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Regulatory Impact Statement (GSSS Bonds Class Exemption)

This document is for issuers who may be considering issuing bonds with green, social, sustainability and sustainability-linked features, as well as investors and other interested parties. It discusses our considerations in relation to a class exemption to provide disclosure relief to facilitate offers of these types of bonds that would otherwise be of the 'same class' as existing quoted bonds.

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Executive summary

1. This Regulatory Impact Statement addresses the proposal by the Financial Markets Authority – Te Mana Tātai Hokohoko (FMA) for a class exemption for certain green, social, sustainability, and sustainability-linked (**GSSS**) bonds, to facilitate offers on a similar basis to the quoted financial products (or 'same class' offers) exclusion in clause 19 of Schedule 1 of the Financial Markets Conduct Act 2013 (**FMC Act**).
2. Considering the regulatory and financial impacts, this document provides an analysis of options that were acknowledged in determining the final policy proposal.
3. As required under section 557 of the FMC Act, assessments were based on the extent to which the proposed exemption is necessary or desirable to achieve the main purposes of the FMC Act as specified in section 3, or any of the additional purposes specified in section 4, in comparison to the status quo; and whether granting the exemption would be broader than reasonably necessary to address the matters that gave rise to the exemption.
4. After careful consideration of both regulatory and non-regulatory impacts, the FMA recommends granting a class exemption to provide disclosure relief to facilitate offers of bonds that would otherwise be of the 'same class' as existing quoted bonds, except for a difference in GSSS status.
5. The exemption will include conditions that are intended to align with the legislative requirements for same class offers, as well as conditions requiring disclosure of information about additional GSSS features of the bonds (and in the case of offers of new vanilla bonds, the lack of GSSS features).

Section 1: Introduction

Background

Growth in demand for GSSS bonds

6. GSSS bonds are types of debt securities that offer the investor a non-financial benefit in relation to certain sustainability commitments by the issuer. For example:
 - a. **Green bonds** – bonds where the proceeds will be used to finance or refinance environmentally friendly projects or assets.
 - b. **Social bonds** – bonds where the proceeds will be used to finance or refinance projects or assets with positive social outcomes, or to address a social issue.
 - c. **Sustainability bonds** – bonds where the proceeds will be used to finance or refinance a combination of green and social projects or assets.
 - d. **Sustainability-linked bonds** – bonds where the financial and structural characteristics may vary according to the issuer's progress against certain objectives, often called sustainability performance targets.
7. Bonds that are not GSSS bonds are colloquially known as '**vanilla**' bonds.
8. In New Zealand, consumers are increasingly prioritising non-financial characteristics when searching for investments. This surge in popularity means there is an opportunity to grow and develop New Zealand's sustainable finance market, and for New Zealand retail investors to participate in capital raising with green or socially responsible objectives.

The 'same class' exclusion

9. The quoted financial products, or 'same class' offers, exclusion in clause 19 of Schedule 1 of the FMC Act (the **same class exclusion**) enables issuers to offer financial products of the same class as financial products that have been quoted on a licensed market for at least 3 months, without complying with the usual disclosure requirements in Part 3 of the Act. This is on the basis that appropriate information is already publicly available in relation to existing quoted financial products of the same class, which investors can use to make confident and informed decisions and, perhaps more importantly, that the quoted products are appropriately priced by the market by the time a same class offer is made.
10. The exclusion makes offering a financial product less expensive and less time consuming for the issuer as it avoids the cost associated with preparing a product disclosure statement (PDS). To date it has been very well utilised by NZX issuers, allowing significant amounts of capital to be raised efficiently – which has been regarded as a major success of the FMC Act framework.
11. As set out in the FMA's 2019 information sheet [Green bonds – same class exclusion](#), because green bonds and other kinds of sustainable bonds claim to offer investors an additional non-financial benefit, they are not the 'same class' as vanilla bonds, even if all terms are identical. This means GSSS bonds cannot be offered off the back of existing quoted vanilla bonds under the same class exclusion (and vanilla bonds cannot be offered off the back of existing quoted GSSS bonds).

