Financial Conduct Report

June 2025

FMA
FINANCIAL MARKETS AUTHORITY
TE MANA TĀTAI HOKOHOKO

Contents

From the Chair and Chief Executive

The Financial Markets Authority – Te Mana Tātai Hokohoko (FMA) is delighted to share our first Financial Conduct Report (FCR), which supports our statutory objective of fair, efficient, and transparent financial markets, and demonstrates our outcomes-focused approach in practice.

We recognise effective implementation of an outcomes-focused approach requires greater dialogue with industry and stakeholders about the most significant risks and opportunities for New Zealand businesses, investors, and consumers. Part of this is being transparent about the conduct we see (both good and poor) and our regulatory priorities for addressing that conduct, which is the primary purpose of this publication.

Good conduct is the foundation of a vibrant and trusted financial sector, fostering the confident participation of businesses, investors and consumers. Poor conduct, however, can undermine confidence, damage reputations, and discourage participation in our financial markets.

We are publishing this FCR in the context of an uncertain economic outlook, geopolitical changes, financial pressure on households and businesses, fast-developing technologies, and an expanding regulatory remit for the FMA. This underscores the importance of engaging with the industry and stakeholders, to identify and respond to emerging risks.

We recently published our approach to outcomes-focused regulation[1], setting out our commitment to working with industry participants to improve outcomes for consumers and markets. The key outcomes we have identified support our statutory objective and align with the purpose of our foundational legislation.

The outcomes are:

- Fair services
- Ongoing quality service
- Market innovation and growth
- Market integrity and transparency
- Well-informed consumers and investors
- Improved access to products and services
- Resilient markets and providers.

This FCR sets out our regulatory priorities in support of these outcomes for our 2025/26 financial year, which begins on 1 July.

We encourage boards, executives, and leaders across the industry to use the FCR to understand FMA's regulatory priorities for the coming year, and consider any insights for their businesses to secure better outcomes for consumers and markets.

We will be using this report in our engagements with industry over the coming months, and we invite dialogue and feedback on how we could make future editions more useful. As an annual publication, the FCR will serve as a key communication tool to highlight where conduct and outcomes have (and have not) improved, and our areas of focus for the next 12 months.

Craig Stobo
FMA Chair

Samantha Barrass
FMA Chief Executive

On behalf of FMA Board members Suzanne Chetwin, Prasanna Gai, Chris Swasbrook, Tracey Berry, Nick Hegan, Mariette van Ryn, and Steven Bardy.

We would like to acknowledge Prasanna Gai for providing the genesis of this document.

[1] Outcomes-focused regulation | Financial Markets Authority

Our 2025/26 priorities

This FCR sets out the FMA's regulatory priorities for the 2025/26 financial year, both for the individual sectors we regulate and on issues that cut across multiple sectors.

Each section outlines our key areas of focus for that sector for the financial year, along with the rationale behind these priorities, including the emerging risks and opportunities we see within each sector. The cross-sector priorities apply universally, and all businesses should consider them alongside sector-specific priorities.

In addition to our priorities, we will continue to regulate effectively across the breadth of our remit and perform our statutory functions. We are anticipating the transfer of consumer credit responsibilities to the FMA from the Commerce Commission during the year[2]. We will communicate our regulatory priorities for consumer credit nearer the time of transfer and intend to include the sector in our next FCR.

Our priorities for 2025/26 for each sector

Cross-sector

- Removing unnecessary regulatory burden
- Understanding emerging risks and opportunities
- Ensuring customers are treated fairly when things go wrong
- Disrupting scam activity
- Advocating for reform for assets held in custody

Financial advice

- Conduct impacting consumers in vulnerable circumstances
- Consumers and investors understand fees, incentives, and commissions
- Effective protection of client assets
- Challenges and opportunities to improve accessibility of advice

Banks and non-bank deposit takers

- Proactive product reviews for existing products

Insurers

- Proactive product reviews for existing products
- Communication with consumers on product and service offerings

Capital markets

- Tackling misleading disclosure by wholesale issuers
- Clear expectations for ethical investment disclosures
- Insider conduct and continuous disclosure
- Supporting policy changes for capital markets

Investment management

- Clear expectations for ethical investment disclosures
- Consumers and investors understand fees, incentives, and commissions
- Effective protection of client assets
- Advocating for reform for assets held in custody
- Ensuring consumers' and investors' interests are at the forefront of decision-making

[2] 2024-25 financial services reforms | Ministry of Business, Innovation & Employment

Cross-sector

New Zealand's financial markets are dynamic and impacted by both domestic and global developments. This section focuses on our cross-sector priorities and emerging issues. Where appropriate, we have highlighted the link to a specific sector.

The cross-sector priorities are relevant for all sectors and all businesses should consider these priorities in addition to those for their sector.

Removing unnecessary regulatory burden

Relevant outcomes

Market innovation and growth

Improved access to products and services

2025/26 focus

Over the next 12 months we will prioritise supporting innovation, growth, and access through removing unnecessary compliance burden and regulatory inefficiencies.

We will continue our pilot regulatory sandbox to facilitate innovation by providing startups and established firms the opportunity to test new products and services in a monitored environment. We will make progress towards a single conduct licence by streamlining Financial Markets Conduct Act Part 6 licensing application processes, standard conditions and supervision activities. This will be followed by further streamlining of regulatory returns.

