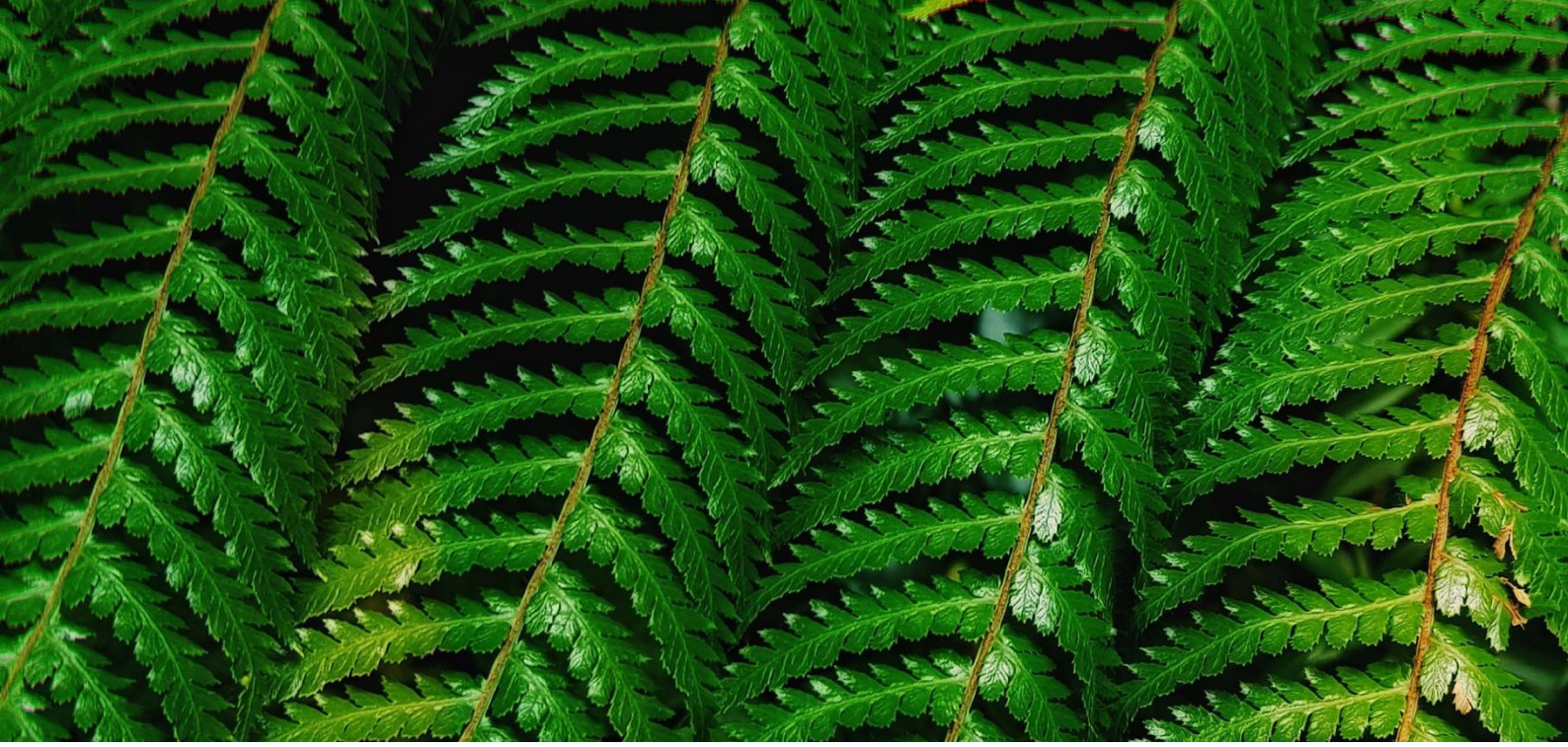


AUGUST 2025

Regulatory Impact Statement:

Exemption for FMC reporting entities in liquidation or external administration

This document is for FMC reporting entities in liquidation, receivership or voluntary administration (except managed investment schemes in wind-up), their advisers, users of financial statements, and other interested parties. It discusses exemption relief from financial reporting duties.

