DEPRECIATION					
Property, plant and equipment at 1 July 2020	(1,093)	(579)	(2,696)	-	(4,368)
Depreciation expense	(348)	(90)	(496)	-	(934)
Elimination on disposal	166	-	18	-	184
Balance at 30 June 2021/1 July 2021	**(1,275)**	**(669)**	**(3,174)**	**-**	**(5,118)**
Depreciation expense	(348)	(107)	(513)	-	(968)
Elimination on disposal	5	4	-	-	9
Balance at 30 June 2022	**(1,618)**	**(772)**	**(3,687)**	**-**	**(6,077)**
CARRYING AMOUNTS					
At 30 June 2021	410	486	2,211	485	3,592
At 30 June 2022	663	549	1,868	-	3,080

There are no restrictions over the titles of the FMA's property, plant and equipment nor are any items of property, plant or equipment pledged as security for liabilities.

Capital commitments

The amount of contractual commitments for the acquisition of property, plant and equipment is $nil (2021: $nil).

Note 9 - Intangible assets

Software acquisition and development

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for internal use are recognised as an intangible asset except where the development involves Software as a Service arrangements – see below. Direct costs include software development employee costs and an appropriate portion of relevant overheads. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with development and maintenance of the FMA's website are recognised as expenses when incurred.

Software as a Service arrangements (SaaS)

Costs incurred in configuring or customising SaaS application are recognised as an intangible asset only if the FMA receives rights beyond a right of access to the application that creates an asset that the FMA can control and from which it expects to benefit. Such costs are amortised over the estimated useful life of the SaaS application on a straight-line basis.

Where the FMA cannot determine whether it has control of the SaaS application, the arrangement is deemed to be a service contract and any implementation costs are expensed to the Statement of Comprehensive Income and Expenses.

If the configuration and customisation services delivered are distinct from the delivery of the SaaS access services (performed by the FMA or its contractors), they are expensed as incurred.

Otherwise, if configuration and customisation services delivered are not distinct from the delivery of the SaaS access services (performed by the SaaS provider or their subcontractor), they are recognised as a prepaid asset and expensed over the expected term of the SaaS arrangement.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date when the asset is derecognised. The amortisation charge for each financial year is expensed in the surplus or deficit.

Computer software is amortised as follows:

Computer software	*to be amortised over three to ten years (10% -33.33%), based on the expected useful life of each asset.*

Impairment of intangible assets

Intangible assets that have finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Given that the FMA's intangible assets are not held with the primary objective of generating a commercial return, these assets are classified as non-cash generating assets, and therefore the value in use of these assets is measured on the basis of depreciated replacement cost.

An impairment loss is recognised in the statement of comprehensive revenue and expense whenever the carrying amount of an asset exceeds its recoverable amount. Any reversal of impairment losses is also recognised in the statement of comprehensive revenue and expense.

	Computer software $000s	Capital work in progress $000s	Total $000s
COST			
Intangible assets at 1 July 2020	18,331	1,222	19,553
Restatement for change in accounting policy (refer notes 1 & 23)	(1,568)		(1,568)
Restated balance at 01 July 2020	**16,763**	**1,222**	**17,985**
Additions	-	2,565	2,565
Restatement for change in accounting policy (refer notes 1 & 23)	(762)	(176)	(938)
Disposals/adjustments	(27)	-	(27)
Transfers from capital work in progress	3,075	(3,075)	-
Restated balance at 30 June 2021/1 July 2021	**19,049**	**536**	**19,585**
Additions	121	1,231	1,352
Disposals/adjustments	(3,509)		(3,509)
Transfers from capital work in progress	1,512	(1,512)	-
Balance at 30 June 2022	**17,173**	**255**	**17,428**
ACCUMULATED DEPRECIATION			
Intangible assets at 1 July 2020	(11,337)	-	(11,337)
Restatement for change in accounting policy (refer notes 1 & 23)	434		434
Restated balance at 01 July 2020	**(10,903)**	**-**	**(10,903)**
Amortisation expense	(2,592)	-	(2,592)
Restatement for change in accounting policy (refer notes 1 & 23)	394		394
Elimination on disposal	27	-	27
Restated balance at 30 June 2021/1 July 2021	**(13,074)**	**-**	**(13,074)**
Amortisation expense	(2,214)	-	(2,214)
Elimination on disposal	2,683	-	2,683
Balance at 30 June 2022	**(12,605)**	**-**	**(12,605)**
IMPAIRMENT PROVISION			
Costs provided at 1 July 2020	-	-	-
Additional costs provided	(850)	-	(850)
Write off	-	-	-
Balance at 30 June 2021/1 July 2021	**(850)**	**-**	**(850)**
Additional costs provided	(10)	-	(10)
Reversal of over accrual from last year's provision	24	-	24
Write off	826	-	826
Balance at 30 June 2022	**(10)**	**-**	**(10)**
CARRYING AMOUNTS			
At 30 June 2021 (restated)	5,125	536	5,661
At 30 June 2022	4,558	255	4,813