We will also continue to collaborate closely with other agencies, in particular the Reserve Bank of New Zealand (RBNZ), to ensure the twin peaks regulatory regime is delivered efficiently for banks, non-bank deposit takers and insurers.

Why this is our focus

- We want to encourage growth and access to innovative products and services. By supporting firms to test new products and services in a sandbox environment, we can improve our understanding of where our laws may impede innovation or drive firms to find ways to operate outside the regulatory perimeter. Consumers will get faster access to new products and services, improving their experience of financial services.
- We want to reduce unnecessary costs in applying for and maintaining licences. A single conduct licence can reduce regulatory burden for firms that currently hold multiple licences, or firms applying for new licences and exemptions. This also provides an opportunity to future-proof our licensing framework for innovative products and additional market services.
- Keeping an open dialogue with industry enables us to respond faster and make adjustments to rules and licence conditions or seek law reform where needed to remove unnecessary regulatory barriers or to enhance consumer protection.

Understanding emerging risks and opportunities

Relevant outcomes

Market integrity and transparency

Resilient markets and providers

As a regulator, we need to keep abreast of emerging risks and opportunities to support our statutory objective of fair, efficient, and transparent financial markets. The pace of technological development is rapid and is changing the landscape of New Zealand financial services. The international geopolitical and economic environment is turbulent, meaning significant uncertainty for consumers and providers.

We will build our understanding of emerging risks and opportunities across the following areas:

- Private markets
- Virtual assets including tokenisation
- Industry readiness in relation to operational resilience

Private markets

2025/26 focus

We will continue to deepen our understanding of private markets, especially in relation to valuation practices for private markets. As private markets grow in New Zealand, we will monitor their development and better understand the opportunities they present, including enhanced investor returns, greater diversification, and broader access to investments that are typically out of reach for most investors. Internationally, regulators are reviewing settings to strengthen public markets and address vulnerabilities in private markets. The FMA is similarly focused.

Why this is our focus

Several risks from investing in private markets differ from those associated in public markets, such as risks concerning valuation of assets (due to illiquidity, lack of information, and longer investment horizons) and management of conflicts of interest (including assessment of fees). These risks can reduce the transparency of private investments for investors.

Virtual assets including tokenisation

2025/26 focus

We will explore how we can take a more active role relating to companies that provide virtual asset services in New Zealand. We will continue to signal to the Ministry of Business, Innovation & Employment (MBIE) that primary legislation is necessary to establish a legal framework for regulating virtual assets, to provide greater consumer and investor protection. We will publish research on retail adoption of virtual assets in New Zealand. We will continue to issue public warnings that highlight the high incidence of misconduct cases where virtual assets are part of an investment scam or used as the preferred payment method.

We are aware firms are developing tokenised products and services that often do not clearly fit into existing categories of financial products or services. To inform our approach, we will seek market feedback on how tokenised offerings align with our current domestic regulatory regime.

Why this is our focus

- Virtual assets continue to be a high priority on the international regulatory agenda. We are seeing greater global convergence towards a consistent approach for regulating virtual assets.
- We are aware that activity in New Zealand is being affected by regulatory uncertainty, increasing costs for firms looking to bring innovation in financial services. If our regulatory system does not support virtual assets in financial services, there is a risk of increased retail adoption of virtual assets without adequate regulatory protection. It is also more likely that virtual assets will increasingly be used for misconduct.
- Our sandbox pilot has highlighted this is a steadily growing area of interest for firms seeking to tokenise financial products as well as other 'real world' assets in their investment products and services.

Operational resilience

2025/26 focus

The ability to anticipate, withstand, recover from, and adapt to adverse conditions, attacks, or failures has become a critical priority for financial services due to rising threats, third-party dependencies and increased consumer expectations. We welcome the work by industry to uplift their operational resilience and their engagement to support our oversight.
We will deepen our understanding of operational resilience practices, including related risks and harms, for Derivatives Issuers, Discretionary Investment Management Services (DIMS) and Peer-to-Peer Lending, Crowdfunding and Insurance providers (with other sectors to follow in 2026/27) and assess whether further guidance or insights could support meaningful improvements.

We will also continue our focus with the RBNZ on ensuring the resiliency of technology systems critical for the stability and performance of New Zealand's financial system, particularly in the banking and market infrastructure sectors. We encourage all regulated entities to invest in the necessary technology uplift (and associated system and process improvements) and ensure robust oversight of critical service providers to minimise the impact of outages on markets and consumers.

Why this is our focus

- The acceleration of digitalisation has heightened both the risks of and reliance on critical technology systems. We have seen consumer harm resulting from outages as well as the failure of entities to provide products and services as promised due to legacy technology systems, and manual controls and processes.
- Market infrastructures and critical service providers are crucial to the proper functioning of the market and disruptions can have severe impacts on market stability, confidence and day-to-day operation of the economy.
- It provides an opportunity to uplift sector knowledge and maturity of operational resilience practices including appropriate governance, risk mitigation and controls.

Ensuring customers are treated fairly when things go wrong

Relevant outcomes

Fair services

Quality ongoing service

2025/26 focus

We will continue to work with stakeholders and industry to improve consumer awareness of how to complain when things go wrong. We will be looking at how well firms highlight consumers' right to complain and provide information about the availability of dispute resolution services. We will also be examining whether firms' processes make it easy for consumers to raise concerns and have these addressed effectively.