Statement of the problem

Current regulatory settings may disincentivise offers of GSSS bonds

12. While the responsible investment market in New Zealand continues to grow, the GSSS bond market has to date been limited to a small pool of issuers, largely from the energy and property markets.
13. Despite interest from New Zealand investors in sustainable investment products, issuers may be disincentivised to issue a new GSSS bond when they can instead rely on the same class exclusion to issue a vanilla bond that is of the 'same class', avoiding the costs of compliance associated with producing a new PDS.
14. If bonds with sustainable features are issued as vanilla where they otherwise could have been labelled as GSSS, this is detrimental to investors who want to invest in green and sustainable products, and inefficient if 'green' products cannot be labelled as such.
15. If an efficient route to market in New Zealand does not exist, issuers may choose to offer GSSS bonds to wholesale investors in Australia where there is a larger pool of capital and the bond market is predominantly institutional. It may also discourage overseas issuers listed on the NZX from choosing to offer GSSS retail bonds in New Zealand, limiting the growth of the GSSS bond market.

The status quo, providing relief through individual exemptions, may not be fit for purpose

16. Since 2021, the FMA has been willing to grant individual exemptions in relation to use of proceeds bonds (which notionally allocate the net proceeds from the bonds to eligible environmental or socially responsible projects, assets or activities), providing disclosure relief on a similar basis to the same class exclusion.
17. This acknowledges that for bonds that are otherwise of the 'same class' as an existing quoted financial product, except for a difference in GSSS status, requiring the issuer to produce a full PDS may lead to unnecessary compliance costs, given the information already available to the market.
18. The individual exemptions have been accompanied by conditions prescribing disclosure relating to the difference in GSSS status between the new bond and the existing quoted bond, to ensure the market has access to the additional information about the product that has not been disclosed previously.
19. However, we continue to receive feedback that the status quo is not considered fit for purpose by many issuers due to the time and uncertainty associated with applying for an individual exemption, which prevents issuers from going to market in a timely manner. This may be particularly problematic when faced with a volatile market, where funding decisions must be made quickly.

Objectives

20. To grant an exemption from the FMC Act, the FMA must be satisfied that the exemption is (a) necessary or desirable in order to promote one or more of the FMC Act's main or additional purposes and (b) not broader than is reasonably necessary to address the matters that gave rise to it.
21. The purposes of the FMC Act that we consider are the most relevant to this exemption proposal are as follows:
 - a. To promote and facilitate the development of fair, efficient, and transparent financial markets;

- b. To promote confident and informed participation of businesses, investors and consumers in the financial markets
- c. To promote innovation and flexibility in the financial markets
- d. To provide for timely, accurate and understandable information to be provided to persons to assist those persons to make decisions relating to financial products
- e. To avoid unnecessary compliance costs.

Section 2: Options and impact analysis

Options

22. The options we have considered to address the problem statement are as follows:

- Option 1: A class exemption to facilitate offers of bonds that would otherwise be of the 'same class' as existing quoted bonds except for a difference in GSSS status (preferred option)
- Option 2: Status quo

Impact analysis

Option 1: A class exemption to facilitate offers of certain GSSS bonds on a similar basis to the same class exclusion (preferred option)

Description

23. The FMA would grant a class exemption to issuers to facilitate offers of bonds that would otherwise be of the 'same class' as existing quoted bonds, except for a difference in GSSS status. The terms and conditions of the exemption would align offers under the exemption as closely as possible with offers made under the same class exclusion.

