

Financial Markets Conduct (New Zealand Local Government Funding Agency Limited Water CCO Offer) Exemption Notice 2026

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.

Contents

	Page
1 Title	1
2 Commencement	1
3 Revocation	1
4 Interpretation	1
5 Exemptions	2
6 Offers not regulated offers	2

1 Title

This notice is the Financial Markets Conduct (New Zealand Local Government Funding Agency Limited Water CCO Offer) Exemption Notice 2026.

2 Commencement

This notice comes into force on 5 June 2026.

3 Revocation

This notice is revoked on the close of 4 June 2028.

4 Interpretation

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

Act means the Financial Markets Conduct Act 2013

Borrower Notes means debt securities issued or to be issued by LGFA to local authorities or Water CCOs from time to time in circumstances where the relevant local authority or Water CCO contemporaneously issued or will issue debt securities to LGFA

LGFA means New Zealand Local Government Funding Agency Limited

local authority has the same meaning as in section 5(1) of the Local Government Act 2002

Substitution Transfer Offer means an offer to transfer existing Borrower Notes to a Water CCO by a local authority that is that Water CCO's shareholder

Water CCO means a water organisation that is wholly owned by one or more local authorities

Water CCO Offer means an offer of Borrower Notes to a Water CCO by LGFA

water organisation has the same meaning as in section 4 of the Local Government (Water Services) Act 2025.

- (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

LGFA is exempt from Parts 3 and 4 of the Act in respect of—

- (a) a Water CCO Offer; and
- (b) a Substitution Transfer Offer.

6 Offers not regulated offers

A Water CCO Offer or a Substitution Transfer Offer made in reliance on this notice is not a regulated offer.

Dated at Wellington this 4 June 2026.



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

Statement of Reasons

This notice comes into force on 5 June 2026 and is revoked on the close of 4 June 2028.

New Zealand Local Government Funding Agency Limited (**LGFA**) is a council-controlled organisation (**CCO**) whose primary purpose is to provide funding to participating 'local authorities' and 'CCOs' (each as defined in the Local Government Act 2002 (**LG Act**)). LGFA's lending to council-controlled organisations includes lending to 'water organisations' (as defined in section 4 of the Local Government (Water Services) Act 2025) that are wholly owned by one or more local authorities (**Water CCOs**).

This notice exempts LGFA from the disclosure and governance requirements in Parts 3 and 4 of the Act in relation to:

- offers of debt securities (**Borrower Notes**) to a Water CCO by LGFA (**Water CCO Offers**); and
- offers to transfer existing Borrower Notes to a Water CCO by a local authority that is that Water CCO's shareholder (**Substitution Transfer Offers**).

This notice also provides that Water CCO Offers or Substitution Transfer Offers (each, an **Offer**) made in reliance on the notice are not regulated offers under the Act. This means that other requirements of the Act that apply in connection with regulated offers (such as financial reporting requirements) will not apply to LGFA by reason of the Offers. Any other financial market conduct obligations LGFA may have, including obligations under Part 2 of the Act, are not affected.

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

- the exemptions recognise the unique characteristics of Water CCOs. While a Water CCO technically falls outside the wholesale investor exclusion in Schedule 1 (as it is not a local authority, which is a government agency), in practice a Water CCO will be now carrying out an activity of a local authority, and will have the same level of knowledge, information and sophistication when making investment decisions in respect of the Offers, as a local authority. In these circumstances, the exemptions recognise that Water CCOs are in substance wholesale investors and that the normal disclosure and governance requirements would not provide additional useful information or protection for those Water CCOs:
- there is a proposed amendment to the LG Act, via the Local Government (System Improvements) Amendment Bill, the effect of which will be that the Act will apply to a Water CCO as if it were a local authority (i.e. a wholesale investor) (**Amendment**). The exemptions in this notice are consistent with that proposed Amendment:
- the exemptions promote flexibility in the financial markets by recognising that Water CCOs are in substance wholesale investors, and by allowing Water CCOs to participate in the Offers in the same way as if the Offers were made in reliance on the Schedule 1 exclusion:
- without the benefit of the exemptions, there are significant compliance costs in respect of disclosure, governance and financial reporting that would apply to LGFA.

As such, the FMA is satisfied that—

- granting the exemption is necessary or desirable in order to promote the purposes of the Act, specifically by avoiding unnecessary compliance costs and by promoting flexibility in financial markets; and

- as the exemptions only apply for two years, are limited to Water CCO Offers and Substitution Transfer Offers to a limited category of investors (Water CCOs who are wholly owned by one or more local authorities), and as the scope of the exemptions are analogous to the position LGFA would be in if the Amendment were in effect or if each Water CCO were classed as a wholesale investor under Schedule 1, the extent of the exemptions are not broader than reasonably necessary to address the matters that gave rise to them.