



COVERSHEET

Minister	Hon Scott Simpson	Portfolio	Commerce and Consumer Affairs
Title of Cabinet paper	Financial Markets Conduct (Depositor Compensation Scheme) Amendment Regulations 2025	Date to be published	22 July 2025

List of documents that have been proactively released

Date	Title	Author
June 2025	Financial Markets Conduct (Depositor Compensation Scheme) Amendment Regulations 2025	Minister of Commerce and Consumer Affairs
5 June 2025	Financial Markets Conduct (Depositor Compensation Scheme) Amendment Regulations 2025 LEG-25-MIN-0109 Minute	Cabinet Office

Information redacted

NO

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In Confidence

Office of the Minister for Commerce and Consumer Affairs

Cabinet Legislation Committee

Financial Markets Conduct (Depositor Compensation Scheme) Amendment Regulations 2025

Proposal

- 1 This paper seeks authorisation to submit the Financial Markets Conduct (Depositor Compensation Scheme) Amendment Regulations 2025 (the Amendment Regulations) to the Executive Council. The Amendment Regulations make minor and technical changes to the Financial Markets Conduct Regulations 2014 (FMC Regulations) to clarify how non-bank deposit takers (NBDTs) disclose whether or not the Depositor Compensation Scheme (DCS) applies to debt securities they offer.

Policy

- 2 The Reserve Bank of New Zealand (RBNZ) is introducing the DCS in parts from 1 July 2025. The purpose of the DCS is to provide protection for eligible depositors in the event a financial institution fails. It safeguards up to \$100,00 per eligible depositor per licensed deposit taker.
- 3 Under section 57 of the Financial Markets Conduct Act 2013 (FMC Act), issuers of financial products must ensure their product disclosure statement (PDS) contains all information required by the FMC Regulations and that the Disclose Register contains any material information not included in the PDS. The application of the DCS to a debt security (i.e. a deposit) is material information.
- 4 NBDTs are the issuers affected by the DCS change. Banks are not affected because, despite issuing debt securities that will be protected deposits under the DCS, they already have regulatory relief (in the FMC Act) meaning that they are not required to produce product disclosure documents in respect of those types of debt securities.
- 5 Without the amendment regulations, NBDTs that issue DCS protected debt securities will need to immediately update their PDSs or the Disclose Register to include references to the DCS when it commences on 1 July 2025 and would have a short timeframe to do so in time for the DCS to commence.
- 6 In March 2025, Cabinet agreed to amend the FMC Regulations to provide for appropriate transitional arrangements for disclosure requirements on financial products for the DCS [LEG-25-MIN-0040 refers].
- 7 The Amendment Regulations are consistent with previous Cabinet policy decisions and no further policy decisions are required [LEG-25-MIN-0040 refers].

- 8 The Amendment Regulations will also standardise wording across PDSs when parts of the DCS come into force in July. This ensures that customers have consistent and concise information about whether or not a deposit is protected. The wording points customers to a website where they can obtain information about the DCS. This also reduces compliance costs for NBDTs by clarifying what wording about the DCS is needed in their PDSs.
- 9 The Amendment Regulations seek to provide temporary regulatory relief for NBDTs by allowing them a one-year transitional period to update their PDSs as part of an NBDTs regular PDS update cycle.
- 10 The regulations also include a temporary exemption for NBDTs from having to disclose “material information” not contained in their PDS on the Disclose Register, which they would otherwise have to provide as a result of the proposed transitional relief.
- 11 If NBDTs do not make immediate changes to their PDSs or update the Disclose Register by 1 July 2025, they will be in breach of the FMC Regulations. I want to give NBDTs time to update their relevant PDSs in an orderly and cost-effective way.

