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E.25 Thirty-first Annual Report

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This is the annual report of the Securities Commission for the 10 months ending 30 April 2011. The Minister of Finance has transferred responsibility for the preparation of this report to the Financial Markets Authority, under section 45J of the Public Finance Act 1989. It is not a report of the activities of the Financial Markets Authority, which commenced operation on 1 May 2011.

Chairman's report



This is the Securities Commission's last Annual Report, with the Financial Markets Authority (FMA) taking over from 1 May 2011. In this final report, I would like to consider the Commission's work and achievements, not only over the last 10 months but also the last 10 years.

It has been a decade since I came to the Commission and, over that time, the global and national financial scene has changed dramatically.

It has been a decade-long journey towards creating a robust regulatory architecture. This is a journey that still has quite a way to go. With a superb team of talented and dedicated professionals beside me, together we achieved some outstanding outcomes focused on the best interests of New Zealand investors. These considerable outcomes were achieved despite the limitations of the regulatory framework we were required to work within.

These outcomes ranged from the banning of contributory mortgage brokers to the return of funds to investors through major enforcement actions, from the freezing of assets in significant cases to warnings and educational programmes that help investors understand risk and return.

One of our most spectacular successes was the Tranz Rail case, our first against insider trading. It was settled successfully in 2007 for \$29 million – the largest insider trading settlement in Australasia.

One of the most gratifying elements of the journey towards a more robust regulatory framework has been the shift in attitudes toward an acceptance of market regulation as a positive element of a modern economy. Ten years ago the prevailing view of New Zealand's business community was that markets would self regulate, and any formal regulation meant red tape that could only hinder investment and hold the economy back. Thankfully, the nation's mood has now begun to favour a modern approach to balanced and proportionate regulatory intervention. Good company directors and managers need have no fear of appropriate regulation.

One of the Commission's major challenges has been the collapse of so many finance companies from 2006 onwards. Parallels between these collapses and the global financial crisis, particularly in terms of poor governance, are clear. However, by and large, the crisis did not cause the failures. They occurred because dozens of these companies were operating opaquely in a dark part of the market, beyond regulatory reach and because directors of these companies failed in their duties to bondholders.

That so many ordinary New Zealand investors paid such a high price for these collapses illustrates how vital it is that regulation continues to shine a light into these dark areas and for directors to be able to be called to account.

A great deal of work has been done by a great many people to ensure that the New Zealand regulatory framework will from now on include the regulation of financial advisers, auditors and trustees, and powers to enforce directors' duties, all of which were lacking. Equally importantly, prudential regulators now realise the need to license deposit takers, a framework which had it been implemented even five years earlier may have seen the explosion of finance companies fade away and speculators and opportunists dissuaded from this sort of activity.

The regulatory journey is certainly not over but the Commission's work over the last 10 years has put this country in an excellent position to move forward with a balanced, proportionate regulatory approach – one congruent with international practice and the principles of the International Organisation of Securities Commissions (IOSCO).

Improving corporate behaviour and lifting governance standards has been another cornerstone of our enforcement work and guidance to markets. We've pursued these aims in spite of lacking the power to enforce directors' duties directly.

In 2004, we published *Corporate Governance in New Zealand – Principles and Guidelines*. It lays out nine principles – dealing with issues from directors’ fees to risk management – all designed to improve corporate behaviour and, ultimately, corporate performance. We have reviewed corporate governance several times since then.

In 2005, we launched our financial reporting surveillance programme. This reviews a selection of annual reports with the aim of encouraging issuers to improve them so investors can have confidence in the information they provide. We have had excellent feedback from the market on the usefulness of this exercise.

The last decade has seen the Commission continue New Zealand’s proud tradition of being a very small country with a significant voice in international affairs via the institutions of international cooperation. We’ve taken a leadership role in the international regulatory community via IOSCO. This has given us a much stronger voice in developing global standards.

New Zealand’s role in IOSCO allows this country to leverage current and potential domestic investment. It demonstrates our commitment to a world-class regulatory framework, thereby attracting and retaining international capital.