24. The proposed exemption would cover the below types of GSSS bond offers, which we consider are sufficiently similar to vanilla bond offers to ensure the market has enough information to price the products:

- Use of proceeds bonds** (e.g. green, social or sustainability bonds) where the net proceeds of the bond are intended to be notionally allocated to eligible projects, assets and activities that support positive environmental and/or social outcomes. They typically are contractually identical to vanilla bonds, however any non-performance of GSSS commitments associated with the bond may result in the bond ceasing to be labelled as 'green', 'social' or 'sustainable', as this would become misleading under the fair dealing requirements of Part 2 of the FMC Act.
- Sustainability-linked bonds (SLBs)** that link financial or structural features of the bond to an issuer's achievement of certain pre-determined sustainability-performance targets. Net proceeds from the bonds are used for general corporate purposes. We propose to limit the scope of the exemption to SLBs that utilise:
 - an interest rate step-up mechanism, where the issuer is obliged to pay a higher interest rate to investors upon failure to achieve sustainability performance targets; or
 - a donation mechanism, where the issuer must make a charitable donation if they fail to achieve sustainability performance targets. This option was included in response to feedback from public consultation.

These kinds of bonds remain closely aligned with existing quoted vanilla bonds, and these mechanisms would not alter the credit characteristics of the vanilla bonds.

25. In response to feedback from industry, this option would also facilitate offers of new vanilla bonds off the back of existing quoted GSSS bonds.
26. The exemption would adopt a broad definition of bonds with 'GSSS status', which does not attempt to define the types of activities that can be described as GSSS. However, we would include conditions requiring disclosure from the issuer about the basis upon which the bonds are or are not described as 'GSSS'.

Impact assessment

27. Allowing GSSS bonds and vanilla bonds to be treated interchangeably where they otherwise have identical rights, privileges, limitations and conditions (except for a difference in redemption date and interest rate) would align with the policy rationale of the same class exclusion in relation to market-based pricing and offer issuers more flexibility when considering whether to offer a GSSS bond or a vanilla bond. This exemption would remove the regulatory disincentive to issue GSSS bonds in comparison to issuing vanilla bonds under the same class exclusion, and help further develop the market for GSSS bonds by making them a more attractive option for issuers.
28. The GSSS bond market is growing worldwide and New Zealand risks being left behind, while investors miss out on the chance to invest in environmentally and socially responsible products. We consider this justifies granting an exemption to facilitate offering bonds with differences in GSSS status on a similar basis to the same class exclusion.
29. While there are some differences between use of proceeds bonds and vanilla bonds, an exemption would not inhibit market-based pricing as these differences do not significantly alter the fundamental financial risk or return profile compared to vanilla bonds. The primary risks of investing in bonds are risk of default and loss given default, which do not change based on GSSS status, and the credit characteristics of the bonds do not change.
30. This rationale is also applicable to resettable SLBs and SLBs with a donation mechanism, as their distinguishing feature – the potential adjustment of interest rates or a charitable donation based on predefined sustainability performance targets – is structured as an additional term rather than a fundamental alteration of the bond's core characteristics. These types of SLBs are comparable to existing quoted vanilla bonds offered to retail investors, would not alter the credit characteristics of the bonds, and are not unduly complex. There is no financial downside for the investor should the issuer fail to achieve targets.
31. The key risk is that without a PDS investors may not have all of the information needed to properly understand the nature and characteristics of the new bonds being offered (as distinct from the existing bonds). This risk is particularly relevant for sustainability-linked bonds – while use of proceeds bonds are typically contractually identical to vanilla bonds (with the only difference being how the funds are intended to be used), SLBs may have additional terms that differ from vanilla bonds.
32. To address this, and to assist investors to make an informed investment decision, we would impose conditions requiring disclosure about the GSSS status of the bond, to fill the gap between the information available in relation to the quoted bonds and the GSSS status of the new bonds, which would otherwise be provided in a PDS. The conditions would be aligned with the statutory same class exclusion, which requires issuers to produce a 'cleansing notice' to provide the market with any additional information that is not disclosed but is necessary to be able to accurately price the product.