FMA
FINANCIAL MARKETS AUTHORITY
TE MANA TĀTAI HOKOHOKO

Contents

Executive summary

This Regulatory Impact Statement (RIS) discusses an exemption for FMC reporting entities in liquidation, receivership or voluntary administration (VA), in respect of their financial reporting duties under Part 7 of the Financial Markets Conduct Act 2013 (FMC Act).[1]

Reporting entities are required annually under Part 7 to prepare financial statements, have them audited and lodge them with the Companies Office. However, an additional financial reporting requirement comes into play when an insolvency practitioner is appointed to manage an insolvent FMC reporting entity. Under New Zealand insolvency laws, such as the Companies (Reporting by Insolvency Practitioners) Regulations 2020, an external administrator is also required to prepare certain financial information, usually every six months, which is lodged with the Companies Office and then available to creditors and investors.

Without an exemption, the obligations under Part 7 continue to apply when a reporting entity is in liquidation, receivership or VA. However, there are likely to be minimal benefits, if any, for primary users of these statements from continuing compliance with Part 7 in parallel with the separate financial reporting required by insolvency laws. The costs of complying with Part 7 obligations will ultimately reduce the returns or distributions available to creditors and investors.

At any given time, the affected entities make up a very small subset of entities that are classified as FMC reporting entities (reporting entities) under section 451 of the FMC Act. According to Companies Office data, out of 481 FMC reporting entities (excluding managed investment schemes) as at 31 December 2024, 25 entities did not file audited financial statements under the FMC Act for the following reasons:

	In liquidation/ did not file	In receivership/ did not file	In voluntary administration/ did not file
2024	23	1	1

These numbers are similar to previous years.

This RIS summarises the problem the Financial Markets Authority – Te Mana Tātai Hokohoko (FMA) is seeking to address, our objectives, the options and their associated impacts, and the consultation process we undertook before deciding to grant the exemption. Our analysis of whether to grant the exemption was based on the statutory test that applies to use of the FMA's exemption powers. We must be satisfied that the exemption would promote one or more of the purposes of the FMC Act. We must also be satisfied that the extent of the exemption is not broader than reasonably necessary to address the matters that gave rise to the exemption.

[1] Managed Investment Schemes in wind-up are excluded. We are considering a class exemption to provide relief from certain reporting, audit and assurance obligations under the FMC Act 2013 and the Financial Markets Conduct Regulations 2014 for registered Managed Investment Schemes that are in wind-up. See Consultation: Proposed reporting, audit and assurance exemptions for schemes in wind-up | fma.govt.nz

Exemption granted

After careful consideration of both regulatory and non-regulatory impacts, we have decided to grant class exemption relief lasting five years for FMC reporting entities. The relief comprises a class exemption for each FMC reporting entity incorporated in New Zealand that is in liquidation, receivership or VA (except managed investment schemes in wind-up), from some of the duties in Part 7 of the FMC Act, comprising:

- FMC reporting entities in liquidation that are insolvent – comprehensive relief
- FMC reporting entities in receivership, interim liquidation or VA – deferral relief, which applies for up to 2 years.

The comprehensive relief is from a number of provisions in Part 7 including:

- the requirement to keep accounting records that comply with generally accepted accounting practice and enable the financial statements to be audited
- the requirement to prepare financial statements or group financial statements
- the requirement to have financial statements or group financial statements audited
- the requirement to lodge financial statements or group financial statements.

The Part 7 requirements to keep accounting records that correctly record the transactions of the FMC reporting entity and maintain a satisfactory system of control of accounting records still apply – as do the financial reporting requirements under New Zealand insolvency laws.

The deferral relief gives affected entities up to 24 months to comply with their Part 7 financial reporting obligations, allowing their external administrators to focus on progressing their key tasks after their appointment.

We expect the relief in the exemption notice will in practice be of most use to companies in liquidation.

The exemption relief will be subject to conditions outlined in the Schedule to this RIS. Most of the conditions are designed to require notification to affected parties, such as creditors and investors, that the exemption is being relied upon.

We will consider requests for individual relief for situations not covered by the class exemption notice on a case-by-case basis.

