



FINANCIAL SERVICES FEDERATION

25 August 2026

Financial Markets
Ministry of Business, Innovation and Employment

By email: financialmarkets@mbie.govt.nz

Capital Markets Reforms: Phase Two discussion document

The Financial Services Federation (FSF) is grateful to the Ministry for the opportunity to respond to the discussion document on behalf of our members.

By way of background, the FSF is the industry body representing specialist lenders operating in New Zealand. We have about 100 members (a list of which is attached as Appendix A) which include motor vehicle finance providers, specialist housing lenders, Deposit Takers, the larger finance companies operating in New Zealand, fleet leasing providers, commercial asset finance and leasing providers, credit-related insurers and Affiliate members which include internationally recognised legal and consulting partners.

Our members provide their products and services to more than 1.5 million New Zealand consumers and businesses. Data relating to the extent to which FSF's specialist lending members contribute to New Zealand consumers, society and the economy is attached as Appendix B.

Introductory comments:

Overall, the FSF is supportive of the need for New Zealand's capital markets to be deep, competitive and trusted as Minister of Commerce and Consumer Affairs, the Hon Cameron Brewer, states in his Foreword to the discussion document. The FSF congratulates the Ministry on the thorough and comprehensive discussion document they have prepared outlining various options to ensure that this is achieved now and into the future.

The FSF also supports the three priority outcomes guiding MBIE's consideration of any changes to current regulations as part of phase two of capital markets reforms.

As FSF members tend to be considerably smaller than the banks who are their main competitors, taking a proportionate approach towards capital markets regulatory settings would not only enable efficient access to capital for businesses and ensure unreasonable barriers including costs to market participation are not put in their way, it would also ensure specialist lenders are able to provide more competitive and innovative offerings to New Zealand consumers and businesses.

Equally, FSF supports the need to ensure regulatory settings support innovation and speed to market, not only to overseas investors but also to ensure that specialist lenders are able to scale up the provision of innovative lending products to support New Zealand businesses to obtain the working capital and productive assets they need to continue to grow which is of benefit to the whole economy.

The major barrier for FSF members in being able to grow their funding base and therefore provide greater access to specialist lending products is access to capital. At present, our members fund their lending activities either through being a deposit taker, through parent company or shareholder funding, or through securitisation vehicles provided by the major banks.

On that basis, any reform that reduces the cost and compliance burden and makes access to alternative forms of capital easier in order for FSF member companies to grow their businesses whilst, at the same time, helping New Zealand businesses to grow theirs and consumers to access responsibly provided credit, is very much welcomed.

The FSF notes that the largest funds flow goes into the NZX50 because this is where the most liquidity exists, so the challenge is to provide sufficient structural change to incentivise investors to invest elsewhere.

We will not be responding to every question raised in every section of the discussion document – only those that are relevant to our membership.

New Zealand's approach to capital markets regulation:

The FSF agrees that rapid change has occurred in the 12 years since the current regulatory system was introduced and it is therefore timely to consider some adjustments that could improve how New Zealand's capital markets support economic growth. The FSF does not believe, however, that the FMC Act needs a more fundamental review. Rather, some of the options proposed in the discussion document are better placed to achieve these improvements.

In addition to our earlier comment with respect to investor funds flowing into the NZX50 due to the ease of liquidity this provides, the FSF also notes that New Zealand companies also choose to list on the Australian Stock Exchange or dual list with the NZX in order to attract a greater flow of funds.

Therefore, the FSF believes that now is the right time to consider New Zealand's capital markets settings to ensure that New Zealand can continue to attract private capital and provide alternatives to companies seeking to attract capital other than listing on the NZX.

Issue 1: Product disclosure statements:

The FSF agrees with the concerns raised by stakeholders with respect to issues with the PDS including those related to both its content and format. All the concerns expressed in the discussion document are valid in our view and certainly provide a deterrent to companies becoming publicly listed.