33. Based on feedback from consultation there is currently no or limited evidence of an identifiable pricing difference between GSSS bonds and vanilla bonds. It is difficult to isolate the impact of GSSS status on price, however in theory there is debate about the potential for a 'greenium' (green premium) – that investors will accept a lower yield in return for the positive social or environmental benefits associated with the bond, and issuers can access a cheaper cost of capital. As part of our public consultation, some submitters suggested that the New Zealand GSSS bond market is immature, and that impact on pricing may be better understood once the market is more fully developed. Other submitters suggested that the presence of a greenium diminishes as GSSS bond issuance becomes the norm and more GSSS bonds are issued. However the key objective is that the market has all the right information to accurately price the products, which will be achieved through the exemption's disclosure conditions. Market-based pricing lowers the risk profile for investors as there is already a fair market price.
34. We consider that the risk of 'greenwashing' associated with GSSS bonds would not be unduly increased through granting this exemption – our basis for action and enforcement remains the same, via the fair dealing provisions in Part 2 of the FMC Act. The conditions of the exemption would also help mitigate any risk of greenwashing, as investors receive clear and prominent disclosure about the GSSS features as part of the terms of the offer.

Stakeholders

35. There is extensive interest in this exemption from the market due to the increasing demand for sustainable/socially responsible financial products by investors, and issuers wanting an efficient route to market for these bonds. We consider that approval of this class exemption would have the following impacts:
- *Issuers:* a class exemption would allow issuers to treat GSSS bonds and vanilla bonds interchangeably where they are otherwise of the 'same class' but for a difference in GSSS status. Issuers would be able to make offers under the exemption in effectively the same manner as a same class offer, providing an easy and low-cost way to offer a GSSS bond instead of a conventional vanilla bond, or vice versa. This may promote the growth and development of New Zealand's GSSS bond market, and save issuers unnecessary compliance costs where adequate information is already available about the bonds to allow the market to effectively price the product.
 - *Investors:* This exemption would help respond to demand from investors for environmentally and socially responsible investment products. It would potentially provide increased opportunities for retail investors in New Zealand to access the GSSS bond market, through a wider range of GSSS bond offerings, as an alternative to conventional vanilla bonds. The exemption's tailored disclosure conditions may also help retail investors better understand any GSSS features. Investors would be provided with a shorter and simpler terms sheet that may make it easier to read and digest the key GSSS-related information, rather than having to review the (typically longer) PDS and distil key information from that broader document, mitigating perceived complexity of the bonds.
 - *FMA:* Granting this exemption supports the statutory objectives of the FMC Act, including promoting innovation and flexibility in the financial markets, by leveraging the built-in flexibility associated with the same class exclusion to remove regulatory barriers to issuing innovative financial products; and removing unnecessary compliance costs for issuers.

Option 2: Status quo (not preferred)

Description

36. We would not grant a class exemption, leaving issuers to seek individual exemptions on a case-by-case basis or utilise alternative routes to market such as a PDS.
37. Since determining our policy approach to granting individual exemptions in 2021, we have had only a small number of individual exemption applicants, with market participants expressing strong demand for a class exemption. This supports the conclusion that the individual exemption route may not be fit for purpose.

Impact assessment

38. Without a class exemption, issuers may be disincentivised from making offers of GSSS bonds, in order to avoid compliance costs and timing issues associated with producing a PDS or applying for an individual exemption. We have received feedback from industry that an individual exemption remains prohibitive in comparison to issuing a bond under the same class exclusion.
39. Due to the significant management and governance time associated with producing a PDS, including board engagement and additional director review and risk approvals, or the time and uncertainty associated with applying for an individual exemption, issuers may be prevented from going to market in a timely manner. Issuers may be incentivised to issue bonds in wholesale markets overseas, or utilise the same class exclusion to issue a conventional vanilla bond (where it could otherwise have been labelled GSSS). This may lead to fewer opportunities for New Zealand investors to access these kinds of products.
40. Being unwilling to grant a class exemption of this nature may mean missing an important opportunity to ensure that New Zealand does not fall behind the rest of the world in the development of the GSSS bond market, and a lost opportunity for us to signal to industry our willingness to improve efficiency by removing unnecessary compliance costs and regulatory burden.