There are no restrictions over the titles of the FMA's intangible assets nor are any intangible assets pledged as security for liabilities

Impairment of property, plant and equipment, and intangible assets

During the current year, an impairment of $10K (2021: $850K) has been recognised in respect of intangible assets.

Capital commitments

The amount of contractual commitments for the acquisition of intangible assets is nil (2021: $318K).

Note 10 — Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit over the lease term as an integral part of the total lease expense.

Operating leases as lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	Quay Street $000s	Grey Street L2 $000s	Takutai Square $000s	Grey Street L7 $000s	Total $000s
2022					
Not later than one year	-	541	2,643	195	3,379
Later than one year and not later than five years	-	1,128	11,460	404	12,992
Later than five years	-	-	8,207	-	8,207
Total non-cancellable operating leases	**-**	**1,669**	**22,310**	**599**	**24,578**
2021					
Not later than one year	37	465	2,122	191	2,815
Later than one year and not later than five years	-	1,435	11,123	599	13,157
Later than five years	-	-	11,236	-	11,236
Total non-cancellable operating leases	**37**	**1,900**	**24,481**	**790**	**27,208**

The FMA had three leased properties as at 30 June 2022.

Grey Street in Wellington: (Two lease agreements with two different landlords)

Level 2

In June 2020, the FMA signed a deed of variation of lease for level 2 and the new lease term is commencing on 01 July 2021 and expiring on 01 August 2025. For the lease make-good provision, the FMA has assumed it will vacate the premises at the end of the lease term being 2025.

Level 7

In March 2020, the FMA signed a new lease for part of level 7 within the same building in order to support headcount growth in the Wellington office. The lease commenced on 1 March 2020 and expires on 1 July 2025. For the lease make-good provision, it is assumed that it will vacate the premises at the end of the lease term being 2025.

Auckland offices:

Takutai Square:

In February 2021, the FMA signed a deed of variation of lease for the Takutai Square office. The variation of lease covers leasing an additional floor on level 4, extends lease period on all floors (levels 4, 5 and 6) for a new nine year lease term from the variation date, and a reduced per sqm lease rate that applies to all three floors. The new lease term is from 01 February 2021 to 31 January 2030. For the lease make-good provision, it is assumed that it will vacate the premises at the end of the new lease term being 2030.

Quay Street:

The lease expired and the FMA vacated the premises in May 2022.

Note 11 — Occupancy lease liabilities

Occupancy Incentives:

Gifted assets

Office furniture and leasehold improvements gifted by the sublessor in FY 2015 have been recognised at their fair value with reference to the market price of these assets at the date control was obtained. The value recognised was being amortised over the life of the lease. With the latest variation of lease signed for Takutai Square office, the gifted asset value of $243k as at February 2021 was written off in FY20-21 to reflect the fact that we no longer carry these liabilities that belonged to the old lease agreement.

Occupancy incentives

Lease incentive payments received are recorded as a liability and amortised over the life of the lease. The lease incentive relating to the old lease agreement with the sublessor for the Takutai Square office with a carrying value of $65k as at February 2021 was written off in FY20-21 when the variation of lease was signed with the lessor. The current balance is relating to the lease agreement with the sublessor for the L7, Grey St.

Deferred rental liability:

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, which will create a deferred rental liability during the initial stages of the lease as the lease agreement provides for rent free from the beginning of the new lease term and future rent increases. In FY20-21, deferred rental liability totalling $269k was written off to reflect the fact that we no longer carry these liabilities that belonged to the old lease agreement of Takutai Square. The current balance is relating to three newly signed lease agreements: Takutai Square office (Feb 2021), Grey Street L7 (Mar 2020) and Grey Street L2 (Jun 2020).