Remediation of harm is an enduring focus for the FMA and will be a priority for all sectors, particularly banks, insurers and non-bank deposit takers, given our recent work on remediation in these sectors, as well as the introduction of the Conduct of Financial Institutions (CoFI) regime.

Why this is our focus

- Our recent consumer confidence survey found that only 29% of New Zealanders are confident they know what steps to take if they are treated unfairly by a financial service provider, and 40% lack confidence in what actions to take.[3]
- When consumers know how to complain, they not only protect their own interests but also drive improvements in financial services.
- Effective complaints processes and high consumer awareness of these builds trust and provides firms with opportunities to gain insights to improve processes and consumer outcomes. If complaints are not received and acted on this leads to more consumers receiving unfair treatment and can mean systemic issues are not identified and addressed.

Disrupting scam activity

Relevant outcomes

Resilient markets and providers

Market integrity and transparency

2025/26 focus

We will focus on continuing to disrupt investment scam activity by perpetrators from within New Zealand. We will further develop our pilot partnerships with the banking and technology sectors to enable faster information sharing, tackle emerging scams and remove scam content. We have also committed to working with other New Zealand agencies to disrupt scams in New Zealand's financial markets. We will continue to publish scams warnings, case studies, ways to report scams, and information on the evolution of scams on the scams section of our website.[4]

Why this is our focus

- Investment scams are increasingly affecting New Zealand consumers, and are growing in complexity and volume. Based on available data, reported investment scams cost $194 million in the year to 30 September 2024, and we strongly expect that scams are very under-reported[5]. This underscores the importance of strong partnerships across

[3] Inaugural Consumer Confidence survey provides valuable insights for FMA and financial services sector | Financial Markets Authority

[4] Scams | Financial Markets Authority

[5] Scammers sophisticated deception costing consumers $194 million dollars a year | Banking Ombudsman Scheme

government and private sector to combat scams – particularly banks, given their role in the movement of funds.

- Where scam activity originates overseas, our ability to combat this is more limited. Focusing on New Zealand activity supports confidence in New Zealand's financial services, and reduces the risk that scam activity undermines trust in licensed and registered financial service providers.

Advocating for reform for assets held in custody

Relevant outcomes

Resilient markets and providers

2025/26 focus

We will continue engaging with MBIE on options for law reform to improve protections for assets held in custody, taking into account lessons learned from a Ponzi scheme operated by financial adviser Barry Kloogh where clients lost around $18 million[6]. We also intend to enhance our visibility of the custodial sector.

Why this is our focus

- Safekeeping of client money and property is fundamental for confidence in financial services. New Zealand is unusual in its weak regime for custody. Our experience with a few high-profile frauds has shown the impact this can have on customer outcomes.
- Strong custody is not just important to protect against fraud. Robust client asset protection provides confidence in our regulatory environment.

Key takeaways for boards, CEOs and senior executives

- How will emerging risks and opportunities (such as private markets, virtual assets and tokenisation) impact your business? What are the potential risks or opportunities for your investors and consumers?
- Is your business's technology operationally resilient? Are there any areas where you need to uplift your technical infrastructure, capability, or investment?
- How well do you support consumers' rights to complain? Do you have sufficient processes for effectively addressing concerns raised?
- How are scams and frauds impacting your business and consumers? What are you already doing to reduce harm, and what more can you do?
- If your firm outsources client money or property custody, what steps do you take to oversee the provision of this service in the interests of clients? For supervisors, are you actively overseeing custody arrangements (if outsourced) and have you reviewed the appropriateness of any custodial functions delegated to managers?

[6] Lessons learned from the Barry Kloogh Ponzi scheme | Financial Markets Authority

Financial advice

Financial advice businesses help New Zealanders grow their retirement savings and investments, source mortgages, protect their income and assets, and support overall financial wellbeing.

These businesses offer advice on a range of services such as insurance (life, health, disability and general insurance), residential mortgage lending, investments (including KiwiSaver), digital advice, and financial planning. Financial advisers also help investors assess risk tolerance, choose appropriate asset allocations, and diversify investments. This leads to more efficient capital flows, as funds are channelled into productive investments.

Conduct impacting consumers in vulnerable circumstances

Relevant outcomes

Fair services

Quality ongoing service

2025/26 focus

We will triage complaints and reports from product providers to prioritise investigation of adviser conduct that adversely impacts people in vulnerable circumstances (e.g. that exposes them to unsuitable products and/or unnecessary costs). We will prioritise mortgages, and life and health insurance products, including such products being sold to consumers through misleading or fraudulent activities. We will focus on responding to reports of insurance and mortgage advisers that take advantage of vulnerable people. We will continue to use our full range of regulatory interventions to address poor conduct.

Why this is our focus

- We have seen advisers taking advantage of new migrants' lack of understanding of what products they need, including advisers from within their own communities. We have also seen increasing fraudulent activity, particularly in relation to insurances and mortgages. While these instances are the exception rather than the norm, the severity of the conduct, exacerbated by the current economic environment, makes this a priority.
- Supporting advisers in how to deal with customers in vulnerable circumstances provides an opportunity for both product and advice providers to improve their controls to identify poor adviser conduct and better support customers' circumstances, leading to improved financial wellbeing.

