

FINANCIAL MARKETS AUTHORITY

As a result in the drop in investor confidence in New Zealand, the Government passed the Financial Markets Authority Act which came into force this year. The Financial Markets Authority has been set up as a new Crown entity from 1.5.11 replacing the Securities commission and the Government Actuary, with a much wider range of activities than its predecessor organisations. It also became responsible for some of the tasks of the Registrar of Companies.

The aims of the Authority are varied but its main object is to education investors so that they can make better decisions about the investment of their financial resources. Other roles are reviewing prospectuses to ensure that they are not misleading the public, monitoring the compliance with the Code of Professional Conduct and other obligations of financial advisers and numerous other watch dog tasks in the investment sector. Recently the Authority was involved with “low-ball” share offers by Bernard Whimp who is well known in financial circles.

The FMA has a board consisting of a chair, and chief executive and eight board members with 2 Associate members. All are experienced in the investment and financial sectors and should be well equipped to sniff out dubious activities in the financial markets.

On receipt of a complaint or if the Authority’s attention is drawn to a potential breach of any of the legislation it is required to monitor, the Authority undertakes an investigation and takes appropriate enforcement action under the relevant Act. The powers of the Authority are wide ranging and cover almost all aspects of financial investments.

There are a number of organisations and activities which are not covered by the new Authority. Complaints in respect of competitive practices are investigated by the Commerce Commission. The Ministry of Consumer Affairs is equipped to deal with scams which circulate and do not fall within the Authority's jurisdiction.

Banking and Insurance complaints are dealt with by the Ombudsman for each respective activity.

The Authority does not provide investment advice – it is the role of financial advisers and it does not give binding interpretations of securities law.

It is to be hoped that this new Authority can restore confidence in our investment market. Over 51 finance companies have failed in recent years and a lot of investors have lost a lot of money in the process.

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