The cost to produce a PDS is not inconsiderable and, like other lengthy documents containing too much information, are rarely read or fully understood by retail investors. Therefore, any option that reduces the volume of the PDS to key information only or a simple “term sheet” is desirable. Removing the requirement for the PDS (or any alternative) to be provided in printed form and allowing for “digital-first” communication makes total sense in terms of the way the vast majority of people now prefer to obtain their information – it also reduces the cost to companies.

Issue 2: Civil liabilities for directors and issuers:

The FSF has only one member that is currently listed on the NZX. The fact that other companies within the membership have chosen not to also become listed is very much linked to both the liability settings and the added compliance costs associated with being a listed entity (for example climate-related disclosure obligations which are extremely onerous and costly to comply with).

The FSF agrees with the problem definition with respect to directors’ and issuers’ liabilities as described in the discussion document. The fact of the existence of a potential personal liability is a significant risk for anyone taking on the role of a director or senior manager of an issuer. The upfront compliance costs to mitigate the risk are serious deterrents to capable people choosing to take on these roles – or, as the discussion document states, the risk encourages directors to focus more on compliance than strategic governance and therefore growth.

Of the options for directors proposed in the discussion document, the FSF supports option B to narrow the requirements for being “involved” as this makes the risk of personal liability more proportionate.

The same reasoning applies to the FSF’s support of option D for issuers and of option G with respect to removing deemed director liability and replacing this with fault-based liability for disclosure contraventions, financial reporting contraventions or both.

Issue 3: Catalyst market thresholds and audit standards:

Issue 4: Unlisted Securities Exchange audit requirements:

The FSF does not have any members that have chosen to list on either Catalyst or the Unlisted Securities Exchange.

As previously stated, the FSF believes there are too many barriers to companies becoming listed on the NZX so listing on Catalyst or NZX could both provide viable alternatives to members to raise capital, so the FSF is therefore supportive of the removal of barriers to listing on either of these.

Issue 5: Crowdfunding and peer-to-peer lending limits:

The FSF is interested specifically in the proposals in the discussion document with respect to P2P lending as we have members who raise funds to fund their lending activities in this way. Our comments that follow will therefore be directed to the proposals as they relate to P2P lending only and not to equity crowdfunding or “small offers”.

The FSF believes that it is an important point to note that P2P platforms are licensed by the FMA which imposes licensing obligations on the platform that serve as retail investor protections as stated in the discussion document. These include providing investors with sufficient information and disclosures including information around risk to enable retail investors to make an informed decision and to provide a prescribed warning statement that investors may lose their entire investment and that they must obtain investor confirmation that they have read and understood the risks involved in the investment.

With respect to P2P lending, it should be noted that most of the lending undertaken by P2P providers in New Zealand is short-term mortgage lending as opposed to any unsecured business or consumer lending. Investments therefore have the mitigant of mortgage security if a borrower defaults. This is not the case with crowdfunding or other small offers.

The FSF believes that the fundraising cap per issuer for P2P lenders is too low, having not been adjusted since its inception in 2014. This is a serious inhibitor to growth for P2P lenders at a time when it has been well documented – through the Commerce Commission’s market study into personal banking services and the Select Committee enquiry into business and rural lending products – that there is insufficient competition in the market for the banks, particularly the four large ones.

The following are our answers to those questions posed in this section of the discussion document that are of relevance to our members.

5.1 Do you think the current aggregate \$2 million capital-raising limit should be increased for equity crowdfunding and P2P lending?

Given what we have just said about the fact that the cap for P2P lending has not been reviewed since implementation in 2014 and the well-researched need for more competition in the lending market in New Zealand for both consumers and businesses, the status quo is not an option in our view.

Given the unsecured nature of crowdfunding, we would not support an increase in the capital-raising limit for these types of offers but there is a very real need for the limit to be increased for P2P lending given the fact that they pose less risk to investors due to the fact that their lending is secured.

5.3 Which option (A-D) do you support and why? If there are variables within the option, please be as specific as possible.