Consumers and investors understand fees, incentives, and commissions

Relevant outcomes

Market integrity and transparency

Well-informed investors and consumers

2025/26 focus

We will focus on ensuring Financial Advice Providers (FAPs) are disclosing appropriate information to enable investors and consumers to make informed decisions about the adviser and their services that are right for their needs, including by reviewing the disclosure provided by financial advisers as part of our monitoring of FAPs. We will conduct a thematic review to increase our understanding of FAP business models and remuneration structures, to assess the risks of investors and consumers being unable to access the right service or receiving unsuitable products.

Why this is our focus

- Clients need to receive appropriate information about the costs, nature and scope of advice so they can make informed decisions about services and products.
- In our 2024 monitoring many FAPs demonstrated good practices, for example having publicly available disclosures that are easy to locate, and conducting regular reviews of their disclosures to ensure they remain accurate. However, we observed some gaps that pose risks to FAPs' clients, including:
  - lack of clarity regarding commissions, incentives and fees
  - missing or inconsistent information
  - some disclosure not being provided in a timely manner, in some cases weeks after the advice was provided.

Effective protection of client assets

Relevant outcomes

Resilient markets and providers

2025/26 focus

Inadequate protection of client assets can lead to investor loss and negatively impact confidence in the financial sector. We will monitor the arrangements FAPs have in place to oversee the outsourcing of client money or property handling to a custodian. This will include reviewing the governance and supervision of the service as well as how custody reports are provided to clients, to ensure appropriate protections are in place. Where providers and/or advisers hold client funds themselves, we will assess how robust their own processes are in terms of separation, accounting for money and property, record-keeping, and reporting to clients.

Why this is our focus

The rules around client money and property handling are complex. In 2024, the FMA published new guidance to help participants to understand their obligations when providing client money and property services[7]. We have seen instances where weaknesses in custody have contributed to fraud or business failure, resulting in investor losses.

Challenges and opportunities to improve accessibility of advice

Relevant outcomes

Improved access to products and services

Quality ongoing service

2025/26 focus

We want to understand the challenges and opportunities for improving access to advice (including KiwiSaver). We will undertake a review to consider:

- consumer preferences and demographics
- innovation and digital advice
- remuneration structures and advice business models
- ease of provision of regulated financial advice.

We will also work to further understand any challenges to providing quality financial advice, including where regulatory obligations may act as a barrier to accessing advice.

Why this is our focus

- We believe there may have been a reduction in financial advice provision in some sectors over the last few years and are concerned that investors and consumers may not be able to access the advice they need.
- Our work has found:
  - consumer preferences for receiving advice are changing
  - the lack of innovation in business models can limit the availability and affordability of advice
  - some approaches to compliance are acting as a barrier to providing advice, with some nominated representatives and financial advisers taking a conservative approach to giving advice to clients, despite being permitted

[7] Guide for providers of client money or property services | Financial Markets Authority

- and trained to make it available
- concerns that regulatory obligations associated with the provision of financial advice are a barrier to greater access for consumers.

- A key theme from our recent engagement with the fintech industry has been to understand where artificial intelligence (AI) adoption can assist financial advisers and their clients. We are also seeing AI being used to simplify processes and support customer personalisation. There is an opportunity for the sector to make use of this technology to support the availability and affordability of advice.

Key takeaways for boards, CEOs and senior executives

+ How are you supporting consumers in vulnerable circumstances? Do you have the right controls in place to identify and address poor adviser conduct?
+ What measures are in place to ensure clients understand the fees and costs of products and services, including any fees or relevant remuneration arrangements applying to your financial advisers?
+ If your firm outsources client money or property custody, what steps do you take to oversee the provision of this service in the interests of clients?
+ If your firm handles client money or property, how robust are your processes for ensuring obligations relating to separation, use, accounting and reporting are met?

Banks and non-bank deposit takers

Banks and non-bank deposit takers play a crucial role in delivering vital financial products and services to consumers. It is essential that consumers have access to products and services they need, and can trust these will perform as expected.

The Conduct of Financial Institutions (CoFI) regime, which came into effect on 31 March 2025, is designed to protect consumers by putting the consumer at the forefront of bank and non-bank deposit takers' decisions and actions. We expect banks and non-bank deposit takers to reflect on our Fair Conduct Programme (FCP) insights report[8] and the letter we sent to entities licensed under the CoFI regime, to better understand our expectations and planned focus areas[9].

The introduction of CoFI provides us with broader tools and mechanisms to respond to, and address, conduct gaps and issues in this sector. We will continue to use our full range of regulatory interventions to address poor conduct (such as feedback, public warnings, enforceable undertakings and litigation where warranted), as well as continuing to utilise the fair dealing provisions to respond to misleading, deceptive or unsubstantiated representations.

Proactive product reviews for existing products

Relevant outcomes

Fair services

Quality ongoing service

Well-informed investors and consumers

2025/26 focus

We will focus on ensuring firms proactively review existing products and services to confirm they align with consumers' requirements and objectives. We expect firms to identify the root cause of any issues, escalate appropriately, and report to the FMA with clear and accurate information about the issue and the proposed response where they believe there has been a material contravention.