Background and issue

The financial reporting regime for FMC reporting entities and its purpose

The FMC Act includes a Part 7 entitled "Financial Reporting". Part 7 applies to larger entities in our financial markets that are regulated by the FMA, including:

- listed issuers
- the NZX
- registered banks
- licensed insurers
- credit unions
- building societies.

There are three main sets of duties under Part 7. These duties relate to:

a) keeping proper accounting records

b) preparing annual financial statements and having them audited

c) lodging those statements with the Companies Office, so they are publicly available.

The primary purpose of financial reporting under Part 7 is to provide stakeholders with accurate and transparent information about an entity's financial performance and position, enabling informed decision-making. This includes assessing the entity's financial health, making investment and lending decisions, and evaluating its stewardship of resources. Stakeholders include existing and potential investors, lenders, and other creditors who make decisions about providing resources to the entity.

Financial statements for entities in liquidation or external administration

Statement of the problem

Insolvent liquidation

In an *insolvent* liquidation, the focus shifts from normal business activity to realising assets and repaying creditors or investors. Normal business, investment and other activities cease. Primary users are unlikely to find financial statements valuable when an entity is failing and has ceased normal operations because they will no longer be making decisions about investing in or lending to the entity.

There may also be practical difficulties complying with Part 7 obligations in a liquidation. Directors of a company remain in office but cease to have normal powers, functions, and duties. They no longer control the company records or capital. As such, they may not be able to oversee or fund the preparation of the

financial statements or sign them as required under the FMC Act. The liquidator is also likely to be unable or unwilling to sign the financial statements given they are not a director and will not want to assume any potential liability. Compliance with these obligations will not normally be considered by the liquidator to be a priority or part of their principal duties.

Once an entity is insolvent and in liquidation there are also audit-related problems:

- Auditors, either incumbent or new, are reluctant to conduct an audit of an insolvent reporting entity. In the event an auditor agrees, any audit will be qualified and subject to significant restatement of asset values (including prior-year comparative values), limitations and restrictions – and the audit will be more expensive than a normal audit
- Directors and management often resign once an external administration has taken place, meaning that key knowledge of the historical financial position of the entity is lost, including to the auditors
- Directors and management are often unlikely to agree to provide a management representation letter to auditors and sign audited financial statements
- Determining the value of assets without testing the market can be challenging for auditors following a reporting entity being placed into liquidation.

Finally, Part 7 obligations are likely to be unenforceable against a reporting entity that is in an insolvent liquidation. There is a moratorium on legal proceedings that applies to companies in administration or insolvency. If an entity does not comply with Part 7 obligations, enforcement proceedings can only be taken against the entity with the consent of the liquidator (which is unlikely to be granted) or the permission of the Court (which would be likely to be opposed by the liquidator if their consent was withheld).

Receivership

The compliance burden of Part 7 financial reporting obligations when an entity is in receivership can be high. Directors will often not be able to oversee or pay for the preparation of financial statements when an entity is in receivership, and the receivers will not consider compliance with Part 7 to be a priority or part of their normal duties. In most cases, receivership will involve a failing company and relate to the majority or all of the company's assets. While the receivers may continue to trade the entity, this is usually only to maximise returns to the secured creditor from realising the entity's assets. Liquidation will often follow the end of receivership or run alongside the receivership. There are also the same problems about having financial statements audited as for a liquidation.

Company VA

The compliance burden of Part 7 financial reporting obligations when an entity is in VA can similarly be high. The administrator takes control of the entity's business, property and affairs, and may carry on the company's business or terminate and/or dispose of the company's business and property. Shares in the entity can usually not be transferred. Directors remain in office but are not able to oversee or pay for the preparation of financial statements when an entity is in administration. The administrator will not consider compliance with Part 7A to be a priority or part of their normal duties. The administrator's main priority is to arrange a watershed meeting to determine the future of the entity.

With the entity insolvent or at risk of being insolvent in the future, and with its continued survival uncertain, it is unlikely that primary users will find value in audited financial statements until it is clear whether the

business is viable and will survive. The enforceability issues noted in relation to insolvent liquidations also apply to a VA.

Size of the problem

We carried out a public consultation[2] and some direct engagement to check whether relief is needed.