Stakeholders

41. The following stakeholders may be impacted by this option:
- **Issuers:** Issuers would be required to produce a PDS or apply for an individual exemption rather than relying on a class exemption, which may mean they are subjected to unnecessary compliance costs and are prevented from going to market in a timely manner. Alternatively, some issuers with existing green assets may be able to recharacterise their existing vanilla bonds as green bonds through a process known as 'greening'. However, this approach is only possible for use of proceeds bonds, not for SLBs, and may not be considered best practice in terms of international standards or by some global investors.
 - **Investors:** If regulatory settings disincentivise the issuance of GSSS bonds in the New Zealand market, retail investors may miss out on the opportunity to invest in these kinds of bonds. Investors who wish to prioritise investments that align with their values may be disincentivised from investing if they do not have access to products that align with their preferences.
 - **FMA:** The FMA will have to continue considering applications for individual exemptions on a case-by-case basis, which may be an inefficient use of resources if there is sufficient demand for a class exemption.

Summary of options against objectives

	Option 1: Exemption - preferred option	Option 2: No exemption - status quo
Promote and facilitate the development of fair, efficient, and transparent financial markets	Granting the class exemption would provide a low-cost way for an issuer to offer bonds that are identical but for a different GSSS status. It would indicate to issuers that FMA is supportive of the growth of this market. Facilitating offers of this type will meet the market demand for these types of bonds. ✓	Not granting the exemption would continue the current environment where issuers lack incentives to offer these types of products and the growth of New Zealand's GSSS bond market is slow. ✗
Promote confident and informed participation of businesses, investors, and consumers in the financial markets	Granting the class exemption would assist with bringing GSSS bond offerings to market, meeting strong investor demand for products that further environmental and social objectives. ✓	As above, this would continue the environment where investors have few opportunities to invest in sustainable financial products despite strong appetite to do so. ✗
Promotes innovation and flexibility in the financial markets	The strong uptake of same class offers is regarded as a major success of the FMC Act framework in allowing businesses to raise capital quickly and efficiently. Granting exemptions of this nature for GSSS bonds would allow this built-in flexibility to be further leveraged for a different type of financial product that may deliver positive social and environmental impacts, and promotes the growth of this developing market. ✓✓	Not granting the exemptions would be a lost opportunity to demonstrate our willingness to facilitate the growth of New Zealand's GSSS bond market by providing issuers with a low-cost and easy way to offer these products and enabling issuers to treat them interchangeably with vanilla bonds ✗
Provide for timely, accurate, and understandable information to be provided to persons to assist those persons to make decisions relating to financial products	The information and pricing already available to the market is supplemented by standalone disclosure of the GSSS features of the bonds – enabling this information to be clearly presented in a manner that highlights the differences between the existing quoted bonds and the new bonds, making this more transparent for investors. ✓✓	In the absence of an exemption, issuers may rely on alternative routes to market, e.g. a simplified disclosure PDS; or the issuer may issue a same class bond using the same class exclusion, which may mean the opportunity to offer a bond with GSSS features is lost. These routes should provide all necessary information for an investor to make an informed decision. ✓✓

	Option 1: Exemption - preferred option	Option 2: No exemption - status quo
Avoid unnecessary compliance costs	Issuers would avoid the costs of producing a PDS or applying for an individual exemption. Given the bonds would have identical terms to existing bonds other than a difference in GSSS status, for which exemption conditions will require specific disclosure, investors would still have enough information to make informed investment decisions, making the compliance costs in this case unnecessary. ✓✓	The alternative routes to market require repetition of information and processes already undertaken for the existing quoted bonds that have already been priced by the market, creating unnecessary regulatory burden and costs to offer these products. ✗
Not broader than reasonably necessary to address problem	The exemptions would be limited to bonds with terms that are identical to existing quoted bonds, except for the interest rate and maturity date (as permitted under the legislative same class exclusion), and a difference in GSSS status. ✓✓	n/a

