BUDDLE FINDLAY

The end is nigh but has it all been worth it?

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As the period for transitioning to the Financial Markets Conduct Act 2013 (the FMC Act) draws to an end, attention will turn to whether the aims of the FMC Act have been achieved.

The FMC Act was passed in 2013 following a comprehensive review of financial markets legislation that began back in 2005. Much store is placed on the new regime which, it is hoped, will address some of the failings of the previous Securities Act regime, and improve and stimulate financial markets activity in New Zealand. As fund managers and issuers scramble to meet the last of the deadlines in the lengthy transition period which finishes at the end of November, attention will no doubt now turn to how well the new regime is working and whether the specific aims of the FMC Act have been achieved.

The main purpose of the FMC Act is to *promote the confident and informed participation of businesses, investors, and consumers in the financial markets* and *to promote and facilitate the development of fair, efficient, and transparent financial markets.* Coming off the back of the global financial crisis and the subsequent failure of the finance companies in New Zealand, the new regime is intended to improve conduct and restore confidence in financial markets by providing better information for investors and clearer rules for participants. It is hoped that it will create more opportunities for investment in business growth in New Zealand.

For participants in financial markets, transitioning to the FMC Act has been a challenging, and, for some, a time-consuming process. Some participants, who were not regulated under the previous regime, have had to get licensed. Others are struggling to get to grips with the new regulatory expectations and, at the end of it all, may be wondering if it was worth it.

The policymakers themselves have required that the FMC Act is reviewed by 2019 to identify the extent to which it has met its short and medium term objectives. To this end the Ministry of Business, Innovation and Employment's research and evaluation team has commenced a five year evaluation during which they will be collecting and collating qualitative and quantitative information from market participants and bodies such as the FMA, NZX and Treasury, which will culminate in a report to be delivered in late 2019.

In the meantime we can expect much navel gazing as the new regime beds down and market participants, regulators and commentators alike reflect on whether it has met its objective of stimulating the New Zealand markets, both on a local and a global level. The latest Financial Markets Authority's investor confidence survey (May 2016) shows that while confidence in the markets themselves had fallen over the last year, confidence in the effectiveness of the new regulatory environment - a new question - was reasonable, at 60%. Signs are that confidence is building but time will tell the extent to which this can be attributed to the effectiveness of the FMC Act.

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