We found that a number of insolvent reporting entities are not complying with the obligation to file audited financial statements under the FMC Act. A few have applied to us for no-action relief in the past.

While the numbers over the past few years have been relatively small, we and key stakeholders believe there is an issue that needs to be addressed.

We also found there was general support for the relief proposed, and all submitters to our consultation agreed that the burden of complying with the Part 7 reporting regime for entities in liquidation, receivership, or VA would be likely to outweigh the minimal benefit of reporting for primary users.

Compliance burden and its consequences

From our consultation and some sampling of published accounts we have learnt about the compliance burden and its consequences, especially in terms of the duplication/overlap of financial reporting between the FMC Act regime and the insolvency regime for New Zealand entities.

More information about compliance costs is in the impact analysis section of this document.

We are concerned that these types of compliance costs are disproportionate to the benefits of Part 7 financial disclosures when an entity is in liquidation or external administration.

[2] Consultation: Proposed financial reporting exemptions for FMC reporting entities in liquidation, receivership or voluntary administration | fma.govt.nz

Objectives

In some instances where market participants encounter difficulties complying with the standard FMC Act regime, exemption relief from a regulatory or disclosure requirement may be appropriate. Any exemptions we grant must promote one or more of the purposes of the FMC Act. Additionally, the extent of the exemption must not be broader than reasonably necessary to address the matters that gave rise to the exemption.

In considering the use of the FMA's exemption powers, we assessed the options against the following objectives, which we consider are the most relevant purposes of the FMC Act for this matter:

- to promote and facilitate the development of fair, efficient, and transparent financial markets
- to promote the confident and informed participation of businesses, investors, and consumers in the financial markets
- to provide for timely, accurate, and understandable information to be provided to persons to assist those persons to make decisions relating to financial products or the provision of financial services
- to promote innovation and flexibility in the financial markets
- to avoid unnecessary compliance costs.

When assessing the possible options against these objectives, we considered the interests of all relevant stakeholders including investors, creditors, company directors, insolvency practitioners, lawyers, accountants, auditors, other government agencies including the External Reporting Board (XRB), the Reserve Bank, IRD and the Companies Office.

Options and impact analysis

We considered two options in relation to the problem identified:

- Option 1 (selected): Grant two types of exemption relief
- Option 2 (not selected): No exemption (status quo)

Option 1: Grant two types of exemption relief

Description

Our preferred option involves offering two types of relief:

- **Comprehensive relief for entities in liquidation:** Relief from the majority of the financial reporting duties in the FMC Act by way of a class exemption, for all insolvent reporting entities (except managed investment schemes) to which a liquidator is appointed, subject to certain conditions. In summary, the effect of the exemption for entities in liquidation will be that the majority of the FMC Act financial reporting duties are cancelled. However, the Part 7 requirement to keep accounting records that correctly record the transactions of the FMC reporting entity still applies, as does the duty to maintain a satisfactory system of control of the accounting records. The exemption will not apply to provisional or solvent liquidations.
- **Deferral relief:** Relief from financial reporting duties in the FMC Act for all reporting entities (except managed investment schemes) to which a receiver, interim liquidator or voluntary administrator is appointed, for a period of up to 24 months from the appointment of the receiver, interim liquidator or voluntary administrator, subject to certain conditions. The effect of this type of relief if approved would be that the majority of financial reporting duties are deferred but must still be complied with at a later date.

The rationale for two types of relief can be summarised as follows. Where the reporting entity is insolvent and in liquidation it is our view that the majority of the FMC Act reporting requirements are inappropriate in the circumstances and impose an unreasonable burden. Therefore full relief is proposed for entities in liquidation.

Where the reporting entity is in receivership, interim liquidation or voluntary administration, compliance with the FMC Act financial reporting obligations during the period following appointment of an external administrator will generally impose unreasonable burden. The burden arises from a combination of time, financial and human resource constraints imposed on the entity and the external administrator in these forms of external administration.

We consider the burden to be disproportionate to the value that the company's FMC Act financial reporting may provide for relevant users during this period. A deferral of financial reporting obligations for these

companies reduces the severity of the burden during this period, and preserves the entity's limited assets for the benefit of all parties while its prospects are being determined.