- ✓✓ Meets the policy objectives
- ✓ Partially meets the policy objectives
- ✗ Does not meet the policy objectives

Section 3: Consultation

Public consultation on proposal

42. We carried out a public consultation on the proposed exemption notice. We received 21 submissions from a broad range of stakeholders, including listed issuers, banks, law firms, industry associations, investors, academia and Government/Crown entities. 19 submitters were supportive of a class exemption, and 2 were not supportive.
43. The majority of submitters agreed that regulatory settings are currently disincentivising issuers from issuing bonds in GSSS format, and that an exemption is required to alleviate unnecessary compliance costs on issuers, promote innovation and flexibility, and facilitate the development of fair, efficient and transparent financial markets.
44. The majority of submitters considered GSSS bonds and vanilla bonds to be sufficiently similar to justify a class exemption, and that clear disclosure about the GSSS status of the bonds will allow the market to be adequately informed to efficiently price the product. Submitters noted that while it is difficult to assess the impact of GSSS status on price, there is currently no or limited evidence of a material pricing difference between GSSS bonds and vanilla bonds.
45. There was particular interest in sustainability-linked bonds, with most respondents supportive of their inclusion in the scope of the exemption. A number of submitters proactively advocated for a 'two-way' exemption, that would also facilitate offers of vanilla bonds off the back of existing quoted GSSS bonds.
46. The majority of submitters supported our proposed approach to defining GSSS status, as aligned with current market practice, and favoured including disclosure conditions that were clear, detailed and prescriptive about the type of information that must be disclosed about the bonds' GSSS features. Submitters noted that without sufficient certainty, issuers will not be inclined to use the class exemption, due to serious consequences for non-compliance (e.g. personal liability for directors for failing to produce a PDS).
47. Of the two submitters who were not supportive, one stated that the exemption may represent a move towards less disclosure and less information transparency, that a PDS is the appropriate place for retail investors to find essential information, and that relaxing the requirements for issuing a GSSS bond would increase the risk of greenwashing. However we consider that the conditions to the exemption will assist investor understanding by ensuring investors have access to all relevant information about the GSSS features that would otherwise have been disclosed in a PDS (noting that in a 'same class' offer of a vanilla bond, the investor would not receive a PDS either). We do not consider the exemption will introduce an increased risk of greenwashing, as Part 2 of the FMC Act relating to fair dealing would apply to offers under the exemption, and we consider the requirement to disclose the GSSS features is an effective mitigant.
48. The other submitter was in disagreement with the need for the exemption on the basis that current compliance costs should not be prohibitive for issuers looking to issue a GSSS bond, given the large size of the issuers and the high face value of the bonds. However, we are of the view that the compliance costs, while not necessarily prohibitive, are an additional factor that may tip the balance in

favour of issuing a vanilla bond rather than a GSSS bond, and are unnecessary given the information already available to the market.

