New Zealand House of Representatives
Te Whare Māngai o Aotearoa

Economic Development, Science and Innovation Committee
Komiti Whiriwhiri Take Whanaketanga Ōhango, Take Pūtaiao, Take Atamaitanga

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2024/25 Annual review of the Financial Markets Authority

Presented to the House of Representatives
by Dr Parmjeet Parmar, Chairperson

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Financial Markets Authority

Recommendation

The Economic Development, Science and Innovation Committee has conducted the annual review of the Financial Markets Authority for 2024/25, and recommends that the House take note of its report.

About the Financial Markets Authority

The Financial Markets Authority | Te Mana Tātai Hokohoko (FMA) is an independent Crown entity that regulates financial advice providers, capital markets, banks, and investment vehicles. The FMA's duties are to promote and facilitate the development of fair, efficient, and transparent financial markets and to promote the confident and informed participation of businesses, investors, and consumers in the financial markets.

As of June 2025, the FMA employed 338 staff across offices in Auckland, Wellington, and Christchurch. We discussed the FMA's performance in 2024/25 with its board chair, Craig Stobo, and chief executive, Samantha Barrass. We are aware that shortly after our hearing, Mr Stobo stepped away from his role as an investigation into unspecified matters was launched.[1] We recognise the service of Mark Todd, who acted as chair from April 2019 until April 2024.

Summary of 2024/25 performance and audit results

Around 85 percent of the FMA's funding comes from industry levies; the other 15 percent is from the Crown. In 2024/25, the FMA received $71.28 million in Crown funding, a 0.6 percent increase on the previous year. The FMA's expenditure in 2024/25 rose by $3.82 million from 2023/24, resulting in a deficit of $1.62 million.

Financial trends

	2021/22 $million	2022/23 $million	2023/24 $million	2024/25 $million	Change in 2024/25
Revenue	57.33	73.24	80.70	80.05	(0.8%)
Expenditure	58.05	64.25	77.85	81.67	4.9%
Net surplus or (deficit)	(0.72)	6.0	2.85	(1.62)	—

1 RNZ, 5 December 2026: Financial Markets Authority chair Craig Stobo steps aside during investigation.

Audit results

The auditor issued a standard audit report for the FMA. The FMA's management control environment and financial information and supporting systems and controls were both rated "very good". The auditor rated the FMA's performance information and supporting systems and controls as "good", recommending improvements to the quality-review process for service performance information.

Regulation focused on outcomes and accountability

The FMA released its first Financial Conduct Report in June 2025. The report is designed to provide clarity to the financial sector on what to expect from the FMA as regulator. We discussed the efficacy of the regulatory priorities set out in the report.[2] The FMA said the priorities' purpose is to provide outcomes for Parliament to measure the FMA's success against. We understand that the nine priorities identified by the FMA are intended to help people understand what the FMA is focusing on in 2025/26, and to hold the FMA to account at the end of 2025/26, when its progress will be measured against the priorities.

New responsibilities for financial regulation

In 2024/25 the FMA's priorities included:

- ensuring the smooth introduction of the Conduct of Financial Institutions regime
- working on the transfer of responsibilities for regulating consumer credit
- supporting innovation in the financial markets, including the facilitation of the fintech "sandbox". [3]

We discuss these subjects below. We also discussed challenges in the existing regulatory regime.

CoFI regime prioritises consumers

The Financial Markets (Conduct of Institutions) Amendment Act 2022 introduced the Conduct of Financial Institutions (CoFI) regime, which came into force in March 2025. Ensuring the smooth introduction of the regime was one of the FMA's priorities for 2024/25.

The regime aims to protect consumers by placing them at the forefront of institutions' decisions and actions. Under it, any registered bank, licensed insurer, or licensed non-bank deposit taker that provides services to New Zealand consumers needs a financial institution licence. The FMA said it had set out expectations for banks and other financial institutions in its Financial Conduct Report.

Supervisory engagement a priority for the FMA

The FMA is mandated to enforce Part 2 of the Financial Markets Conduct Act 2013, which prohibits misleading, deceptive, or false behaviour in financial services. We heard that

2 Financial Markets Authority, 25 June 2025: Financial Conduct Report.

3 "Fintechs" are firms that have integrated technology into financial services to improve and automate the services.

because the FMA is now regulating banks, insurance, and non-bank deposit takers, it can deal with misconduct in those sectors as breaches of fair-dealing requirements.

The FMA told us that most of its dealings with businesses are supervisory, encouraging firms to change behaviour. The CoFI regime has given it a “broader proactive supervisory toolkit”, which includes direction orders, licence conditions, and site visits. The FMA said it is moving its focus to outcomes, engaging with governors and company stewards in board meetings to discuss how to mitigate the harms of deceptive behaviour.

Enforcement actions through the courts are only taken for the “most egregious misconduct cases”. Most cases are resolved without enforcement, and with remediation to customers who have lost money. Remediation to customers also occurs when penalties are applied.

The FMA told us that many of the cases it sees are due to underinvestment in systems that manage and secure the financial products that are offered. In its Financial Conduct Report, the FMA recommended that banks and insurers undertake product reviews to identify where products have been misidentified or services not provided. The FMA said it is seeking to use its broader range of tools to make regulation felt “at the sharp end”, and faster.

An expansion into consumer protection

The Credit Contracts and Consumer Finance Amendment Bill seeks to transfer responsibilities for regulating consumer credit and finance from the Commerce Commission to the FMA. We asked the FMA about the work needed to ensure a smooth transition. The FMA described the Credit Transfer Project, established jointly with the commission. Project workstreams include effective communications, the transfer of credit-related data, and collaboration on transferring active investigations and litigation.