We consider up to 24 months to be a reasonable period of time for an external administration to progress. A deferral period of up to 24 months gives the external administrator time to:

(a) investigate the affairs of the entity and report back to shareholders and creditors;

(b) progress the administration of the entity; and

(c) cause the FMC Act reporting to be prepared, audited, and lodged – or apply for individual tailored relief depending on the entity's circumstances.

Impact analysis

Avoids unnecessary compliance costs

The key benefit of this option would be to avoid unnecessary compliance costs arising from the existing overlapping financial reporting regimes when a reporting entity is insolvent. Users of the financial and other reports (such as creditors, members, potential creditors and employees) have an interest in the financial and other affairs of an entity that has entered administration. However, they also have an interest in the preservation of the entity's limited assets and its possible revitalisation.

We have looked at audit costs disclosed in financial statements recently filed with the Companies Office. Some representative examples are as follows:

- major reporting entity – $2 million per annum
- medium-sized reporting entity – $300,000-$500,000 per annum
- small reporting entity – $40,000 per annum.

Such compliance costs could materially reduce the returns available to investors and creditors without any significant benefit to them, because they will already receive the external administrator's reports.

Investors and creditors are provided sufficient information

Another purpose of the FMC Act is to enable timely, accurate and understandable information to be provided to persons to assist them to make decisions relating to financial products. Where a reporting entity is insolvent, its financial products are generally no longer on sale, and there is usually no market for investors to trade those products. The preferred option is not inconsistent with that purpose, and also avoids creditors and investors getting duplicate information. The financial reporting regimes under the Companies Act and Receiverships Act for the various forms of external administration provide sufficient transparency and information for existing investors and creditors. This information is also more timely as it must be provided every 6 months rather than annually under the FMC Act.

Once a reporting entity becomes insolvent the information needs of investors, lenders and other creditors change. They generally have two main concerns – how much am I going to receive, and how long will it take? We believe this key information is provided for under New Zealand insolvency laws.

The work of external administrators is not normally audited. However, all external administrators must be licensed under the Insolvency Practitioners Regulation Act 2019. The purpose of this legislation is to regulate insolvency practitioners and to establish an independent oversight system to promote quality, expertise and integrity in the profession of insolvency practitioners. Under this Act only a person who meets the prescribed minimum standards and who is otherwise a fit and proper person to hold a licence can become an external administrator. There are ongoing competence requirements. If these are not met, or the external administrator's work is not carried out with reasonable care, diligence, and skill, then their licence can be cancelled. So although there is no audit requirement, there are some protections for investors and creditors.

Promotes flexibility in financial markets

Another purpose of the FMC Act is to promote flexibility in financial markets. Providing relief from the requirements under the FMC Act where we consider that alternative reporting is sufficient promotes flexibility.

Not be broader than reasonably necessary

Given that:

- the exemptions will be limited to New Zealand reporting entities that are preparing financial statements in accordance with New Zealand's insolvency laws
- the external administrators who prepare such financial statements are subject to occupational regulation, and
- in the case of the deferral relief, the exemption is limited in time and only defers the obligation to report

the FMA is satisfied that the exemptions are not broader than is reasonably necessary to address the matters to which they relate. Also, if the liquidation, receivership or VA of an entity is terminated and the entity is returned to the control of the directors, then the exemption relief ceases to apply.

Option 2: No exemptions (status quo)

Description

Without any form of exemption, insolvent entities would be required to continue to comply with the financial reporting duties in Part 7 of the FMC Act. These provisions may practically be unenforceable if the reporting entity is insolvent. For example, because of the moratorium on legal proceedings that applies to companies in voluntary administration or insolvency,[3] FMC Act financial reporting duties cannot be enforced without the consent of the administrator/liquidator (which is unlikely to be granted) or the permission of the Court (which would be likely to be opposed by the administrator/liquidator if consent was withheld).

[3] For example, Companies Act 1993, section 248(1)(c)

Impact analysis

Avoids unnecessary compliance costs

This option fails to meet the FMC Act additional purposes of avoiding unnecessary compliance costs, as overlapping financial reporting regimes will continue.