Our IOSCO connection has enabled us to focus, through its Asia-Pacific Regional Committee (APRC), on positioning New Zealand in relation to the rebalancing of economic power from West to East. Through this regional network, it has also facilitated close relationships with key players in this part of the world. These relationships are likely to become increasingly valuable to New Zealand as the region grows in economic and geo-political importance.

Our IOSCO connection has also allowed this country to move from being an outlier of the international regulatory community to being a jurisdiction that has more influence than our small size and economy would normally dictate. Examples of this are our place in the Financial Crisis Advisory Group set up in 2008 by the International Accounting Standards Board (IASB) and the United States Financial Accounting Standards Board, and a seat on the International Integrated Reporting Committee, set up in 2009 by His Royal Highness The Prince of Wales’ Accounting for Sustainability Project.

The Commission has played an important role in enforcement and oversight. Guidance and education can only go so far in creating a business environment in which investors can have confidence. A crucial element here is the power of the regulator to take enforcement action when the standards of behaviour of those engaged in financial activities fall below community standards. Over the last decade, the Commission has been fully focused on strong enforcement. It has undertaken hundreds of enforcement actions. Our capacity for doing so was hugely enhanced by the receipt, in 2003, of a dedicated litigation fund. This has resulted in an enormous amount of work on investigations and litigation.

Investigations into the 51 failed finance companies have dominated the last few years’ work. By the end of the reporting period, 26 investigations had been completed. Charges had been laid against 35 directors of 14 companies, either by the Commission or, on our referral, by the Ministry of Economic Development’s (MED’s) National Enforcement Unit (NEU). As of mid-March 2011, eight cases were before the courts. If all the electronic data relating to just one 2010 finance company investigation were to have been printed and stacked, it would have reached the height of Auckland’s Sky Tower. It took two forensic accountants, a financial analyst and a data/electronic discovery manager more than 900 hours (or 21 weeks) to complete their investigation.

We began the decade with responsibility for a market with a huge number of regulatory gaps, and a prevailing view that markets did not require regulation, indeed, that regulation was anathema to prosperity. Ten years later, we hand over to FMA a far more comprehensive regulatory toolkit, a legacy of decisive enforcement actions, and a market that has broadly come to accept that smart regulation and good corporate governance are not merely “nice to have” but fundamental pre-requisites for building a competitive modern economy. The Securities Act review and the upcoming proposed new powers for FMA are an opportunity to secure a modern regulatory framework for this country. One of the Commission’s legacies will hopefully be a properly empowered and appropriately resourced regulator which can further encourage investor confidence in New Zealand’s capital markets.

It has been an honour and a privilege to serve New Zealand over these last 10 years as Commission Chairman.



Jane Diplock AO Chairman

Highlights

The following were among the most significant actions taken by the Commission during the reporting period.

- The Commission continued its investigations of collapsed finance companies. Of the 51 finance company investigations undertaken since 2006, by the end of the reporting period 26 investigations were completed and 14 had resulted in criminal charges being laid by the Commission or, following referral, by NEU. A further 25 remained under investigation.
- On application from the Commission, the High Court granted a freezing order aimed at preserving assets associated with former Hanover Finance director Mark Hotchin to meet any civil claims that may be brought by investors.
- The Commission completed two other enforcement actions and achieved a desired regulatory result for both.
- The Commission laid criminal charges against Huljich Wealth Management (New Zealand) Limited and director Peter Huljich alleging that prospective investors were misled in relation to Huljich Wealth Management's KiwiSaver scheme.
- The Commission made two recommendations for statutory management relating to Aorangi Securities Limited and two companies that hold assets on behalf of businesses associated with Mr Allan Hubbard.
- There were 27 securities market surveillance cases identified where deficiencies existed, and a desired regulatory result was achieved in all 27.
- The Commission researched 38 possible overseas broker scams and, where appropriate, listed them on its website.
- The Commission published guidance for recipients of unsolicited offers for securities, and three warnings advising investors to seek advice before accepting unsolicited offers to buy their investments for a percentage of their face value.
- Work continued toward the implementation of the new financial advisers regulatory regime. During the period:
 - the Commissioner for Financial Advisers approved the Code of Conduct for Authorised Financial Advisers (AFAs)
 - the adviser authorisation process began
 - the Financial Service Providers Register (FSPR) opened, allowing the public to search for information on financial service providers
 - the first phase of the new regulatory regime came into force on 1 December with the first 10 financial advisers becoming AFAs.
- The Commission continued to promote New Zealand's markets and regulatory environment overseas through the participation of the Chairman and Commission staff in IOSCO international forums.
- Trans-Tasman cooperation continued to strengthen through joint work with the Australian Securities and Investments Commission (ASIC) towards Single Economic Market (SEM) objectives.

