



FINANCIAL SERVICES FEDERATION

25 February 2021

By email to: consultation@fma.govt.nz

Dear Sir/Madam

Re: Consultation: Review of the Wholesale Investor Exclusion \$750,000 Minimum Investment Exemption

The Financial Services Federation (“FSF”) is grateful to the Financial Markets Authority (“FMA”) for the opportunity to provide this submission on the Consultation on the Review of the Wholesale Investor Exclusion \$750,00 Minimum Investment Exemption on behalf of its members.

By way of background, the FSF is the industry body representing the responsible and ethical finance, leasing, and credit-related insurance providers of New Zealand. We have over sixty members and affiliates providing these products to more than 1.5 million New Zealand consumers and businesses. Our affiliate members include internationally recognised legal and consulting partners. A list of our members is attached as Appendix A. Data relating to the extent to which FSF members (excluding affiliate members) contribute to New Zealand consumers, society, and business is attached as Appendix B.

The FSF membership includes entities who rely on the Wholesale Investor Exclusion and who would therefore thoroughly support the renewal of the exemption as it is currently worded. It is on this basis that we make the following submission.

General comments

The FSF believes the current Wholesale Investor Notice Exemption has been working significantly well. Facilitating wholesale investor offers is invaluable to our post-COVID19 economic recovery in enabling the support of a broader range of domestic businesses and bringing forward a wider range of offers to investors.

The FSF sees no issue with the Exemption in its current state and believes that the regime is functioning effectively whilst ensuring businesses are able to adapt to the fluctuating financial environment.

Therefore, the FSF submits total support for the renewal of the Wholesale Investor Notice Exemption, particularly, in light of its economic benefits.

Question 1: Kauri bonds

FSF members do not rely on the Wholesale Investor Exemption in relation to Kauri bonds.

Question 2: Unsubordinated debt securities

FSF members do not rely on the Wholesale Investor Exemption in relation to unsubordinated debt securities, nor are they likely to in the future.

Question 3: Wholesale investor notice removed unnecessary compliance cost

The regime, prior to the current Wholesale Investor Exemption, was far more burdensome and resource intensive than it is with the Exemption in place. There has most certainly been a reduction in compliance costs as a result of the Exemption's existence, as articulated to FSF by wholesale funded members.

Capital is gained, and retired, in an agile and seamless manner, from investor participants who are seasoned and sophisticated.

The FSF submits that the current required prescribed warning statement is most effective and provides a clear and succinct 'signpost' clearly signalling to these investors the nature of this instrument and demarcating it from other types of debt securities. The prescribed warning statement requirement under the current regime and its associated compliance requirements are significantly less than what would be required under a full disclosure statement.

Because the FSF is an industry body, as opposed to an actual business, figures as to the actual or estimated dollar amounts cannot be accurately expressed.

Question 4: wholesale investor notice imposes unnecessary compliance cost

The current wholesale investor notice exemption does not impose unnecessary compliance cost.

Question 5: Impact of the wholesale investor notice discontinuation on Kauri bonds and unsubordinated debt

As previously mentioned, members do not rely on Kauri bonds nor unsubordinated debt, therefore this question is irrelevant to FSF members.

Question 6: Support for granting the exemption in wholesale investor notice for 5 years

The FSF membership fully supports the renewal of the wholesale investor notice exemption for a further 5 years.

The Wholesale Investor Exemption regime is a crucial plank to many firm's growth capital platform. The prescribed warning statement is an efficient means of distinguishing these instruments from other debt securities. These instruments are issued frequently, and without a set rhythm as the needs of businesses fluctuate, which sees investors often holding multiple tranches with differing terms, a situation which is very well accommodated by the current exemption regime.

The impact of discontinuation of the wholesale investor notice would really be detrimental to businesses and the debt capital market. Requiring issuers to operate without the exception will significantly slow down the issuing process, increase costs and increase the regulatory risk for issuers and investors.

Businesses would loath to see any greater compliance regime returned to these instruments given the nature of their use. In a time of such low yields, their importance to investors should also not be overlooked, providing a valued component of a sophisticated investor's debt securities portfolio.

A supplementary consequence with notice discontinuation is the assessment that New Zealand's capital market will become less attractive in comparison to markets in other jurisdictions. Again, negatively impacting our debt capital market.

Question 7: Standard warning and investor acknowledgement requirements

This question is also irrelevant to the FSF's submission.

Question 8: Amendments needed to the notice if renewed

The FSF submits no amendments that should be incorporated into the renewed notice.

Question 9: Any other comments

The FSF has no further additional comments.

Thank you again for the opportunity to provide the FSF's view on the Consultation: Review of the Wholesale Investor Exclusion \$750,000 Minimum Investment Exemption. We greatly anticipate the Consultations result.

Please do not hesitate to contact me if you wish to discuss any aspect of the submission any further.

Yours sincerely,

A handwritten signature in black ink, consisting of several overlapping loops and lines, appearing to be the name 'Diana Yeritsyan'.