Timing and 28-day rule

- 12 I am seeking a waiver of the 28-day rule so that the Amendment Regulations can come into force on the date that parts of the DCS are set to commence; 1 July 2025.
- 13 I consider that an early commencement of the Amendment Regulations is necessary to align with the commencement of parts of the DCS on 1 July 2025. This is required to ensure that NBDTs are not in breach of the FMC Act and FMC Regulations at the start of July.
- 14 I expect the waiver to have little to no effect on the public because of the one-year transition period.

Compliance

- 15 The Amendment Regulations comply with each of the following:
 - 15.1 the principles of the Treaty of Waitangi;
 - 15.2 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993;
 - 15.3 the principles and guidelines set out in the Privacy Act 2020;
 - 15.4 relevant international standards and obligations;
 - 15.5 the Legislation Guidelines (2021 edition), which are maintained by the Legislation Design and Advisory Committee.
- 16 The Amendment Regulations comply with the statutory prerequisites of the FMC Act. As required by section 549 of the FMC Act, I have consulted with the Financial Markets Authority (FMA) on the Amendment Regulations.

- 17 I am also satisfied that the exemption the Amendment Regulations grants in relation to NBDTs disclosure on the Disclose Register meets the requirements under section 550 of the FMC Act, namely that:

17.1 I have had regard to the main and additional purposes of the Act;

17.2 the exemption is not broader than reasonably necessary to address the matters that have given rise to the regulations.

Regulations Review Committee

- 18 I do not consider that there are any grounds for the Regulations Review Committee to draw the Amendment Regulations to the attention of the House of Representatives.

Certification by Parliamentary Counsel

- 19 The Amendment Regulations have been certified by Parliamentary Counsel as being in order for submission to Cabinet, except that these regulations will come into force earlier than the 28th day after their notification in the Gazette

Impact Analysis

- 20 The Ministry for Regulation has determined that this proposal is exempt from the requirement to provide a Regulatory Impact Statement on the grounds that it has no or only minor economic, social, or environmental impacts.

Publicity

- 21 The Amendment Regulations will be shared with key stakeholders, including the FMA, the RBNZ and affected NBDTs.

Proactive release

- 22 This paper will be proactively released within 30 working days.

Consultation

- 23 My officials have consulted with the FMA and the RBNZ, as well as affected NBDTs and industry representative groups on the policy of the changes.
- 24 The FMA and the RBNZ have been consulted on this paper.

Recommendations

I recommend that the Cabinet Legislation Committee:

- 1 **note** that on 27 March 2025, the Cabinet Legislation Committee agreed to amend the Financial Markets Conduct Regulations 2014 to provide for appropriate transitional arrangements for disclosure requirements on financial products that the Depositor Compensation Scheme applies to [LEG-25-MIN-0040 refers];
- 2 **note** that the Financial Markets Conduct Amendment Regulations 2025 will give effect to the decision referred to in paragraph 1 above;
- 3 **note** that before recommending the making of an Order in Council under sections 543 of the Financial Markets Conduct Act 2013 (FMC Act):
 - 3.1 the Financial Markets Authority was consulted as required by section 549 of the FMC Act;
 - 3.2 the Minister the Minister of Commerce and Consumer Affairs has had regard to the main and additional purposes of the Act, as per section 550(1)(a) of the FMC Act, and the exemption is no broader than reasonably necessary to address the matters that gave rise to the regulations, as per section 550(1)(b) of the FMC Act;
- 4 **note** the advice of the Minister for Commerce and Consumer Affairs that these requirements have been met;
- 5 **authorise** the submission to the Executive Council of the Financial Markets Conduct (Depositor Compensation Scheme) Amendment Regulations 2025;
- 6 **note** that a waiver of the 28-day rule is sought:
 - 6.1 so that the regulations can come into force in line with the Depositor Compensation Scheme on 1 July 2025;
 - 6.2 on the grounds that doing so will have little to no effect on the public;
- 7 **agree** to waive the 28-day rule so that the regulations can come into force on 1 July 2025 to align with the commencement of the Deposit Compensation Scheme.

Authorised for lodgement

Hon Scott Simpson

Minister for Commerce and Consumer Affairs