Members of the Commission

The Commission consists of between five and 11 members appointed by the Governor-General on the recommendation of the Minister of Commerce. Members are appointed for their knowledge or experience in industry, commerce, economics, law, accountancy, public administration or securities.

At least one member must be a barrister or solicitor of not less than seven years' practice. Members hold office for a term not exceeding five years, and may be reappointed.

The Commission began the 2010/11 year with nine members. Murray Jack was appointed to the Commission in October.

The Commission held 8 regular monthly meetings (11 in 2009/10) and 79 division meetings (79). It passed an additional 88 written resolutions (93). The Audit and Risk Review Committee met three times (five); its chair is Keitha Dunstan. Other members of the Audit and Risk Review Committee are Annabel Cotton, John Holland and Neville Todd.



Members of the Commission as at 30 April 2011

(Pictured to the right from top to bottom)

Jane Diplock AO BA (Hons), LL B, DipEd (Sydney), Dip Int Law (ANU), FIPAA, FNZIM
Chairman of the Commission since September 2001.
Professional: Barrister and solicitor of the ACT Supreme Court and High Court of Australia, Barrister of the New South Wales Supreme Court; Chairman of the Executive Committee of IOSCO; Fellow of the Institute of Public Administration of Australia; Fellow of the Australian Institute of Company Directors; Fellow of the New Zealand Institute of Management.

David Mayhew BA, LL B (Hons)
Commissioner for Financial Advisers since January 2010.
Professional: Barrister and solicitor of the High Court of New Zealand and solicitor of the Supreme Court of England and Wales.

Simon Botherway B Com, CFA
Professional investor, Auckland.
Directorships: Fisher & Paykel Appliances Holdings Limited, FMA Establishment Board (Chairman) and Electricity Authority Establishment Board.

Shelley Cave LLB
Solicitor, Auckland.
Professional: Partner at Simpson Grierson specialising in corporate and securities law.
Directorship: FMA Establishment Board.

Annabel Cotton BMS (Accounting and Finance), ACA, CSAP. Business consultant, Hamilton.
Professional: Consultant to companies listed in New Zealand and overseas. Commissioner for Financial Advisers (May 2009 – January 2010).
Directorships: Kingfish Limited, Barramundi Limited, Marlin Global Limited and a number of private companies.

Keitha Dunstan PhD (QLD), M Bus (QUT), Grad Dip Mgt (UCQ), B Com (QLD), CA. Professor, Gold Coast.
Professional: Head of School of Business, Bond University, Gold Coast, Australia.