We discussed how the FMA works with consumers who have been affected by poor behaviour from creditors. The FMA said that its new responsibilities for regulating consumer credit and for enforcing the good conduct of banks and insurance companies led to an expansion of its work into consumer protection. In 2024/25 the FMA invested in relationships with entities that represent vulnerable consumers; it said these are a valuable source of intelligence and education.

Need for a regulatory regime for virtual assets

The FMA and the RBNZ are joint chairs of the Council of Financial Regulators. We discussed the “regulatory sandbox” that the FMA ran in this role, in the first half of 2025, to help firms test new AI and e-finance products in a supervised environment. The FMA said the sandbox revealed New Zealand’s lack of a regulatory infrastructure for e-payment and e-money products, which makes it difficult for New Zealand fintechs to export services and products overseas because they cannot meet those markets’ requirements without comparable New Zealand regulation. We heard that other jurisdictions have adopted regulatory regimes for virtual assets and virtual asset service providers.

Challenges of monitoring and regulating the use of AI

We discussed the financial sector’s investment in, and use of, AI. The FMA said that New Zealand is falling behind internationally, due to the sector’s historical lack of investment in technology. However, it expects that, over the next decade, AI will significantly change how financial services are offered and received. The FMA is working to understand the risks that would accompany a rise in the sector's investment in AI.

The Financial Services Legislation Amendment Act 2019 overhauled the regulation of financial advice to allow digital or automated advice (known as "robo-advice"). We heard that the FMA considers the existing regulatory regime for robo-advice to be sufficient for the use of AI. It said that the introduction of the CoFI regime means that it now has the supervisory tools to influence firms in their use of AI.

Changes to the climate-related disclosures scheme

The FMA is responsible for the independent monitoring, supervision, and enforcement of New Zealand's mandatory reporting scheme for climate-related disclosures. We discussed New Zealand's current management of climate-related disclosures, compared with other jurisdictions. The FMA told us that New Zealand has led the world in mandatory climate-related disclosures, but that overseas jurisdictions are "catching up".

In October 2025, the Government announced that director liability would be eased, the mandatory reporting threshold raised, and managers of registered investment schemes removed from the scheme.[4] We heard that these changes have moved New Zealand's standards towards alignment with other jurisdictions. The FMA said that some companies wish to continue reporting; it intends to increase monitoring of those companies that voluntarily report, to ensure a fair and balanced view of their efforts.

The FMA said that New Zealand still has stronger reporting requirements for climate-related disclosures than other countries. We heard that New Zealand's requirements enable firms to work overseas and adapt to international reporting requirements.

Draft new guidance for ethical investment disclosure

We discussed the increasing demand for "green" investment funds and asked how the FMA is supporting the investment market in the light of reduced requirements for mandated climate-related disclosures. In late 2025, the FMA consulted on draft guidance for ethical investment disclosure. It told us that one aspect of the guidance focuses on whether what is advertised in "green fund" marketing matches the product.

We asked whether making misleading ethical claims is a widespread practice. The FMA said it is not, but that retail investors struggle with the lack of consistent terminology and baseline requirements for the discussion and marketing of green funds. Its guidance also addresses this point.

Other matters considered

We also discussed the following matters. For more detail, refer to the pages noted below in the *Hansard* transcript of our hearing, available on the Parliament website.

- **Responsibility for AML–CFT**—The Anti-Money Laundering and Countering Financing of Terrorism (Supervisor, Levy, and Other Matters) Amendment Bill would shift

[4] Beehive, 22 October 2025: Commonsense changes to boost capital markets.

responsibility for AML-CFT away from the FMA and RBNZ to the Department of Internal Affairs (DIA). We heard that the FMA's insights from scam work and oversight of financial services would inform the DIA's work on AML–CFT. (*Transcript p 4*.)

- **Improvements to scam-alert services**—The FMA said it continually invests in improvements, such as to the way it works with multiple agencies to collect intelligence. It said it will use the CoFI regime to ensure that banks have sufficient customer-protection schemes. (*Transcript pp 9–10 and 12*.)
- **Access to credit for Māori**—We discussed the FMA's research on Māori access to insurance and credit, which found that insuring high-cost items on communally owned land is extremely difficult.[5] The FMA seeks to change the Māori experience of financial services. (*Transcript pp 11–12*.)
- **Lack of consultation about guidance**—We referred to criticism of the FMA in late 2025 for the tone of its guidance on "shadow insider trading".[6] The FMA said it had since consulted with the sector, and the reissued guidance has garnered a better response. (*Transcript p 13*.)

[5] Financial Markets Authority, 10 December 2025: Two Kaupapa Māori research papers released to fill gaps in sector data.

[6] RNZ, 14 October 2025: Concerns raised about tone of Financial Markets Authority report on insider trading.

Appendix

Committee procedure

We conducted a standard annual review of the Financial Markets Authority for the 2024/25 financial year. On 2 December 2025, we heard evidence from the FMA for 57 minutes and received advice from the Office of the Auditor-General. We sent written questions to the FMA for response. We met again on 26 March 2026 to finalise this report.

Committee members

Dr Parmjeet Parmar (Chairperson)
Dr Hamish Campbell
Reuben Davidson
Cushla Tangaere-Manuel
Dr Vanessa Weenink
Arena Williams
Scott Willis
Dr David Wilson

Related resources

The following material is available on the Parliament website:

- the Financial Markets Authority's annual report
- the briefing paper we received from the Office of the Auditor-General
- responses from the FMA to our written questions
- the Hansard transcript of our hearing
- a recording of our hearing on 2 December 2025.