Diana Yeritsyan
Legal and Policy Manager

Appendix A – FSF Membership List February 2021

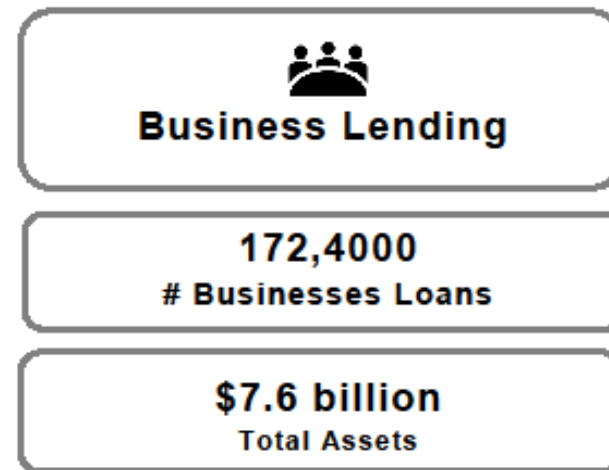
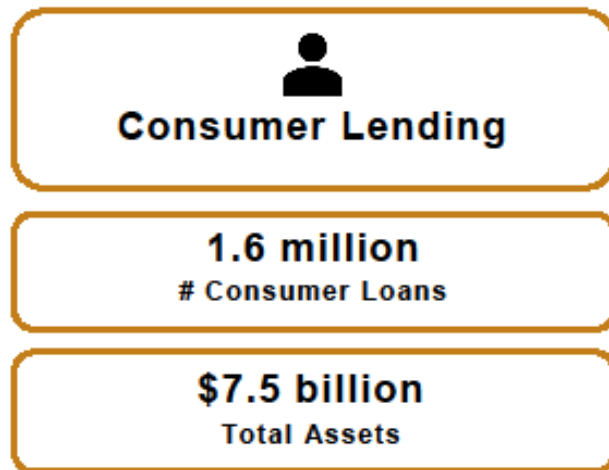
Non-Bank Deposit Takers Leasing Providers	Vehicle Lenders	Finance Company Diversified Lenders	Finance Company Diversified Lenders	Credit-related Insurance Providers	Affiliate Members
<u>Rated</u> Asset Finance (B) <u>Non-Rated</u> Mutual Credit Finance Gold Band Finance ➤ Loan Co <u>Leasing Providers</u> Custom Fleet Fleet Partners NZ Ltd Lease Plan ORIX NZ SG Fleet	AA Finance Limited Auto Finance Direct Limited BMW Financial Services ➤ Mini ➤ Alphaera Financial Services Community Financial Services European Financial Services Go Car Finance Ltd Honda Financial Services Mercedes-Benz Financial Motor Trade Finance Nissan Financial Services NZ Ltd ➤ Mitsubishi Motors Financial Services ➤ Skyline Car Finance Onyx Finance Limited Toyota Finance NZ Yamaha Motor Finance	Avanti Finance ➤ Branded Financial Caterpillar Financial Services NZ Ltd CentraCorp Finance 2000 Finance Now ➤ The Warehouse Financial Services ➤ Southsure Assurance Future Finance Geneva Finance Home Direct Flexi Group Instant Finance ➤ Fair City ➤ My Finance John Deere Financial Latitude Financial Metro Finance Pepper NZ Limited Personal Loan Corporation Pioneer Finance Prospa NZ Ltd South Pacific Loans	Speirs Finance Group ➤ Speirs Finance ➤ Speirs Corporate & Leasing ➤ Yogo Fleet Thorn Group Financial Services Ltd Turners Automotive Group ➤ Autosure UDC Finance Limited <u>Credit Reporting & Debt Collection Agencies</u> Baycorp (NZ) ➤ Credit Corp Centrix Collection House Equifax (prev Veda) Illion (prev Dun & Bradstreet (NZ) Limited Intercoll Quadrant Group (NZ) Limited	Protecta Insurance Provident Insurance Corporation Ltd	255 Finance Limited Buddle Findlay Chapman Tripp Experian EY FinTech NZ Finzsoft GreenMount Advisory Happy Prime Consultancy Limited HPD Software Ltd KPMG LexisNexis PWC Simpson Western Total: 65 members

Appendix B



FINANCIAL SERVICES FEDERATION

The Financial Services Federation (FSF) is the association for responsible finance and leasing companies operating in New Zealand. This infographic is a snapshot of our 40 lending members, the membership list can be found at our website www.fsf.org.nz.



\$355,039,962

Secured

\$2,996,322,244

Unsecured

\$609,678,636

Secured

\$79,625,359

Unsecured

\$2,484,376,195

Motor Vehicle

\$654,604,625

Mortgage

\$4,134,085,468

Motor Vehicle

\$186,477,244

Operating Lease

\$133,896,221

Mortgage

FSF lending members data survey period as at 29 February 2020 . Data collected and aggregated by KPMG. Values in NZ\$.