Movements for each type of lease liability are as follows:

	Gifted assets $000s	Occupancy incentives $000s	Deferred rental $000s	Total $000s
Balance at 1 July 2020	309	82	318	709
Reclassification	-	7	(7)	-
Additional Provision made	-	-	474	474
Amortisation	(66)	(19)	(38)	(123)
Unused amounts reversed	(243)	(65)	(269)	(577)
Balance at 30 June 2021	**-**	**5**	**478**	**483**
Balance at 1 July 2021	-	5	478	483
Reclassification	-	-	-	-
Additional Provision made	-	-	675	675
Amortisation	-	(1)	(18)	(19)
Unused amounts reversed	-	-	-	-
Balance at 30 June 2022	**-**	**4**	**1,135**	**1,139**

	Actual 2022 $000s	Actual 2021 $000s
NON-CURRENT PORTION		
Occupancy incentives	3	4
Deferred rental	1,114	478
Total non-current portion	**1,117**	**482**
CURRENT PORTION		
Occupancy incentives	1	1
Deferred rental	21	-
Total current portion	**22**	**1**
Total lease liabilities	**1,139**	**483**

Note 12 — Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event and it is probable that an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

	Actual 2022 $000s	Actual 2021 $000s
NON-CURRENT PORTION		
Lease make-good	1,661	1,872
Total non-current portion	**1,661**	**1,872**
Total provisions	**1,661**	**1,872**

Lease make-good provision

In respect of certain leases, the FMA is required at the expiry of the lease term to make good any damage caused to the premises and to remove any fixtures or fittings installed by the FMA. Information about the FMA's leasing arrangements is disclosed in Note 10.

Movements for each class of provision are as follows:

	Lease make-good provision $000s
Balance at 1 July 2020	717
Additional provisions made	1,175
Amounts used	(10)
Unused amounts reversed	(10)
Discount unwind	-
Balance at 30 June 2021	**1,872**
Balance at 1 July 2021	1,872
Additional provisions made	-
Amounts used	-
Unused amounts reversed	(211)
Discount unwind	-
Balance at 30 June 2022	**1,661**

The anticipated costs required to make-good all leased properties have been provided for in full.

Note 13 — Receivables and prepayments

Short-term receivables are recorded at the amount due, less an allowance for credit losses. The FMA applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

	Actual 2022 $000s	Actual 2021 $000s
Trade debtors	281	233
Other receivables	175	179
Total debtors and other receivables	**456**	**412**
Prepayments	1,290	1,171
Total receivables	**1,746**	**1,583**
TOTAL DEBTORS AND OTHER RECEIVABLES COMPRISE:		
Receivables from services provided (exchange transactions)	294	262
Receivables from grants (non-exchange transactions)	162	150
Total debtors and other receivables	**456**	**412**

The ageing profile of trade debtors at year-end is detailed below:

	2022 $000s	2021 $000s
Not past due	244	154
Past due one to 30 days	23	24
Past due 31 to 60 days	2	-
Past due 61 to 90 days	5	13
Past due over 90 days	7	42
Total trade debtors	**281**	**233**

All trade debtors greater than 30 days in age are considered to be past due. The impairment assessment is performed on a collective basis.

No individual impairment has been recognised during the current year (2021: $Nil).

Note 14 — Creditors and other payables

Short-term creditors and other payables are recorded at their face value as they are non-interest bearing and are generally settled within 30 days.

	Note	Actual 2022 $000s	Actual 2021 $000s
CURRENT			
Trade creditors		1,253	951
Accrued expenses and other payables		2,431	1,820
Revenue in advance		16	23
Litigation grant received in advance	3	1,624	2,299
Total current creditors and other payables		**5,324**	**5,093**
NON-CURRENT			
Accrued expenses and other payables		-	-
Total non-current creditors and other payables		**-**	**-**
TOTAL CURRENT CREDITORS AND OTHER PAYABLES COMPRISE:			
Creditors and other payables under exchange transactions		3,700	2,794
Creditors and other payables under non-exchange transactions		1,624	2,299
Total current creditors and other payables		**5,324**	**5,093**

Note 15 — Reconciliation of the net surplus / (deficit) from operations with the net cash flows from operating activities

	Actual 2022 $000s	Restated Actual 2021 $000s
REPORTING SURPLUS / (DEFICIT)*	**(719)**	**1,268**
Add non-cash items:		
allocation of lease incentives	(1)	(392)
allocation of deferred rental	658	166
allocation of make good provision	-	10
depreciation and amortisation*	3,182	3,131
impairment losses	(14)	850
(gain)/loss on disposal of fixed assets	1	(6)
non cash other income	-	-
Add / (less) movement in working capital:		
increase / (decrease) in creditors	17	2,166
(increase) / decrease in receivables	(220)	(531)
increase / (decrease) in employee entitlements	640	161
Add / (less) movement in investing activities:		
net loss / (gain) on sale of fixed assets	(2)	(5)
increase / (decrease) in creditors relating to investing activities	949	(1,610)
Add / (less) movement in financing activities:		
litigation fund (reserve) converted to litigation fund revenue	-	-
Net cash flows from operating activities	**4,491**	**5,208**

*The prior year's numbers are restated due to the change in accounting policy for SaaS as noted in Note 1, 9 and 23.