Where harm has occurred, we expect firms to take action to stop further harm and prioritise any remediation. This includes investing in improvements to controls and technology to fix the root cause.

We will prioritise engagement with firms that have not self-reported material issues related to the fair treatment of their customers, as an absence of self-reporting can be a heightened indicator of conduct risk. Our decisions on how we respond to such issues will take into account whether, how, and when the issue was reported to us, and the steps the firm has taken to assess and address it.

[8] Fair Conduct Programme insights report | Financial Markets Authority

[9] FMA letter sent to entities licensed under the Conduct of Financial Institutions regime | Financial Markets Authority

Our monitoring activities will focus on conduct that results in customers not receiving the products or services they were promised, and we will continue to prioritise responses to complaints and self-reports related to these issues.

We also plan to publish data on savings and lending product interest rate changes, to improve transparency and encourage banks and non-bank deposit takers to reflect on how the products they provide align with consumers' requirements and objectives. We want to help consumers better understand bank responses to OCR changes and make informed decisions about products that meet their needs.

Why this is our focus

- The banking and non-bank deposit taking sector has made significant improvements to conduct risk management practices since the RBNZ and FMA Bank Culture and Conduct Review in 2018[10]. We recognise the work undertaken by many to develop robust governance structures and comprehensive frameworks of policies, processes, systems and controls to support fair conduct practices. However, our engagements during the CoFI licensing process and our reviews of FCPs[11] found that while good practices are being embedded, gaps remain, and further improvements can be made to prevent harm occurring. This is supported by the fact that some entities continue to identify issues with product and service design and offerings.
- Risks remain from reliance on legacy technology systems and manual controls and processes, as well as inadequate staff training. These can result in unfair treatment, a lack of transparency and poor customer experience.
- There are opportunities for banks and non-bank deposit takers to learn from observed good practice in areas such as identifying consumer objectives and target markets, and managing the risk of potential harms before they occur through tailored systems and controls.

Key takeaways for boards, CEOs and senior executives

- How are you ensuring the ongoing suitability of services and products for consumers?

With reference to the cross-sector chapter:

- How are you identifying and remediating issues, resolving root causes and self-reporting these issues?
- How are you raising consumer awareness of complaints options and making these accessible?
- How are you investing in the necessary technology uplift (and associated system and process improvements) to mitigate operational and conduct risks?

[10] Bank Conduct and Culture Review 2018 - Reports | Financial Markets Authority

[11] Fair Conduct Programme insights report | Financial Markets Authority

Insurers

The insurance sector supports consumers and businesses to protect themselves from risks and manage impacts on their lives and livelihoods caused by likely unforeseen events such as ill health, death, accidents, and natural disasters. The majority of New Zealanders interact with the insurance industry, with 86% of New Zealanders owning at least one insurance product[12].

The Conduct of Financial Institutions (CoFI) regime, which came into effect on 31 March 2025, is designed to protect consumers by putting the consumer at the forefront of insurers' decisions and actions. We expect insurers to reflect on our Fair Conduct Programme (FCP) insights report[13] and the letter we sent to entities licensed under the CoFI regime, to better understand our expectations and planned focus areas[14].

The introduction of CoFI now provides us with broader tools and mechanisms to respond to, and address, conduct gaps and issues in this sector. We will continue to use our full range of regulatory interventions to address poor conduct (such as feedback, public warnings, enforceable undertakings and litigation where warranted), as well as continuing to utilise the fair dealing provisions to respond to misleading, deceptive or unsubstantiated representations.

Proactive product reviews for existing products

Relevant outcomes

Fair services

Quality ongoing service

Well-informed investors and consumers

2025/26 focus

We will focus on ensuring insurance companies proactively review existing products and services to confirm they align with consumers' requirements and objectives, and that staff understand the suite of products within the business (which is often extensive due to numerous mergers and acquisitions throughout the sector). We expect insurers to consider legacy products and the learnings from fair dealing proceedings taken against insurers by the FMA, as these cases have shown common trends and failures. We also expect firms to identify the root cause of any issues, escalate appropriately, and report to the FMA with clear and accurate information about the issue and the proposed response where they believe there has been a material contravention.

Where harm has occurred, we expect firms to take action to stop further harm and prioritise any remediation. This includes investing in improvements to controls and technology to fix the root cause.

[12] Inaugural Consumer Confidence survey provides valuable insights for FMA and financial services sector | Financial Markets Authority

[13] Fair Conduct Programme insights report | Financial Markets Authority

[14] FMA letter sent to entities licensed under the Conduct of Financial Institutions regime | Financial Markets Authority

We will prioritise engagement with firms who have not self-reported material issues related to the fair treatment of their customers, as an absence of self-reporting can be a heightened indicator of conduct risk. Our decisions on how we respond to such issues will take into account whether, how, and when the issue was reported to us, and the steps the firm has taken to assess and address it.

Through our monitoring activities we will have a particular focus on conduct that results in customers not receiving the products or services they were promised, and we will continue to prioritise our responses to complaints and self-reports related to these issues.