Promotes flexibility in financial markets

This option will not promote innovation or flexibility in the financial markets. In particular, we consider that the dual reporting required for insolvent reporting entities is not flexible.

Provides for timely, accurate, and understandable information

Under the status quo option, entities will be required to continue their reporting duties under the FMC Act while insolvent. This means comprehensive financial statements are required to be produced alongside reporting under relevant insolvency regimes. Investors and creditors may find it confusing and inefficient to go through two sets of reporting.

Not broader than reasonably necessary

Not applicable.

Summary assessment of options against objectives

KEY: ✓✓ Meets the policy objectives ✓ Partially meets the policy objectives ✘ Does not meet the policy objectives

FMC Act objective	Option 1: Exemption relief	Option 2: No exemption (status quo)
To avoid unnecessary compliance costs	Allowing relief will avoid unnecessary compliance costs for affected entities in some form of liquidation or administration process. ✓✓	Financial reporting under the FMC Act results in an unnecessary compliance cost when financial reporting is also being undertaken under an insolvency regime ✘
To provide for timely, accurate, and understandable information to be provided to persons to assist those persons to make decisions relating to financial products or the provision of financial services	Users of financial reports such as investors and creditors will receive adequate information due to the financial reporting obligations under relevant insolvency regimes. This information will be more timely as it will be 6 monthly rather than annually under the FMC Act. ✓	Under the status quo option, entities are required to continue their reporting duties under the FMC Act while insolvent. This means comprehensive financial statements are required to be produced alongside reporting under relevant insolvency regimes. Investors and creditors may find it confusing and inefficient to go through two sets of reporting.✓
To promote innovation and flexibility in the financial markets	Allowing alternative existing reporting requirements in place of the requirements under the FMC Act where we consider that the alternative reporting is sufficient promotes flexibility. ✓✓	Flexibility will not be promoted because entities will have to comply with reporting requirements even when this will create unnecessary compliance costs and not significantly benefit the primary users. ✘
Not be broader than reasonably necessary	Given that the exemptions will be limited to New Zealand reporting entities that are preparing financial statements in accordance with New Zealand's insolvency laws, and the external administrators who prepare such financial statements are subject to occupational regulation, and in the case of the deferral relief the exemption is limited in	Not relevant

FMC Act objective	Option 1: Exemption relief	Option 2: No exemption (status quo)
	time and only defers the obligation to report, the exemptions are not broader than is reasonably necessary to address the matters to which they relate. ✓✓	

Consultation

Initial consultation

We released a consultation paper in 2021.[4] This was published on our website and emailed to key stakeholders. The consultation targeted investors, creditors, company directors, insolvency practitioners, lawyers, accountants and auditors. There were 11 formal submissions in total. They were from the Companies Office, the Official Assignee, the Insurance Council, the Institute of Directors, Calibre Partners (insolvency practitioners), Financial Services Federation, CPA NZ, CA ANZ, McGrath Nicol (insolvency practitioners), RITANZ (the representative body for insolvency practitioners), NZX and Stephen Layburn barrister. We also received informal feedback from the Reserve Bank of New Zealand, the New Zealand Shareholders Association, IRD and the XRB.

We also engaged with the Ministry of Business, Innovation and Employment (MBIE) to seek their views on how they see FMC Act financial reporting requirements operating in the context of external administration given:

- the difficulties in enforcing the obligations when the consent of the administrator/liquidator or a Court order is required to commence proceedings against the company or its property,
- practical difficulties engaging an auditor, and
- the existence of two reporting regimes running in parallel for distressed companies.

MBIE is comfortable with the proposed relief. Reform of legislative settings giving rise to the rationale for relief is under consideration. Government approval and Parliament enactment of such reform can take time. FMA relief can be provided before the passage of any amendment to the FMC Act.

Submitters to our consultation generally agreed with the core problem that the FMC Act financial reporting duties impose unnecessary compliance costs on an insolvent entity. They also agreed that the financial reporting regimes under the Companies Act and Receiverships Act for the various forms of external administration alone provide sufficient transparency and information for investors and creditors.

