

19 July 2019

Syndicated Trusts Limited
28 Falstaff Place
Half Moon Bay
Auckland 2012
New Zealand

Delivered by courier: to the above address

STOP ORDER

(Given pursuant to section 462 and 463 of the Financial Markets Conduct Act 2013 (FMC Act))

Stop order: Prohibiting restricted communications and offers of financial products

An order that Syndicated Trusts Limited is, while the order is in force, prohibited from:

- distributing any restricted communications (including advertisements in newspapers, social media posts, and websites);
- distributing any restricted communications that relate to the offer, or intended offer, of financial products;
- offering financial products while the order is in force; and
- accepting applications for financial products while the order is in force.

Period for which the stop order applies

This order remains in force until such time as the Financial Markets Authority (FMA) varies, suspends or revokes the order.

Relevant provisions

The FMA is satisfied under section 462 of the FMC Act that:

- restricted communications relating to an offer, or possible offer, of financial products by Syndicated Trusts Limited are false or misleading, or likely to mislead or confuse, in a material particular;
- restricted communications relating to an offer, or possible offer, of financial products by Syndicated Trusts Limited do not comply with the FMC Act (including section 23 of Part 2 of the FMC Act relating to unsubstantiated representations);

- Part 3 offer provisions (including section 48 and section 89) have been, or are likely to be, contravened in respect of an offer of financial products (including debt and equity) by Syndicated Trusts Limited; and
- section 103 of the FMC Act (need for governing document and supervisor) has been, or is likely to be, contravened in respect of debt securities.

Other terms and conditions

The FMA is required to publish the order on the FMA's website and to send the order to the Registrar of Financial Service Providers in accordance with section 477 (1)(b) of the FMC Act.

Reasons for the Stop Order

The FMA has issued the Stop Order because:

- restricted communications (in the form of newspaper advertisements) relating to an offer, or intended offer, of financial products do not comply with Part 3 of the FMC Act, in particular section 89 of the FMC Act which provides that if an offer, or intended offer, of financial products is or will be a regulated offer a person must not, except in accordance with any of sections 90 to 92 of the FMC Act, distribute an advertisement of the offer or intended offer of financial products. An advertisement regarding Syndicated Trusts Limited appeared in the Sunday Star Times each Sunday from 26 May 2019 to 16 June 2019 encouraging persons to register interest in "offers coming up" and referring to 'term deposits' and 'dividend' without reasonably prominent statements, in accordance with section 91 of the FMC Act, that no money is currently being sought, that the products cannot currently be applied for or acquired, and that the offeror is only seeking preliminary indications of interest.
- restricted communications (in the form of newspaper advertisements) relating to an offer, or intended offer, of financial products, are likely to mislead or confuse, in a material particular because:
 - the Syndicated Trusts Limited advert includes confusing statements about the interests potential investors will receive with references to debt security term deposits, equity share dividends, as well as membership in a co-operative company;
 - the question "Why give half your profits to the banks?" implies that investments with Syndicated Trusts Limited are an alternative to term deposits offered by licensed and prudentially monitored banks and are therefore similar in terms of safety and risk; and
 - Syndicated Trusts Limited is not a co-operative company.
- restricted communications (in the form of newspaper advertisements) relating to an offer, or intended offer, of financial products do not comply with the FMC Act, in particular section 23 which prohibits unsubstantiated representations. We consider Syndicated Trusts Limited may not have reasonable grounds to make the representation that investors will receive a return of '6.5% to 10.5% + dividend' included in the advertisement, and are therefore potentially making unsubstantiated representations.
- a disclosure provision of Part 3 of the FMC Act has been, or is likely to be, contravened in respect of an offer of financial products, primarily section 48 which requires that Syndicated Trusts Limited, before making a regulated offer of a financial product, must prepare and lodge a product disclosure statement. No product disclosure statement has been prepared and lodged with the Registrar.
- Syndicated Trusts Limited has or is likely to contravene section 103 of the FMC Act by attempting to make a regulated offer of debt securities:

- without a trust deed that contains the required content for debt securities as prescribed by sections 104 to 106 of the FMC Act;
- without lodging a trust deed with the Registrar; and
- without a licensed supervisor.

Dated this 19th day of July 2019.

A handwritten signature in black ink, consisting of a large, stylized 'J' and 'B' followed by a wavy line extending to the right.

John Botica
Director of Market Engagement
Financial Markets Authority