Why this is our focus

- The insurance sector has made significant improvements to conduct risk management practices since the RBNZ and FMA Life Insurer Culture and Conduct Review in 2019[15]. We recognise the work undertaken by many to develop robust governance structures and comprehensive frameworks of policies, processes, systems and controls to support fair conduct practices. However, our engagements during the CoFI licensing process and our review of FCPs[16] found that while good practices are being embedded, gaps remain, and further improvements can be made to prevent harm occurring. This is supported by the fact that some entities continue to identify issues with product and service design and offerings.
- Risks remain from reliance on legacy technology systems and manual controls and processes, as well as inadequate staff training. These can result in unfair treatment, a lack of transparency and poor customer experience.
- There are also opportunities for insurers to learn from observed good practice in areas such as identifying consumer objectives and target markets, and managing the risk of potential harms before they occur through tailored systems and controls.

Communication with consumers on product and service offerings

Relevant outcomes

Fair services

Quality ongoing service

Well-informed investors and consumers

2025/26 focus

The Contracts of Insurance Act 2024 will come into force over the next few years, bringing new disclosure obligations for insurers. We will continue to engage with providers to understand how we can support the successful implementation of this Act. In the meantime, insurers already have an obligation to communicate with consumers in a timely, clear, concise, and effective manner. We will focus on insurers' communications with consumers, including product exclusion disclosures, fees and premiums.

Through our monitoring activities we will engage with providers to understand whether further FMA guidance or insights would support improvements in communication practices during all parts of the insurance life cycle, including inception or renewal, and when a claim or complaint is lodged.

Why this is our focus

- It can be difficult for consumers to understand insurance pricing and discounting. Unclear presentation makes it difficult for consumers to assess for themselves whether discounts have been appropriately applied.
- If coverage, exclusions, premiums, and fees are not clearly explained, consumers may be misled about the level of protection and cost of their insurance.

[15] Life Insurer Conduct and Culture 2019 | Financial Markets Authority

[16] Fair Conduct Programme insights report | Financial Markets Authority

Key takeaways for boards, CEOs and senior executives

- How are you ensuring the ongoing suitability of services and products for consumers?
- How are you ensuring communications to consumers are timely, clear, concise, and effective?

With reference to the cross-sector chapter:

- How are you identifying and remediating issues, resolving root causes and self-reporting these issues?
- How are you raising consumer awareness of complaints options and making these accessible?
- How are you investing in the necessary technology uplift (and associated system and process improvements) to mitigate operational and conduct risks?

Capital markets

Capital markets that are fair, efficient, and transparent can enhance investor confidence and participation, ensure capital flows to the most productive investments, enable businesses to raise funds, and incentivise better corporate governance and accountability. The FMA plays a key role in supporting well-functioning capital markets in New Zealand.

Tackling misleading disclosure by wholesale issuers

Relevant outcomes

Market integrity and transparency

Well-informed investors and consumers

2025/26 focus

We will focus on ensuring disclosure by wholesale offerors, including advertising, is not false, misleading or unsubstantiated, and where this is not the case we will consider our full range of regulatory tools to respond as necessary.

To clarify the current law, we have filed a case stated procedure with the High Court to seek determination on the interpretation and application of the law about the use, confirmation and acceptance of eligible investor certificates in the wholesale investment sector. We recommend investors, entities and financial advisers seeking to rely on the wholesale exclusion continue to reference FMA guidance on wholesale investments[17] and advertising[18]. We will keep policy settings under review to ensure they are fit for purpose, given the changing distribution methods and nature of wholesale offers.

Why this is our focus

- We continue to see a significant number of wholesale offers that contain false, misleading or unsubstantiated information, particularly in their advertising. We are seeing wholesale offers being widely marketed, via both traditional and social media.
- This use of broader advertising channels means greater potential for less-sophisticated investors to be attracted to offers that are unsuitable for their needs. There is a heightened risk that investors cannot make well-informed decisions and obtain suitable investment products because of false, misleading or unsubstantiated disclosure.

[17] Wholesale investments | Investments for wholesale and eligible investors | Financial Markets Authority

[18] Advertising offers of financial products under the FMC Act | Financial Markets Authority

Clear expectations for ethical investment disclosures

Relevant outcomes

Market integrity and transparency

Well-informed investors and consumers

2025/26 focus

We will publish refreshed guidance to help issuers consider how they present their products in disclosures and advertising and enable investors to understand ethical claims. As practices are continuing to develop in this area, we will work with industry to embed our guidance and improve practices through feedback and insights.

We will take action where we see disclosures or claims that are materially misleading, deceptive or unsubstantiated and where we believe the settings and expectations for ethical disclosures are already clear and in line with well-established fair dealing or disclosure requirements.

Why this is our focus

- Our research[19] shows that ethical investment opportunities are increasingly important for investors, but also that investors are not confident in interpreting disclosure about ethical claims and are heavily reliant on headline communications from investment managers.
- We have seen cases of poor disclosure, including where ethical labels were used but there was no detail about what ethical strategy was applied, or about what steps the manager would take if investments no longer met prior ethical claims. There is a risk that confusing, unclear, and inconsistent disclosure and advertising for ethical investment leads to uninformed investor decision-making and damages trust and confidence in ethical products.
- We have also seen some good practices, including where additional disclosures are made available and clearly signposted. There is an opportunity for industry to increase transparency and understanding of compliance expectations for ethical investing claims and to improve the clarity of information provided to investors.