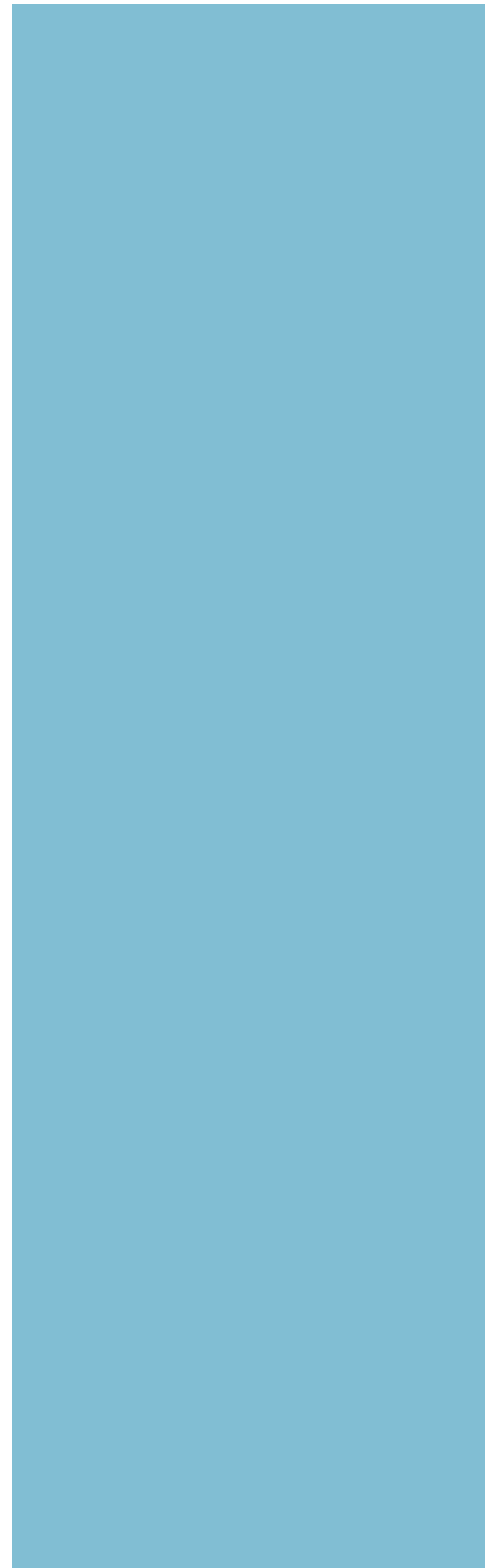
John Holland B Com, LL B. Solicitor, Christchurch.
Professional: Partner of Chapman Tripp specialising in securities and competition law and mergers and acquisitions.
Directorships: Kathmandu Holdings Limited.

Murray Jack B Com
Chief executive and consultant, Wellington.
Professional: Chief Executive of Deloitte and a partner in the Wellington consulting practice.
Directorship: New Zealand Institute of Chartered Accountants.

Neville Todd B Com
Company director and business consultant, Wellington.
Directorships: Formerly a director of Milford Asset Management, Salomon Smith Barney New Zealand Limited and member of the New Zealand Stock Exchange.

Mark Verbiest LL B
Company director/consultant, Wellington.
Professional: Consultant to Simpson Grierson.
Directorships: AMP Haumi Management Limited (manager of AMP NZ Office Trust), Freightways Limited, Government Superannuation Fund Authority, Southern Cross Medical Care Society, Health Trust and related entities, Aptimize Limited (Chairman), Willis Bond Capital Partners Limited (Chairman) and Transpower New Zealand Limited (Chairman).

Performance against objectives



Surveillance and enforcement

During the period, the Commission monitored market activity to identify and investigate potential breaches of securities law. We encouraged entities and directors to strive for international best practice in financial reporting, corporate conduct and governance.

We worked with NEU and the Serious Fraud Office (SFO) to ensure alleged breaches were dealt with appropriately.

The regulatory results achieved from the Commission's enforcement work are outlined below.

Objectives	Measures
<ul style="list-style-type: none">• Surveillance work corrects identified deficiencies and communicates the Commission's expectations of standards of conduct in the market and the requirements of the law.• Surveillance and enforcement work is targeted at those issues most likely to deter bad practices in key areas.• Our enforcement actions achieve the desired regulatory results.	<ul style="list-style-type: none">• In 90 percent of surveillance cases where deficiencies are identified, the desired regulatory result is achieved.• Resources are applied in accordance with the Commission's market surveillance and enforcement priorities.• The Commission achieves the desired regulatory result in at least 80 percent of enforcement actions.

Surveillance

The Commission's surveillance programme included its securities market surveillance activity, financial reporting surveillance programme, corporate governance reporting programme, overseas broker warnings and KiwiSaver disclosures review.

During the period, deficiencies in 27 securities market surveillance cases were identified and the desired result was achieved in 100 percent of these cases. These resulted in the following:

- two companies withdrew their offers after Commission action
- one company's advertising was banned
- five companies made voluntary corrections to remedy breaches
- three companies were referred to another agency for consideration for prosecution
- Commission staff cautioned the issuers in eight cases
- in one case the Commission recommended the entities be placed in statutory management
- further action was unwarranted due to existing charges in two cases
- five cases required no further action because, for example, the breach was immaterial or there was insufficient evidence of a breach.