Note 16 — Contingencies

Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

Contingent liabilities

The FMA undertakes criminal and civil court action regularly. Should the FMA be unsuccessful in any case, costs could be awarded against it. Cost awards are at the court's discretion.

As at 30 June 2022 there was one civil claim against the FMA and the Crown before the courts. The matter is on-going with damages being sought.

The probability of the outcome is uncertain and any financial impact cannot be reasonably estimated. (2021: $nil)

Contingent assets

The FMA undertakes civil court action from time to time. Should the FMA be successful in any case, costs could be awarded to it. Cost awards are at the court's discretion.

The FMA may also seek pecuniary penalties. Any monies paid to the FMA by way of costs or penalties are returned to the Crown, after deduction of FMA's costs in bringing proceedings.

No actions as at reporting date are likely to have a material effect on the FMA's financial position (2021: $Nil).

Note 17 — Events after the balance date

The FMA is currently undergoing a strategic change programme which aims to evolve and transform the way it operates to ensure the FMA is best positioned to accelerate our growth and expansion plans for overseeing a broader remit and become a more outcomes-focused regulator. In September 2022, the FMA has confirmed its new enterprise level leadership which is consisted of six executive level roles reporting directly to the CE. The new structure will be effective from 1 February 2023.

Note 18 — Going concern

There is currently no indication of anything that would affect the FMA's ability to continue as a going concern.

Note 19 — Financial instruments

Financial instrument categories

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

	Actual 2022 $000s	Actual 2021 $000s
Financial liabilities measured at amortised cost		
Payables (excluding deferred revenue, taxes payable and grants received subject to conditions)	3,210	2,794
Total financial liabilities measured at amortised cost	**3,210**	**2,794**
Financial assets measured at amortised cost		
Cash and cash equivalents	8,582	7,842
Receivables	456	412
Investment - term deposits	2,000	1,000
Total financial assets measured at amortised cost	**11,038**	**9,254**

Financial instrument risks

The FMA's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The FMA has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure to those instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

The only market risk to which the FMA is subject is interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Considering the FMA's exposure to interest rate risk arises from term investments only, the exposure to such risk is limited.

Term deposits are made for periods less than, equal to, or greater than three months depending on the cash requirements of the FMA, and earn interest at the respective short-term deposit rates.

Interest rate risk

The FMA's exposure to fair value interest rate risk is limited to its term deposits which are held at fixed rates of interest and, the FMA does not hold any term deposits with a variable interest rate. The FMA does not actively manage its exposure to fair value interest rate risk.

The FMA's investment policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements.

Credit risk

Credit risk represents the risk that a third party will default on its obligations to the FMA, causing it to incur a loss. Financial instruments that subject FMA to credit risk consist of bank balances, bank term deposits, and trade and other receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

Cash and deposits are held with Westpac New Zealand Limited, Bank of New Zealand Limited, ASB Bank Limited, ANZ Bank New Zealand Limited and Kiwibank Limited. They are all registered banks in New Zealand and their long-term credit ratings are:

	Moody's	Standard & Poors
ANZ Bank New Zealand Limited	A1	AA-
ASB Bank Limited	A1	AA-
Bank of New Zealand	A1	AA-
Kiwibank Limited	A1	-
Westpac New Zealand Limited	A1	AA-

Kiwibank's credit rating is currently not available on Standard & Poors. There were no term deposits were held with Kiwibank during the year.

The FMA does not require collateral or security to support financial instruments. Trade receivables mainly relate to receivables from the Government so exposure to this risk is very low.

The FMA holds a credit card facility of a $400k credit limit with Master Card through Westpac New Zealand Limited.

Liquidity risk

Liquidity risk represents the FMA's ability to meet its contractual obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the ability to close out market positions. The FMA mostly manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

The FMA's creditors are mainly those reported as trade and other payables. The FMA aims to pay these within normal commercial terms as noted on creditors' invoices, if not earlier.