Insider conduct and continuous disclosure obligations

Relevant outcomes

Market integrity and transparency

2025/26 focus

We will continue to work closely with NZ RegCo, the regulatory arm of NZX, to detect and act against market misconduct. We will prioritise investigation of referrals from NZ RegCo that indicate potential insider conduct by senior managers and directors. We will also focus on referrals concerning continuous disclosure obligations in the changing economic environment.

Challenging economic conditions can present material uncertainties for listed issuers. We want listed issuers to be mindful of their continuous disclosure obligations and willing to confront material uncertainties in their financial statements and forward-looking information. This includes ensuring they provide appropriate tone, context and caveat statements, particularly where the information includes uncertainties.

We will use our broad range of regulatory tools to respond to misconduct when it occurs and support appropriate conduct through our engagements with participants. We will continue our market cleanliness research, which is one indicator of potential improvements in conduct.

Why this is our focus

- New Zealand's capital markets have been impacted by the increased global market volatility driven by geopolitical tensions and economic uncertainties. Remaining mindful of continuous disclosure obligations is especially important in the current environment.
- We have seen a steady increase in insider trading referrals from NZ RegCo. The most serious and common instances of potential insider conduct involve current and former directors and senior executives of listed issuers, and occur ahead of announcements and proposed major transactions. There is a risk that trust and confidence in public markets is eroded due to misconduct by participants in a position of trust.

[19] Ethical Investment Journey Research | Financial Markets Authority

Supporting policy changes for capital markets settings

Relevant outcomes

Market innovation and growth

2025/26 focus

We will continue to support MBIE to advance capital markets policy changes. This includes the package of work to:

- make disclosure of prospective financial information for equity IPOs (initial public offerings) optional
- consider issues and options related to more explicitly facilitating KiwiSaver providers investing in private assets
- consider adjustments to the Climate-related Disclosures regime
- review certain product disclosure requirements, liability for auditors, and continuous disclosure liability.

Collectively the proposed changes aim to strengthen and grow New Zealand's capital markets, support capital raising, enable investment and align our regulatory settings with comparable international markets. This supports our focus on streamlining or removing unnecessary regulatory burden to support innovation and growth in financial markets.

Why this is our focus

- Public markets are an important aspect of the capital markets ecosystem in terms of both access to capital and opportunities for investment and wealth creation. With private equity markets' growth relative to public equity markets, both globally and in New Zealand, it is important to look at whether the regulatory environment is contributing to the decline and remove regulatory barriers where possible.
- There is a risk that the cost and burden of listing reduces the attractiveness of public markets in New Zealand, leading to fewer suitable investment opportunities for New Zealanders.

Key takeaways for boards, CEOs and senior executives

- For wholesale offerors, are you confident your disclosures provide appropriate transparency to allow potential investors to make informed choices?
- Do you have the necessary processes to consider the materiality of information, manage access to that information, and ensure prompt disclosure?
- Do you have oversight of conduct within your business and support a culture that prevents serious misconduct, e.g. through a rigorous trading policy that deters insider conduct?

Investment management

Investing in financial products helps New Zealanders to manage their money and grow their wealth. This sector encompasses entities that provide investment vehicles or services to enable investors to seek returns on capital.

Clear expectations for ethical disclosures

Relevant outcomes

Market integrity and transparency

Well-informed investors and consumers

2025/26 focus

We will publish refreshed guidance to help issuers consider how they present their products in disclosures and advertising, and enable investors to understand ethical claims. As practices are continuing to develop in this area, we will work with industry to promote our guidance and improve practices through feedback and insights.

We will take action where we see disclosures or claims that are materially misleading, deceptive, or unsubstantiated and where we believe the settings and expectations for ethical disclosures are already clear and in line with well-established fair dealing or disclosure requirements.

Why this is our focus

- Our research[20] shows that ethical investment opportunities are increasingly important for investors, but also that investors are not confident in interpreting disclosure about ethical claims and are heavily reliant on headline communications from investment managers.
- We have seen cases of poor disclosure, including where ethical labels were used but there was no detail about what ethical strategy was applied, or about what steps the manager would take if investments no longer met prior ethical claims. There is a risk that confusing, unclear, and inconsistent disclosure and advertising for ethical investment leads to uninformed investor decision-making and damages trust and confidence in ethical products.
- We have also seen some good practices, including where additional disclosures are made available and clearly signposted. There is an opportunity for industry to increase transparency and understanding of compliance expectations for ethical investing claims and to improve the clarity of information provided to investors.

[20] Ethical Investment Journey Research | Financial Markets Authority

Consumers and investors understand fees, incentives, and commissions

Relevant outcomes

Market integrity and transparency

Well-informed investors and consumers

2025/26 focus

For Managed Investment Schemes (MIS), we will focus on ensuring fees, incentives and commissions are well understood through engagement with the sector.

For Discretionary Investment Management Service (DIMS) providers, as part of our monitoring activities we will be looking for evidence that customers are receiving clear and consistent reporting about fees, rebates and commissions.

Why this is our focus

- Clients need to receive appropriate information around the costs and nature of advice, so they can make informed decisions about the service and products they choose.
- Our 2021 managed fund fees and value for money guidance[21] recommended appropriate disclosures be made regarding what fee is charged, who it is paid to, and what investors receive in return. Our DIMS sector insights report[22] showed that while good practices exist, disclosure of fees is inconsistent across providers.
- In relation to DIMS providers, there is a particular risk of investor harm arising from inadequate conflicts of interest management practices, including turnover controls to manage overtrading in commission-based portfolios and inactivity in fee-based portfolios[23].