Financial reporting surveillance programme

During the period the Commission completed three review cycles of the financial reporting and surveillance programme. These included:

- cycle 12 – the report was published in October
- cycle 13 – focused on segment reporting (NZ IFRS 8 *Operating Segments*) and involved writing to 16 issuers to raise 30 matters
- cycle 14 – the report was published in April.

The Commission issued news releases alerting issuers to the findings of cycles 13 and 14, in particular, the need to ensure stakeholders and investors are fully informed about all areas of their investments.

The Commission held a workshop for issuers and their auditors to highlight the issues regularly arising in its financial reporting surveillance programme.

Why does the Commission undertake financial reporting surveillance?

Transparent financial reporting is a critical element in building investor confidence. It involves the application of international accounting standards (NZ IFRS) to ensure that New Zealand is consistent with international best practice.

To encourage high-quality financial reporting in New Zealand, the Commission undertakes an ongoing financial reporting surveillance programme to monitor the standard of financial reporting, encourage issuers to improve their reporting and, if necessary, take regulatory action.

With regard to its role in lifting compliance with financial reporting standards to new levels, the Commission sees itself as a facilitator as much as an enforcer of currently accepted standards. We work closely with accounting and audit firms to educate the market on raising the quality of financial reporting, and communicate directly with issuers to bring to their attention any matters we believe require attention.

Broker scams

The Commission researched 38 possible overseas broker scams and, where appropriate, listed them on its website.

Corporate governance

In recent years, there has been growing interest in New Zealand and internationally in the importance of transparent standards of corporate governance to investor confidence.

The Commission's latest review of corporate governance reporting published in July 2010 shows that while most issuers are doing well, many need to improve their disclosures when it comes to ethical standards, directors' and executives' remuneration, risk management, and shareholder and stakeholder relations.

KiwiSaver disclosures

Further to the Commission's publication in March 2010 of its *Guidance Note on KiwiSaver Distribution and Disclosure*, the investment performance disclosures in the financial statements of 10 KiwiSaver schemes were reviewed. The findings informed the Commission's views on the MED discussion document *Periodic Reporting Regulations for Retail KiwiSaver Schemes*.

Enforcement

Finance company enforcement

During the period, finance company matters dominated the Commission's enforcement programme.

Actions taken against directors of finance companies

The Commission continued to investigate finance companies that had collapsed or had frozen payments, assessing whether they had misled investors or failed to disclose material information.

On 15 December 2010, the High Court, on application from the Commission, granted an interim freezing order with respect to New Zealand assets believed to be associated with former Hanover Finance director Mark Hotchin. The Commission decided it was in the public interest to take this action, under sections 60G and 60H of the Securities Act, with a view to preserving sufficient assets to meet any civil claims that might be brought by investors.

In November, the Commission laid criminal charges against Huljich Wealth Management and director Peter Huljich relating to the Huljich KiwiSaver scheme for which they are promoters. The Commission alleged they had misled prospective investors by misrepresenting the investment performance of the scheme's funds in offer documents and that untrue, misleading and false statements were made in various publications.

Actions taken against finance companies

Of the 51 finance company investigations undertaken since 2006, 26 investigations were completed and 25 remained under investigation at the end of the reporting period. Criminal charges had been laid against directors or officers of 14 finance companies either by the Commission or, following referral by the Commission, by NEU. Criminal charges have been laid against 35 directors or officers of these finance companies.

In the case of 12 finance companies, no further action was proposed as the matter had been referred to another regulator or no material breach of the law was uncovered or, where there was a material breach, the Commission judged it not in the public interest to proceed to prosecution.

Other enforcement

In addition to finance company investigations, the Commission completed two enforcement actions and achieved 100 percent desired regulatory results for them:

- under one action, the Commission accepted an enforceable undertaking
- in one case, as a conviction had been achieved by NEU, no further action was warranted by the Commission.

Unsolicited offers

During the period, the Commission published guidance for recipients of unsolicited offers for securities and issued three warnings advising investors to seek advice before accepting unsolicited offers to buy their investments for a percentage of their face value.