Targeted consultation on draft notice

49. We also carried out two rounds of targeted consultation on a draft of the exemption notice with those who had submitted on the proposal or registered their interest via our website.
50. As a result of the targeted consultation, we determined to expand the definition of SLBs to include those that use a donation structure, where the issuer must pay a charitable donation to a nominated entity in response to failure to achieve sustainability performance targets. This responds to increasing demand for this SLB structure in the New Zealand market, ensuring the practical workability of the exemption notice as the market evolves. It also recognises that this structure would not affect the credit characteristics of the bond, and may be more similar to an issuer's vanilla bonds than SLBs whose terms contain interest rate 'step-up' mechanisms. This change is aligned with the purpose of promoting innovation and growth in the GSSS bond market
51. We also made changes to the draft notice to:
- a. Streamline the disclosure conditions to strike a balance between providing issuers with adequate certainty about disclosure requirements, while also not requiring burdensome disclosure that goes beyond what would be required under a regulated offer under Part 3 of the FMC Act.
 - b. Clarify the ability to utilise the exemption to offer bonds that have a different GSSS status to the issuer's quoted GSSS securities. This means that an existing issuer of quoted GSSS bonds could use the exemption to issue a different kind of GSSS bond.
 - c. Align the exemption as closely as possible with offers under the same class exclusion. While offers under the same class exclusion are not regulated, offers under the exemption will remain regulated, as per section 561 of the FMC Act. This is to allow issuers to access a zero-rated approved issuer levy under section 86IB(1)(b)(i) of the Stamp and Cheque Duties Act 1971, which applies to both regulated offers and offers under the same class exclusion, but does not apply to an unregulated offer made via an exemption. However, to account for this difference from the same class exclusion, we have added a Part 4 exemption for registered banks and the Crown (whose original quoted securities may have been issued under a different Schedule 1 exemption and therefore not subject to Part 4); and a Part 7 exemption for recipients of money from conduit issuers (section 453 of the FMC Act applies to circumstances where money is raised under regulated offers, but not to money raised under offers made via the same class exclusion).

Section 4: Conclusion and preferred option

52. We consider our objectives are best achieved by approving a class exemption notice to facilitate offers of bonds that are identical to existing quoted bonds but for a difference in GSSS status. Offers under the exemption would be aligned as closely as possible with offers under the same class exclusion.
53. We consider that granting this exemption notice would respond to growth in demand by investors for socially and environmentally responsible financial products, and respond to industry feedback that current regulatory settings are inhibiting the growth of the GSSS bond market in New Zealand.
54. We are granting this class exemption notice because:
- the exemptions promote innovation and flexibility in the financial markets by enabling GSSS bonds and vanilla bonds to be treated interchangeably where they otherwise have identical rights, privileges, limitations and conditions (except for a difference in redemption date, interest rate, and GSSS status). This offers additional flexibility for issuers when deciding whether to issue a bond as GSSS or not. It also promotes the growth of the GSSS bond market in New Zealand, and facilitates offers of a different type of bond that may fund projects, assets or activities that generate positive environmental and social benefits. This enables investors to access products that might otherwise not be made available, responding to growing investor demand for products that integrate non-financial factors; and
 - compliance with the disclosure requirements of Part 3 of the Act would provide limited value to investors. The exemptions apply only to bonds with identical terms to existing quoted debt securities, other than the interest rate or redemption date (or both) and the GSSS status, meaning that the higher costs of compliance with the requirements of the Act are not necessary given that material information is already available to the market; and
 - the information that is already available to the market about the bonds is supplemented by the conditions of the exemptions, which require disclosure of information about whether the bond is a vanilla bond or if it has GSSS status and, if so, what that GSSS status entails. This allows investors to readily identify the differences between the bonds being offered and existing quoted debt securities; and
 - as such, the FMA is satisfied that the exemptions are desirable in order to promote the purposes of the Act, specifically by ensuring timely, accurate, and understandable information is provided to assist investors to make confident and informed decisions relating to the bonds offered, to avoid unnecessary compliance costs, and to promote innovation and flexibility in financial markets; and
 - given the exemptions apply only to bonds with identical rights, privileges, conditions and limitations as existing quoted debt securities, except for the interest rate or redemption date (or both) and the GSSS status of the bonds, and in view of the exemptions being granted on an equivalent basis to the same class offer exclusion (with certain modifications relating to the GSSS status or lack of GSSS status) the FMA is also satisfied that the exemptions are not broader than is reasonably necessary to address the matters that gave rise to them.