Effective protection of client assets

Relevant outcomes

Resilient markets and providers

2025/26 focus

We will assess how Supervisors have responded to the findings of our 2019 thematic review of MIS custody arrangements[24], including whether they have reviewed any custodial functions that are delegated to MIS managers or administrators, and whether they are actively overseeing outsourced custodial arrangements.

Inadequate client asset protection can lead to investor loss and negatively impact confidence in the financial sector. We will be examining DIMS outsourcing, including asking firms how they provide appropriate client asset oversight of outsource arrangements. We will monitor the arrangements DIMS providers have in place to oversee the outsourcing of client money or property handling to a custodian. This will include reviewing the governance and supervision of the service as well as how custody reports are being provided to clients to ensure appropriate protections are in place. Where providers and/or advisers hold client funds themselves, we will assess how robust their own processes are in terms of separation, accounting for money and property, record-keeping and reporting to clients.

Why this is our focus

- The rules around client money and property handling are complex. The DIMS and MIS sectors account for significant and growing funds under management. In 2024, we published guidance to help participants to understand their obligations when providing client money and property services[25].
- We have seen instances where weaknesses in custody have contributed to fraud or business failure resulting in investor losses. We have observed risks around the independence of some custody arrangements, as well as inconsistent custodial processes, procedures and controls.

[21] Managed fund fees and value for money | Financial Markets Authority
[22] Discretionary Investment Management Services – Sector Insights 2024 | Financial Markets Authority
[23] Discretionary Investment Management Services – Sector Insights 2024 | Financial Markets Authority
[24] Thematic review of MIS custody arrangements | Financial Markets Authority
[25] Guide for providers of client money or property services | Financial Markets Authority

Ensuring consumers' and investors' interests are at the forefront of decision-making

Relevant outcomes

Resilient markets and providers

Market integrity and transparency

Fair services

2025/26 focus

MIS managers should have effective liquidity risk management (LRM) practices in place. We will engage with Supervisors to understand the findings of their LRM monitoring activities and where further clarity or insights from the FMA could support improvements.

Clear disclosure of related party transactions in financial statements is critical for investors, enabling them to consider the relationships the entity has, and what impact these might have. Our monitoring of financial statements, providers, and market practices will focus on the practices and controls relevant to related party transactions, particularly for registered schemes and DIMS.

Why this is our focus

- In the past, we observed that some MIS managers were overly optimistic about their LRM capabilities, and even the relatively strong performers had gaps in particular areas, including frequency of stress testing, use of available liquidity management tools, and metrics[26]. In 2024, we published a liquidity risk management guide[27] to aid effective decision-making for MIS managers and Supervisors. We expect MIS managers to have considered the 2024 guidance, reviewed their LRM practices, and made improvements where appropriate.
- Related party transactions present conflicts of interest for investment management firms and can result in decision-making that is not in the best interests of investors. We have seen instances where we believe controls have not been applied effectively. Our monitoring will allow us to assess whether this is a more significant risk across this sector.

Key takeaways for boards, CEOs and senior executives

- Have you sufficiently communicated fees, incentives and commissions associated with investment products to investors?
- Do you have adequate controls to effectively manage the risk in conflicts of interest?
- For DIMS providers, how robust is your oversight of custody arrangements, and what measures do you have in place to review and test these arrangements?
- Have you identified any gaps in your liquidity risk management practices and have you addressed them?

[26] MIS liquidity risk management review | Financial Markets Authority

[27] Liquidity risk management guide | Financial Markets Authority

Appendix: Who we regulate

Financial Advice

Enables distribution of products on an advised or sales basis, including directly or through online platforms.

Financial Advice Providers* who offer advice in the following domain areas:

- Personal risk insurance, life, health and disability
- Lending, including personal, commercial and residential vis industry aggregators
- Fire and general insurance, both personal and commercial lines
- Investments (including KiwiSaver), and broader investment and retirement planning

Banking

Provides access to deposit taking, payment services and lending facilities (both secured and unsecured)

- **Deposit taking***
- **Payment services****
- **Mortgages****
- **Overdrafts****
- **Credit cards****
- **Personal loans****

Insurance

Provides risk management functions for both individuals and businesses

- **Life insurance***
- **Non-life insurance***

Capital Markets

Enables matching of issuers with investors, and creation and trading of securities

- **Issuers***
- **Brokers****
- **Licensed market operators (e.g. financial product markets such as NZX)***
- **Derivatives issuers***
- **Alternative capital raising (e.g. peer-to-peer and crowdfunding)***
- **Financial market infrastructures (e.g. settlement systems)***
- **Investment platforms****

Investment Management

Provides investment vehicles and services to enable investors to seek returns on capital

- **Retail managed funds, KiwiSaver, superannuation etc***
- **Wholesale funds****
- **Supervisors and licensed independent trustees***
- **Discretionary investment management services (DIMS)***
- **Custodians****

Multi-sector

- **Audit***
- **Climate reporting entities***
- **AML/CFT reporting entities***

*Direct regulatory relationship with FMA, including licensed participants

** Indirect relationship, other participants/activities

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