Key feedback from the consultation included:

- A few submitters considered deferral relief to defeat the purpose of the relief as the outstanding FMC Act financial reports are required to be filed once the deferral period has ended. They said those reports will not be timely or useful. We disagree where there is a short-term receivership. Many receiverships are of a short-term nature. For those companies that go into long-term receivership, most do end up in liquidation before the end of the deferral period – in which case FMC Act reporting is no longer required. For the small number of companies where reports are required after the 2-year deferral period ends we can consider individual relief on a case-by-case basis if a longer deferral period is requested.

[4] Consultation: Proposed financial reporting exemptions for FMC reporting entities in liquidation, receivership or voluntary administration | fma.govt.nz

- There were also different views on the appropriate period for deferral relief. We have decided to align our proposal with the Australian position of up to two years. For the few companies where two years proves insufficient, we can consider individual relief on a case-by-case basis. The main consideration will be whether or not any stakeholders will be adversely affected by further relief.
- Queries about what happens if an entity is in receivership and then goes into liquidation. In this case they will switch from relying on one exemption to the other exemption. We can consider on a case-by-case basis whether any deferred obligations should be cancelled for an accounting period where the entity was solely in receivership. Again, the main consideration will be whether or not any stakeholders will be adversely affected by such relief.
- In the consultation document, we had proposed including as a condition to the exemption that external administrators have "adequate arrangements in place to answer, within a reasonable period of time and without charge, any reasonable questions asked by a member of the company, or security holder (if any) about the financial reporting for the external administration". We have taken on board the feedback that this requirement is unnecessary.

Further consultation

We carried out a targeted consultation on an exposure draft of the notice to check the drafting and practical workability of the wording. The main feedback was on various aspects of the proposed relief for entities in external administration such as VA.

This feedback led to changes to the drafting of the notice.

Three substantive points were raised by submitters:

1. One stakeholder queried why banks, insurers and non-bank deposit takers (NBDTs) had been excluded from deferral relief. This change was made at the request of the Reserve Bank. The Reserve Bank would like to see relief provided on a case-by-case basis to entities it regulates subject to a temporary form of distress management, rather than blanket deferral relief.

   Banks, insurers and NBDTs are subject to a range of external administration measures, including resolution measures overseen by the Reserve Bank. The context and nature of the entities in distress can vary widely and are often complex. In some cases, it may be desirable for the entity to continue reporting, such as where the entity could theoretically emerge from external administration as a going concern.

   The Reserve Bank's view is that a case-by-case exemption, by the FMA in consultation with the Reserve Bank, would better reflect the particular circumstances of such entities and provide the flexibility needed to manage complex situations.

   Under section 561A of the FMC Act, the FMA has to consider the views of the Reserve Bank if it is proposing any financial reporting exemption that will affect licensed insurers, registered banks and NBDTs.

   In light of this provision, and having considered the views of the Reserve Bank and discussed with the Reserve Bank other possible options to resolve its concern, we have changed the deferral relief for entities in receivership, interim liquidation or voluntary administration to align with the Reserve Bank's request.

2. A submitter queried whether there are penalties or other consequences for failing to comply with the requirements in clauses 7 and 10 of the notice. These clauses have notification conditions designed to inform investors and creditors that the exemption relief is being relied on.

   The consequence of not complying with an exemption condition is normally that the exemption falls away, and the entity affected is in breach of the primary obligation to which the exemption relates: refer section 559 of the FMC Act.

   We considered whether to disapply section 559 in this particular case. Having regard to a number of factors we have decided not to disapply section 559. Those factors include:

   - **Regulatory burden** – the burden is not significant, e.g. for clause 7 there is unlikely to be an annual report or website so effectively there are only 2 requirements: Notice in any statement of the entity's affairs prepared by the liquidator, and Notice to the Companies Office. These requirements are very simple to comply with.
   - **Seriousness of non-compliance –** it is important that investors and creditors know that audited financial statements will not be available.

3. A submitter queried the limitation on relief in clause 9(1)(c). One effect of this provision was that no deferral relief is provided if an entity enters into VA or receivership after August 2028, and yet the exemption notice runs until August 2030. We reflected on that feedback, and as a result the limitation has been removed.