On the basis of the above, FSF’s preferred option(s) would therefore be option B or option C. Both options provide for the fundraising cap to be raised and, from the way in which they are presented in the discussion document, this seems to be to a level of at least \$5 million, so the FSF would support either option.

However, it does seem that now is a good time to also consider disaggregating crowdfunding and peer-to-peer lending caps as per option C. As noted in the discussion document, it is possible for individual investors to lose their entire

investment through equity crowdfunding whilst this is less likely in a P2P lending situation as the investment is fractionalised across a number of loans rather than just one, so the risk is spread. Also, as previously stated, P2P lending is secured by mortgage security so there is further recourse to recover the debt if the borrower defaults.

We do not support option D given that a graduated cap for different levels of regulatory requirements would add regulatory complexity which is unnecessary in our view.

Option C is therefore our preferred option with a cap of \$10 million for peer-to-peer lenders as a means to allow them to grow and provide much needed competition in the New Zealand lending market – particularly with respect to mortgage lending. This cap is more in line with those in the other jurisdictions cited in the discussion document.

5.5 If you support option E (an investor cap), how do you think that could be designed?

The FSF believes the question should rather be framed as to whether or not we support an investor cap. The answer to that question being that we do not. We believe that the obligations placed on the P2P licence-holder that serve as retail investor protections and the fact that P2P lending is secured by mortgage security are sufficient mitigants to contain real investor risk without resorting to a cap that would limit investor choice. On that basis investor caps should absolutely not be required when a P2P loan is secured by a registered mortgage.

If investor caps were imposed, then many investors would be forced onto non-regulated wholesale platforms.

5.6 If the cap is raised, what flow-on impacts do you foresee on other capital markets?

The FSF does not believe that, if there were any flow-on impacts of raising the cap on other capital markets, these would be adverse. In terms of increasing competition and choice for New Zealand consumers and businesses and to help to fund economic growth, this is one lever that can be pulled without it necessarily having any effect on other areas of the capital markets ecosystem.

Issue 6: Wholesale investor issues:

The FSF is in no doubt that the current requirements for a person to be deemed to be an “eligible investor” create a level of friction for both investors and issuers, particularly with respect to onboarding a new investor, particularly as the certification process is required to be undertaken for each investment an investor seeks to make.

The following are our answers to those questions posed in this section of the discussion document that are of relevance to our members.

6.1 Do you have evidence or experience of difficulties around the use of the eligible investor self-certification, or misuse of the self-certification approach?

The key issues reported by FSF members with respect to the eligible investor self-certification is the current need for it to be completed for each investment the investor enters into, and for it to be renewed every two years.

As the discussion document quite rightly says it is unlikely that an investor would lose their knowledge of a particular investment opportunity within a two-year period, so the requirement for the certification to be renewed every two years makes no sense.

It is equally unlikely that such investors would lose their previous experience in acquiring or disposing of financial products that allows them to assess the merits of the transaction or class of transaction including the value and risks of the financial products involved or any of the other qualifying criteria to become an eligible investor. Therefore, it is not necessary in the FSF's view, for them to have to go through the certification process for each investment.

6.2 Do you consider that the wholesale investor regulatory framework provides adequate retail investor protections?

The FSF believes the FMA's concern around promotion of wholesale offers to retail investors is likely to be valid – whether this be by way of deliberate action by an issuer or by way of accident or omission. As the discussion document notes, wholesale offers are increasingly being promoted through mainstream and digital channels that can reach wide retail audiences and these may not be sufficiently clearly marked as being available to wholesale investors only.

It would therefore seem sensible for there to be some further requirements on wholesale investment issuers to make this clearer in their advertising of such offers.

6.3 Which option for change in relation to the wholesale eligible investor certification would you support?

We note that among the options there is not an option for the status quo to remain with respect to the eligible investor criteria and certification. In the absence of this, the FSF would support option B to prescribe the content required on eligible investor certificates to support the individual's understanding of their capability and consequences of receiving a wholesale offer as this would make it clearer as to the level of knowledge and experience an investor should have to be considered to be "eligible". It would also make it clearer to the person certifying the investor as to whether or not the investor meets the required criteria.

