

Changes ahead for financial reporting

The Financial Reporting Bill currently before Parliament is going to change the reporting requirements for all 'Financial Markets Conduct (FMC) Reporting Entities'. Here's the latest...

What are 'FMC Reporting Entities'?

'FMC Reporting Entities' is a broad category of financial market participants that includes:

- issuers of financial products;
- all registered banks, building societies and credit unions; and
- certain entities licensed by FMA.

Operators of retirement villages who only issue occupancy agreements will not be FMC Reporting Entities. Companies that only issue ordinary shares with fewer than 50 shareholders or 50 parcels of shares are also excluded.

What's changing?

The [Financial Reporting Bill](#) will replace the [Financial Reporting Act 1993](#) and move reporting requirements for FMC Reporting Entities to Part 7 of the [Financial Markets Conduct \(FMC\) Act 2013](#).

The new financial reporting obligations are broadly similar to those in the Financial Reporting Act.

However, key changes include:

- a change to the enforcement and liability regime away from a strict liability regime;
- FMA can impose stop orders, direction orders and infringement notices when requirements are not met;
- FMA will have broader exemption powers, including the ability to designate entities as having or not having 'higher public accountability' and in doing so vary their obligations;

- FMC Reporting Entities with subsidiaries will only need to prepare group financial statements. The External Reporting Board will determine what, if any, parent entity financial information should be disclosed in the notes to the financial statements; and
- financial statements will need to be lodged within four months (the current requirement is five months and 20 days).

What is the purpose of the Financial Reporting Bill?

The purpose of the bill is to improve the financial reporting system and the information available to external users who need an entity's financial statements but are unable to demand them.

When will I become a FMC Reporting Entity?

Part 7 of the FMC Act will apply from 1 April 2014. However, there are transitional provisions for FMC Reporting Entities. When the Bill is finalised we will issue guidance to help you understand the transition and when you will need to comply with any new requirements.

What do I need to do to get ready?

- Keep an eye on the Financial Reporting Bill as it progresses through Parliament and updates on our website.
- Decide if and when you will become a FMC Reporting Entity, and align your reporting timetable to the tighter registration timetable.
- Consider FMA's policy for exemptions (to be consulted on and published in 2014), and if you need an exemption then apply to FMA as soon as possible.

Where can I find more information?

If you have any questions, please check FMA's website first to see if there is information available to assist with your query. FMA's information line is open Monday to Friday 8.30am to 5.00pm, phone 0800 434 567 (+64 3 962 2698 for overseas callers).

We also recommend that you visit the FMA website regularly to keep up to date with the implementation of the new regulatory regime and to understand when the changes that affect you, will apply. You can also subscribe to receive FMA Updates for the latest news.

Timeline for change

The timeline below may change subject to Parliamentary progress. However we an indicative timeline as follows:

Dates at 18 November

Late 2013	Financial Reporting Bill to pass into law.
February 2014	FMA to consult on proposed policy for financial reporting exemptions and power to designate entities as having or not having higher public accountability.
March 2014	FMA to publish transitional guidance for FMC Reporting Entities.
1 April 2014	Financial Reporting Provisions (Part 7) of FMC Act comes into effect. FMA to publish final policies on exemptions and higher public accountability power.