The FMA has cash and other short-term deposits that it can use to meet its ongoing payment obligations.

Contractual maturity analysis of financial liabilities:

As the FMA's creditors are mainly those reported as trade and other payables, the FMA will pay these within six months of incurring the liability.

Note 20 — Capital management

The FMA's capital is its equity, which is comprised of accumulated funds and capital contribution. Equity is represented by net assets.

The FMA is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives.

The FMA manages its equity as a byproduct of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure that the FMA effectively achieves its objectives and purpose, while remaining a going concern.

How did the FMA perform against budget?

Note 21 — Explanation of major variances against budget

The budget figures are derived from the Statement of Performance Expectations 2021–2022 as approved by the Board in June 2021. The budget figures are for the 12 months to 30 June 2022 and have been prepared in accordance with PBE FRS-42, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

Explanations for major variances from the FMA's budgeted figures in the statement of performance expectations are as follows:

Statement of comprehensive revenue and expense

1. Revenue

   - The FMA's litigation fund revenue is lower than budget due to the unpredictability of expenditure on open cases and as a result, less litigation funds were needed during the year.

- Other revenue is higher than budget and this is driven by overachievements in regulatory income (exemption applications, FAP licensing fees and auditor quality review fees), and unbudgeted cost recoveries received during the year.
- Interest income is higher as cash balances and bank interest rates were higher than budget throughout the year resulting in higher interest income from the bank.

2. Expenditure
   - Personnel expenses are higher than budget which is primarily due to:
     i. More contract staff costs were expensed as a result of the latest agenda decisions issued by the IFRIC in relation to costs associated with SaaS (see notes 1, 9 & 23). This has led to an increase in OPEX projects and a decrease in CAPEX Projects
     ii. Less vacancies were carried during the year.
     iii. Higher than budgeted recruitment costs are due to executive level search fees to fill senior positions, and an international recruitment trip that took place at the end of June 2022. This trip, deferred indefinitely in 2020 due to COVID-19, was not included in the 2021/2022 budget estimates and is expected to yield further interest and recruitment of overseas candidates in the coming financial years.
   - Depreciation and amortisation costs are lower, which is primarily driven by the timing of write off of the intelligence system SAS and the restatements of SaaS intangible assets to operating expenses (as a result of the agenda decisions issues by IFRIC - see notes 1, 9 & 23) that resulted in smaller value of assets, thus less amortisation expenses.
   - Other operating expenditure is lower due to underspends in staff training, expert fees, travel (both domestic and international), and information resources and subscriptions. The underspends are due to mix of COVID-19 related restrictions, actual price increases from major suppliers being less than budget assumptions, and not engaging as many external expert advisory services as budget assumptions.
   - Litigation costs are lower due to the timing and volume of caseloads during the year.

Statement of Financial Position

1. Assets
   - Current assets:
     i. Operating cash and term deposit balances are higher as the opening bank balance at the start of the financial year was higher and also CAPEX was significantly underspent during the year.
     ii. Litigation fund cash balance is higher as the opening bank balance was higher and the timing and amount of litigation funding injection and actual spend during the year were different to budget.
   - Non-current assets
     i. Property, Plant and Equipment balance are higher because the brought-forward opening balance of PPE was higher than budget assumption as the make good provision was updated after the FY21/22 budget was set.
     ii. Intangible assets are lower because of the timing of various capital project work and accounting treatment (CAPEX vs OPEX distinction) of some projects being different to budget assumptions (see notes 1, 9 & 23).

2. Liabilities
    - Current liabilities are higher due to a couple of factors. Litigation fund received in advance is higher as the brought-forward opening position, the timing and amount of litigation funding injection, and actual litigation spend are different to budget assumptions. In addition, creditor and accrual balances are higher as we have more invoices due to the suppliers and higher annual leave balances owed to staff at year end.
    - Non-current liabilities are higher due to additional make-good provisions and Britomart lease arrangement adjustments made in the year-end financials for FY20/21 after the FY21/22 budget was set.
3. Equity
    - Accumulated funds are lower because the opening accumulated funds are lower than budget expectations.
    - Capital contributions are lower due to the timing of FMA requesting capital injection for the Christchurch office set up and banking and insurance-related system build to support the new CoFI regime.