6.4 Which option do you prefer in relation to the period of validity for eligible investor certificates?

The FSF prefers option F to remove the need for renewal but would prefer to see this removed altogether rather than just for a particular offer for the reasons already stated in answer to question 6.1 above.

6.5 Do you have any evidence or experience of concerning behaviours with the advertising of wholesale offers?

We do not have any specific evidence or experience of this but believe that the FMA is likely to be justified in having concerns that there are concerning behaviours occurring in this space. On that basis, we refer you to the answer provided to question 6.2 above.

6.6 Do you think the \$750,000 threshold for individual investment remains appropriate, or should it be adjusted?

The FSF is comfortable with the \$750,000 threshold and believes it could be left as it is.

Issue 7: Auditor liability:

Issue 8: broker activity and visibility of offers:

The FSF has no comment to make on behalf of our members with respect to either of these issues.

Thank you again for the opportunity to provide our input into this discussion document. Please do not hesitate to contact me if you wish to discuss anything further.



Lyn McMorran
EXECUTIVE DIRECTOR

Appendix A



FSF Membership List as at August 2026

Non-Bank Deposit Takers, Specialist Property Lenders, Fleet Leasing Providers	Vehicle Lenders	Finance Companies/ Diversified Lenders	Finance Companies/ Diversified Lenders contd./ Social Impact Lenders, Credit-related insurers	Insurance Premium Fundors, Affiliate Members	Affiliate Members contd.
<u>Non-Bank Deposit Takers</u> Finance Direct Limited ➤ Lending Crowd General Finance (BB) Mutual Credit Finance (B+) Welcome Limited <u>Credit Unions/Building Societies</u> First Credit Union (BB) Police and Families Credit Union (BB+) <u>Specialist Property Lenders</u> Basecorp Finance Limited First Mortgage Managers Ltd. Go Lend Limited Pepper NZ Limited Resimac NZ Limited <u>Fleet Leasing Providers</u> Custom Fleet Euro Rate Leasing Limited Fleet Partners NZ Ltd ORIX New Zealand SG Fleet	Auto Finance Direct Limited Automotive Lending Solutions NZ Pty Limited ➤ Nissan Financial Services ➤ Mitsubishi Motors Financial Services ➤ Skyline Car Finance BMW Financial Services ➤ Mini ➤ Alphera Financial Services Community Financial Services Daimler Truck Financial Services AU Pty Ltd Honda Financial Services Kubota New Zealand Ltd Mercedes-Benz Financial Motor Trade Finance Movogo Limited Onyx Finance Limited Scania Finance NZ Limited Toyota Finance NZ ➤ Mazda Finance Yamaha Motor Finance	AfterPay American Express Avanti Finance ➤ Branded Financial Basalt Group Blackbird Finance Caterpillar Financial Services NZ Ltd Centracorp Finance 2000 DebtManagers De Lage Landen Limited Finance Now Future Finance Geneva Finance Harmony Humm Group Instant Finance ➤ Fair City ➤ My Finance Latitude Financial Lifestyle Money NZ Ltd Mainland Finance Limited Metro Finance Nectar NZ Limited	NZ Finance Ltd Partners Finance Personal Loan Corporation Pioneer Finance Prospra NZ Ltd Real Asset Management Ltd Speirs Finance Group (L &F) ➤ Speirs Finance ➤ Speirs Corporate & Leasing ➤ Yoogo Fleet Turners Automotive Group ➤ Autosure ➤ East Coast Credit ➤ Oxford Finance UDC Finance Limited Yes Finance Limited Zip Co NZ Finance Limited <u>Social Impact Lenders</u> Money Sweetspot Ltd <u>Credit-related Insurance Providers</u> Protecta Insurance Provident Insurance Corporation Ltd	Arteva Funding NZ Ltd Clearmatch Elantis Premium Funding NZ Ltd Financial Synergy Limited Hunter Premium Funding IQumulate Premium Funding Rothbury Instalment Services <u>Affiliate Members</u> Alfa Financial Software AML Solutions Limited Buddle Findlay Chapman Tripp Credisense Ltd Deloitte EY FinTech NZ Finzsoft Happy Prime Limited KPMG Loansmart Ltd	Match me Money Ltd Motor Trade Association Odessa Technology Inc. PWC Sense Partners Simpson Western Solifi Pty Limited Symphonix <u>Credit Reporting, Debt Collection Agencies,</u> Centrix Credit Corp ➤ Baycorp ➤ Collection House Creditworks Indebted (was Debtworks) Equifax Gravity Credit Management Limited Illion Quadrant Group (NZ) Ltd Recoveries Corp NZ Ltd Total 100 members



