

Financial Markets Conduct (Aotearoa Energy Limited) Exemption Notice 2025

This exemption is granted by the Financial Markets Authority under section 556 of the Financial Markets Conduct Act 2013 after being satisfied of the matters set out in section 557 of that Act.

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Notice

1 Title

This notice is the Financial Markets Conduct (Aotearoa Energy Limited) Exemption Notice 2025.

2 Commencement

This notice comes into force on 16 June 2025.

3 Revocation

This notice is revoked on the close of 15 June 2030.

4 Interpretation

(1) In this notice, unless the context otherwise requires, —

Act means the Financial Markets Conduct Act 2013

AEL means Aotearoa Energy Limited

AEL Electricity Market means the financial product market that is operated by AEL through the electronic trading platform known as the 'Prompt Electricity Market' that allows for the trading of specified derivatives to occur during matching sessions

client money has the same meaning as in section 431W(5) of the Act

client property has the same meaning as in section 431W(5) of the Act

industry participant has the same meaning as in section 5 of the Electricity Industry Act 2010

market participant means, in relation to the AEL Electricity Market, an entity that is authorised by AEL to participate in that market

market rules means the rules for trading specified derivatives on the AEL Electricity Market

specified date means each of 31 March, 30 June, 30 September, and 31 December in each year

specified derivative means a derivative transaction that is recurrently entered into in the financial markets in New Zealand and is commonly referred to in those markets as—

- (a) a contract for difference; or
- (b) an option

specified period—

- (a) means each period starting on a specified date and ending on the immediately following specified date after the commencement of this notice; and
- (b) includes the period starting on the commencement date of this notice and ending on the immediately following specified date; and

wholesale investor has the meaning set out in clause 3(2) of Schedule 1 of the Act.

- (2) Any term or expression that is defined in the Act and used, but not defined, in this notice has the same meaning as in the Act.

5 Exemption from section 310 of the Act

AEL is exempted from section 310 of the Act in respect of the operation of the AEL Electricity Market.

6 Conditions of exemption in clause 5

The exemption in clause 5 is subject to the following conditions:

- (a) AEL must not receive or hold client money or client property or operate any clearing and settlement facility in connection with its operation of the AEL Electricity Market; and
- (b) each market participant must be an entity that is a wholesale investor acting on its own behalf as principal and is registered with the Electricity Authority as an industry participant under the Electricity Industry Act 2010; and
- (c) AEL must not trade on its own behalf, or as agent on behalf of others, on the AEL Electricity Market; and
- (d) the only financial product that can be traded by market participants on the AEL Electricity Market is a specified derivative for which the underlying of the derivative is the price of electricity in the New Zealand wholesale electricity market.

7 Exemption does not apply to period of non-compliance with certain obligations

- (1) The exemption in clause 5 does not apply during the period that—
 - (a) starts when AEL fails to comply with 1 or more duties set out in subclause (2); and
 - (b) ends at the close of the date on which all of those failures have been remedied under subclause (3).

(2) The duties are as follows:

- (a) AEL must send a report to the FMA within 10 working days after the last day of each specified period that contains the following information:
 - (i) the total number of trades by participants on the AEL Electricity Market and the total value of those trades in New Zealand dollars for each type of specified derivative in that specified period; and
 - (ii) whether there have been any contraventions or possible contraventions by market participants of the market rules in that specified period and if so, details of the contravention or possible contravention:
- (b) AEL must notify the FMA as soon as practicable of any investigation, enforcement, or disciplinary action taken by any other New Zealand or overseas regulatory authority in relation to the AEL Electricity Market.

(3) The duties may be remedied as follows:

- (a) the duty under subclause 2(a) may be remedied by sending the report referred to in that paragraph to the FMA:
- (b) the duty under subclause 2(b) may be remedied by notifying the FMA of the information required by that paragraph.

Dated at Wellington this Wednesday 11 day of June 2025.



John Horner
Director, Markets, Investors and Reporting
Financial Markets Authority

Statement of Reasons

This notice, which comes into force on 16 June 2025 and is revoked on 15 June 2030, exempts Aotearoa Energy Limited (**AEL**) from section 310 of the Financial Markets Conduct Act 2013 (**Act**) in respect of the operation of an electronic trading platform in the wholesale electricity market, which is a financial product market under the Act (**AEL Electricity Market**). Section 310 of the Act requires that a person must not operate, or hold out that the person operates, a financial product market in New Zealand, unless the person holds a licence to operate that market under Part 5 of the Act, or the market is exempt from the licensing requirement under section 312 of the Act.

The Financial Markets Authority (**FMA**), after satisfying itself of the matters set out in section 557 of the Act, considers it appropriate to grant the exemption because—

- the information presented on the AEL Electricity Market is simple in its format, the type of product that can be traded on the AEL Electricity Market is limited to certain derivatives for which the underlying is the price of electricity in the New Zealand wholesale electricity market, and the conditions of the exemption ensure that all participants in the AEL Electricity Market are wholesale investors that are registered with the Electricity Authority as an industry participant under the Electricity Industry Act 2010. Accordingly, the purposes of:
 - promoting informed participation of businesses, investors and consumers in the market; and
 - providing timely, accurate and understandable information to persons to assist those persons to make decisions relating to financial products or the provision of financial services,

can be substantially achieved without AEL being subject to licensing requirements with respect to the operation of the AEL Electricity Market:

- the exemption is subject to conditions that AEL must not hold client money or property or operate any clearing and settlement facility in connection with the operation of the AEL Electricity Market and must not trade on its own behalf, or on the behalf of others, on the AEL Electricity Market. As such, it is not necessary to impose requirements in relation to those matters to achieve the purpose of the Act relating to governance arrangements and the management of governance risks:
- given that the statutory purposes described above are substantially met without AEL being subject to licensing requirements, it is desirable to grant the exemption in order to promote the further statutory purpose of avoiding unnecessary compliance costs.

Furthermore, taking into consideration:

- the matters set out in section 308 of the Act regarding the nature of the activities conducted, the size of the market, the nature of the financial products dealt with, the participants, and the technology used; and
- the purpose set out in section 229 of the Act to encourage a diversity of financial product markets that take account of the differing needs and objectives of issuers and investors,

from a regulatory perspective, the needs and objectives of the particular investors in relation to the particular products appear to be largely met by the existing arrangements.

The exemption is subject to conditions limiting the nature of participant, the capacity in which they are participating, and the range of products traded on the AEL Electricity Market. As such, the FMA considers the exemption is not broader than reasonably necessary to address the matters that gave rise to the exemption.