Conclusion and selected option

Having carefully considered regulatory and non-regulatory impacts, and feedback provided through consultation, we have decided that Option 1 (grant two types of exemption relief) addresses the identified problems and will achieve the objectives of:

- avoiding unnecessary compliance costs
- promoting flexibility in the financial markets
- providing for timely, accurate and understandable information to be given to investors and consumers.

Option 2 (no exemption relief) would not achieve these objectives.

On this basis we have decided to grant an exemption for FMC reporting entities in liquidation, receivership or VA in respect of their duties in Part 7 of the FMC Act. We think the exemption will 'right-size' the compliance obligations for these entities. The exemption will be granted subject to conditions that will ensure investors and creditors are fairly informed of an entity's reliance on the exemption.

Schedule – Exemption requirements and conditions

Exemption for financial reporting entities in liquidation

The exemption will be available if an FMC reporting entity becomes insolvent and enters into liquidation.

The exemption will apply to:

(i) an accounting period that commenced before 31 August 2025 (including an accounting period that ended before the entity entered into liquidation) if the date of the appointment of the liquidator is before the due date for filing financial statements; and

(ii) subsequent accounting periods.

The main effect of the exemption is to allow the entity to dispense with having to produce and file audited financial statements. However, it is still required to correctly record its transactions and maintain a satisfactory system of control of its accounting records.

The exemption will be subject to the condition that the entity must include a statement to the effect it is relying on the exemption and a brief summary of the effect of relying on the exemption in:

- any annual report
- its website
- the six-monthly statement of affairs prepared by the liquidator, and
- an annual notice to the Registrar of Companies for inclusion on the Companies Register.

The exemption will expire on 30 August 2030.

Exemption for financial reporting entities in receivership or VA

The exemption will be available if an entity enters into receivership, interim liquidation or VA.

The exemption will apply to:

(i) an accounting period that commenced before 31 August 2025 (including an accounting period that ended before the entity entered into administration) if the date of the appointment is before the due date for filing financial statements; and

(ii) 1 subsequent accounting periods.

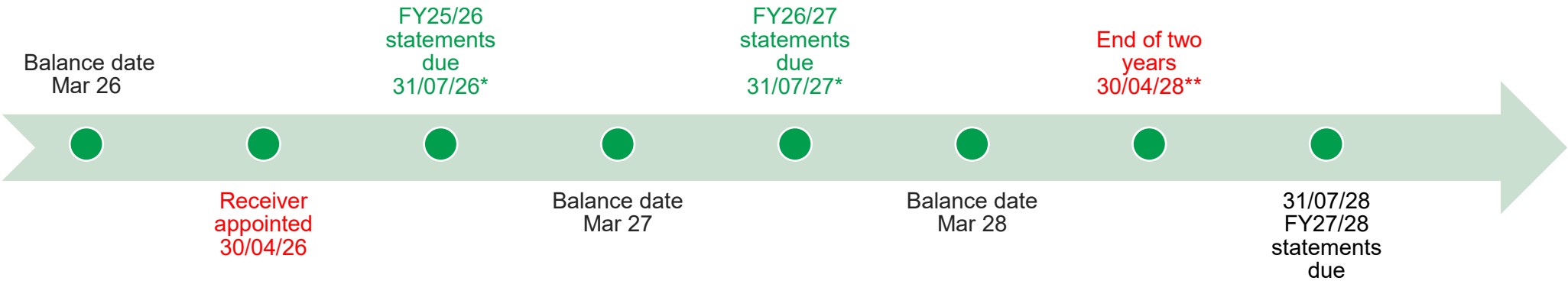
The main effect of the exemption is to defer the filing of audited financial statements for up to 2 years. This is illustrated in the Appendix. An exempt entity is still required to prepare financial statements during the period of the exemption and have them audited.

The exemption will be subject to the condition the entity must include a statement to the effect it is relying on the exemption and a brief summary of the effect of relying on the exemption in:

- its annual report
- its website
- the six-monthly statement of affairs prepared by the external administrator, and
- an annual notice to the Registrar of Companies for inclusion on the Companies Register.

The exemption will expire on 30 August 2030.

Appendix – Timeline of possible relief for receivership



* Exemption applies

** FY25/26 and FY26/27 financial statements must be filed before this date.

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fma.govt.nz