FINANCIAL SERVICES FEDERATION (FSF)
THE SPECIALIST LENDING SECTOR - 2025



57%

NON-BANK

BANK

of personal consumer loans are financed by the
specialist lending sector represented by FSF members

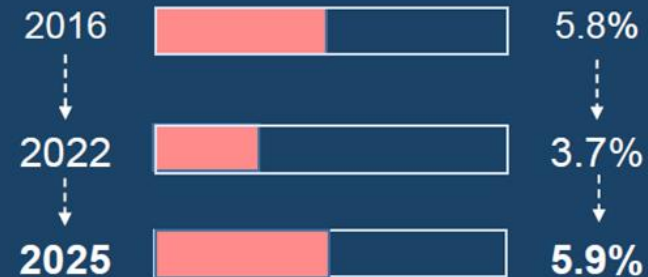
*Setting industry standards for responsible lending,
promoting compliance and consumer awareness.*

Percent of Loan Requests Approved

50%



Percent of Loan Book in Arrears



KEY FACTS: THE SPECIALIST LENDING SECTOR

FSF Members (as at 31 Mar 2025)

Number of Members	100
Number of Employees	3,162
Total Value of Loans	\$22.25B
Applications Processed	1,187,492
Loan Requests Approved	588,671
Percent of Loan Book in Arrears	5.9%
Loan Disputes Upheld	TBC

Bank Sector (as at 31 Mar 2025)

Value of Mortgage Loans	\$369B
Value of Consumer Loans	\$7.6B
Value of Business Loans	\$127B

Specialist Lending Sector Share (Mar 2025)

% of Total Mortgage Loans	0.5%
% of Total Consumer Loans	57.2%
% of Total Business Loans	7.4%

Insurance Credit Related (as at 31 Mar 2025)

Number of Employees	174
Number of Policies	285,371
Gross Claims (annual)	\$13.2M

Consumer Loans (as at 31 Mar 2025)

Total Value of Loans	\$12.0B
Number of Customers	1,383,344
Number of Loans	1,488,692
Average Loan Size	\$8,070

Total Value of Loans:

Mortgage	\$1,839M
Vehicle Loan	\$4,850M
Unsecured	\$4,772M
Other Security	\$541M
Lease Finance	\$11M

Average Value of Loan:

Mortgage	\$293,661
Vehicle Loan	\$15,719
Unsecured	\$4,280
Other Security	\$9,244
Lease Finance	\$38,981

Business Loans (as at 31 Mar 2025)

Total Value of Loans	\$10.2B
Number of Customers	137,075
Number of Loans	226,820
Average Loan Size	\$45,146

Total Value of Loans:

Mortgage	\$3,033M
Vehicle Loan	\$3,033M
Unsecured	\$441M
Other Security	\$1,960M
Lease Finance	\$1,773M

Average Value of Loan:

Mortgage	\$824,431
Vehicle Loan	\$35,177
Unsecured	\$29,182
Other Security	\$42,184
Lease Finance	\$23,532