

Financial Markets Conduct (JP Morgan Chase Bank N.A.) Exemption Notice 2022

Pursuant to section 556 of the Financial Markets Conduct Act 2013, the Financial Markets Authority, being satisfied of the matters set out in section 557 of that Act, gives the following notice.

Contents

	Page
1 Title	1
2 Commencement	1
3 Revocation	1
4 Interpretation	1
5 Exemptions	2
6 Conditions of exemptions	2

Notice

1 Title

This notice is the Financial Markets Conduct (JP Morgan Chase Bank N.A.) Exemption Notice 2022.

2 Commencement

This notice comes into force on 9 March 2022.

3 Revocation

This notice is revoked on the close of 8 March 2027.

4 Interpretation

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

Act means the Financial Markets Conduct Act 2013

borrower means the entity that enters, or proposes to enter, into a securities lending arrangement with the client

client means a client of JPM that grants a lending authority to JPM in connection with a securities lending arrangement to be entered into between the client and the borrower

exempt person means—

(a) JPM; and

(b) a related body corporate of JPM

JPM means JP Morgan Chase Bank N.A., a national banking association chartered by the Office of the Comptroller of the Currency in the United States of America



lending authority means an authority granted to JPM to act as agent on behalf of the client in connection with a securities lending arrangement to be entered into between the client and the borrower, under which the client grants JPM the right—

- (a) to transfer financial products held by or on behalf of the client to the borrower; and
- (b) to accept, transfer, deliver, or return all or any of the property provided as collateral by the borrower in connection with the securities lending arrangement

master securities lending agreement means—

- (a) an Australian Master Securities Lending Agreement published by the Australian Securities Lending Association; or
- (b) a Global Master Securities Lending Agreement published by the International Securities Lending Association; or
- (c) a written agreement that is on substantially the same terms as an agreement referred to in (a) or (b) above

securities lending arrangement means an arrangement documented under a master securities lending agreement under which—

- (a) the client agrees that it will—
 - (i) deliver financial products (**delivered financial products**) to the borrower or to an entity nominated by the borrower; and
 - (ii) vest title in the delivered financial products in the entity to which they are delivered; and
 - (b) the borrower agrees that it will, when required to do so under the applicable master securities lending agreement—
 - (i) deliver the delivered financial products or financial products equivalent to the delivered financial products (**equivalent financial products**) and any required collateral to the client or to an entity nominated by the client; and
 - (ii) vest title in the delivered financial products or equivalent financial products and any required collateral in the entity to which they are delivered.
- (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 Exemptions

Every exempt person is exempted from sections 276 to 279 of the Act in respect of any relevant interest in a financial product that the exempt person has merely as a result of a lending authority granted to JPM by a client.

6 Conditions of exemptions

The exemptions in clause 5 are subject to the conditions that—

- (a) JPM must not, under the lending authority, have the power to exercise, or control the exercise of, a right to vote attached to any financial product; and
- (b) JPM must not, under the lending authority, hold any financial product on trust for, or on behalf of, the client except for the purpose of effecting a transfer of a financial product in accordance with the lending authority; and

- (c) JPM must not, under the lending authority, facilitate a securities lending arrangement that JPM knows, or ought reasonably to know, is being entered into by the client or the borrower (or both) for the purpose of avoiding the requirement to comply with sections 276 to 279 of the Act.

Dated at Auckland this 8th day of March 2022.



Paul Gregory
Acting Director of Capital Markets
Financial Markets Authority

Statement of reasons

This notice comes into force on 9 March 2022 and is revoked on the close of 8 March 2027. This notice continues, with minor changes, the exemptions granted under the Financial Markets Conduct (JP Morgan Chase Bank N.A.) Exemption Notice 2017.

This notice exempts JP Morgan Chase Bank N.A. (**JPM**) and any related body corporate of JPM (each an **exempt person**) from the substantial product holder disclosure obligations (**disclosure obligations**) contained in sections 276 to 279 of the Financial Markets Conduct Act 2013 (the **Act**) in respect of any relevant interest in a financial product that an exempt person has merely as a result of JPM being granted an authority (**lending authority**) to act as agent on behalf of a client (the **client**) to lend approved financial products owned by the client to another entity (the **borrower**) in connection with a securities lending arrangement entered into between the client and the borrower (**securities lending arrangement**).

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

- a relevant interest in a financial product to which the exemptions apply arises merely as a result of the lending authority granted to JPM to act as agent on behalf of a client for the purpose of lending financial products to the borrower, and dealing with any approved collateral required to be provided by the borrower, under a securities lending arrangement. The lending authority does not transfer the beneficial ownership of a financial product to JPM and the exemptions are subject to conditions that JPM must not, under the lending authority, have the power to exercise, or control the exercise of, a right to vote attached to any financial product nor hold any financial product on trust for, or on behalf of, the client except for the purpose of effecting a transfer of a financial product in accordance with the lending authority:
- the client and the borrower must comply with the disclosure obligations in respect of the relevant interest they have in a financial product that is delivered on behalf of the client, or provided by the borrower as approved collateral, under the relevant securities lending arrangement. Requiring further disclosure by JPM in its capacity as agent of the client in respect of the same financial products may inhibit an informed market and potentially confuse or mislead the market with respect to the true ownership, or control of voting rights, of the financial products:
- the exemptions are consistent with the policy of the Act, which excludes certain interests in financial products from the definition of relevant interest and exempts certain substantial product holdings from the disclosure obligations, thereby limiting the scope of the

circumstances in which substantial holdings in financial products must be disclosed to circumstances where the disclosure is useful:

- as such, the FMA is satisfied that the granting of the exemptions is desirable to promote the purposes of the Act. Specifically, to promote the confident and informed participation of businesses, investors and consumers in the financial markets and, given there is no benefit to requiring disclosure in the circumstances covered by the exemptions, the granting of the exemptions will also avoid unnecessary compliance costs:
- by limiting the scope of the exemptions to a relevant interest in a financial product that arises merely as a result of a lending authority granted to JPM to act as agent on behalf of a client in connection with a securities lending arrangement, and given that the client and the borrower must comply with the disclosure obligations in respect of the relevant interest they have in the financial products, the FMA is satisfied that the exemptions are not broader than is reasonably necessary to address the matters that gave rise to the exemptions.