Statement of Cash flows

1. Cash flows from operating activities
    - Litigation fund revenue is lower as the FMA requested litigation fund top up $1m less than budget assumptions during the year.
    - Unbudgeted litigation cost awarded is the pecuniary penalties received from litigation cases (see note 3).
    - Other revenue is higher due to overachievements in regulatory income and unbudgeted cost recoveries received.
    - Cash disbursed to employees is less than budget primarily due to having higher than budgeted accruals and provisions balance for employee entitlements at the end of FY21/22.
2. Cash flows from investing activities
    - Purchase of intangible assets is lower due to the change in scope and timing of project work being undertaken and the change in accounting policy for SaaS as noted in notes 1, 9 & 23.
3. Cash flows from financing activities
    - Capital contributions were lower as the timing of Christchurch office set up and the Banking and Insurance system build has been delayed which resulted in no funding request in FY21/22.

Note 22 — COVID-19 Impact Assessment

Impact of COVID-19

During August to November 2021, the Auckland region moved into Alert Levels 4 and 3 and other parts of the country moved into Alert Levels 3 and 2. From December 21, all of New Zealand moved to the COVID-19 Protection Framework, also known as the traffic light system.

Impact on operations

The FMA has offices in Auckland and Wellington. Where possible, staff worked from home when the regions were at Alert Levels 3 and 4. Under the traffic light system, the FMA's preference is for people to work from home at Red. The FMA was still able to carry out all its services.

Financial Impact

There are no significant impacts on financials as a result of COVID-19 other than underspends in other operating expenditure (namely travel, staff training and other office administration related expenditure) mentioned in Note 21 above.

Note 23 — Restatement of comparative figures

To be in line with the updated Crown accounting policy in relation to the IFRIC agenda decisions issued in March 2019 and April 2021, the FMA accounting policy for SaaS is as follows:

Fees to access the supplier's application software in a SaaS arrangement

Where the SaaS contract only gives the FMA a right to receive access to the supplier's application software, that access in the SaaS arrangement would usually not give the FMA an intangible asset due to lack of control over an identified asset. This is because the SaaS provider usually holds, manages, and updates the SaaS application software over the period of the arrangement. This is expected to be the case for most 'off the shelf' SaaS arrangements. Whilst such costs may be able to be capitalised in limited circumstances such as where the FMA receives rights beyond a right of access, in many cases the costs will now need to be recognised as operating expenses.

Configuration and customisation costs related to SaaS

In most cases, the SaaS has been assessed as neither an intangible asset nor a finance lease to the FMA, the system implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received.

If the configuration and customisation services delivered to the customer are distinct from the delivery of the SaaS access services (performed by the FMA or its contractors), they are expensed as incurred.

Otherwise, if configuration and customisation services delivered are not distinct from the delivery of the SaaS access services (performed by the SaaS provider or their subcontractor), they are recognised as a prepayment and are expensed over the SaaS contract term.

As result of the updated accounting policy in relation to SaaS, historical financial information has been restated to account for the impact of the change, as follows:

Statement of Financial Performance

	30 June 2021 (as previously published) $000s	Adjustment due to change in accounting for SaaS $000s	30 June 2021 (Restated) $000s
EXPENDITURE			
Personnel expenses	32,355	777	33,132
Other operating expenditure	11,918	161	12,079
Depreciation and amortisation	3,525	(394)	3,131
Net Surplus / (deficit)	**1,812**	**(544)**	**1,268**
Total comprehensive revenue and expense	**1,812**	**(544)**	**1,268**

Statement of Financial Position

	30 June 2021 (as previously published) $000s	Adjustment due to change in accounting for SaaS $000s	30 June 2021 (Restated) $000s
Non-Current Assets			
Intangible assets	7,339	(1,678)	5,661
Equity			
Accumulated funds / (deficit)	(921)	(1,678)	(2,599)

Statement of Changes in Equity

	30 June 2021 (as previously published) $000s	Adjustment due to change in accounting for SaaS $000s	30 June 2021 (Restated) $000s
Opening Balance as at 1 July 2020			
Accumulated funds / (deficit)	(2,733)	(1,134)	(3,867)
Comprehensive Revenue and Expenses for the Year			
Net Operating Surplus / (Deficit)	1,812	(544)	1,268
Closing Balance as at 30 June 2021			
Accumulated funds / (deficit)	(921)	(1,678)	(2,599)

Statement of Cash Flows

	30 June 2021 (as previously published) $000s	Adjustment due to change in accounting for SaaS $000s	30 June 2021 (Restated) $000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was disbursed to:			
Suppliers	(15,522)	(916)	(16,438)
Employees	(30,000)	(22)	(30,022)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was applied to:			
purchase of intangible assets	(2,615)	938	(1,677)

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