The Commission began proceedings against Bernard Whimp and associated limited partnerships seeking orders to set aside contracts for the sale of shares made following unsolicited offers to investors to buy their shares with payments spread over a 10-year period.

The public interest test

In all cases where criminal or civil charges could possibly be laid, the Commission applied the Solicitor-General's public interest test. Reasons for not proceeding with court action may include low likelihood of success; lack of significant material benefit to investors if court action proceeded (eg, investors unlikely to receive compensation if civil charges were successful); lack of impact of any penalty on the accused (eg, the accused is already bankrupt or banned from acting as a director); the desired regulatory outcome is achievable by other means (eg, those investigated offer an enforceable undertaking); or the Commission judges there to be a potentially greater benefit to investors if its finite resources are directed to other cases.

Statutory management

In June 2010, prior to this reporting period, the Commission had recommended that Aorangi Securities Limited, Mr Allan Hubbard and Mrs Margaret Hubbard and seven related charitable trusts be placed into statutory management. As a result of its ongoing investigations during this reporting period and consideration of a report from the statutory managers, the Commission made two further recommendations for statutory management related to Mr Allan Hubbard:

- on 13 September 2010, two trusts related to Aorangi Securities Limited were put into statutory management
- on 20 September 2010, two companies holding assets on behalf of businesses associated with Mr Allan Hubbard were placed into statutory management.

Judicial review proceedings were filed in the High Court on 10 May 2011, challenging the Commission's decision to recommend statutory management of Mr Allan Hubbard and Mrs Margaret Hubbard. These proceedings are due to be heard in late 2011.

On 5 October 2010, two wholly owned subsidiaries of IHC New Zealand, Idea Services Limited and Timata Hou Limited were placed into statutory management. This was recommended by the Commission following consideration of a rare request by the companies themselves.

The above entities were recommended for statutory management pursuant to section 38 of the Corporations (Investigation and Management) Act 1989.

What is statutory management?

Statutory management is a measure of last resort, which the Corporations (Investigation and Management) Act 1989 allows in exceptional circumstances. This is done by an Order in Council made by the Governor-General on the advice of the Minister of Commerce following a recommendation from the Commission.

Statutory management exists alongside more traditional legal methods of dealing with at-risk companies, such as receiverships, liquidations and schemes of arrangement. The Act can apply to any corporation, which means any group of people – incorporated or not – and can include a company, a group of companies and some types of trust.

Statutory management applies to a corporation that may be operating fraudulently or recklessly; or where it is desirable to preserve the interests of the corporation's shareholders or creditors (including investors), or beneficiaries, or the public interest, and if there is no other lawful way to protect those interests adequately.

A statutory manager has powers to manage a corporation in statutory management to the exclusion of all others, to pay creditors and compromise claims, to carry on the business of the corporation, or to sell a corporation's business undertakings. The manager can exercise the powers of a corporation's directors and shareholders, and suspend payment of its debts.

When a corporation is placed in statutory management none of its assets may be removed from New Zealand. There is a moratorium on commencing or continuing Court action.

A statutory manager can apply to the High Court for directions about the exercise of any powers, and the Court can confer additional powers on the statutory manager.

Resource allocation priorities

The Commission applied its resources according to the priorities set out in its *Strategic Plan*.

The principal enforcement priority for the year was investigating failed finance companies.

The principal surveillance priority was the financial reporting surveillance programme.

Why the Commission prioritises its surveillance and enforcement work

The Commission has finite resources to work with. Enforcement cases can be expensive because investigations can take a long time to complete. The Commission is required to act fairly to all concerned in our investigations. We must ensure we have obtained and reviewed relevant documentation and other evidence (which can be extensive) before deciding whether there are grounds to proceed against any of those investigated.

Some investigations uncover material breaches of the law. In these cases, civil or criminal charges may be laid against those involved. Once charges are laid, the matter is dealt with by the Court and can take a long time to come to trial.

Other investigations do not uncover material breaches of the law, or uncover breaches that an application of the Solicitor-General's public interest test (see above on page 11) indicates should not be prosecuted.

It is important the Commission prioritises this work. The Commission applies its resources according to the priorities set out in its *Strategic Plan*.

Medium-term performance

Measure

Follow-up assessments after targeted reviews and enforcement action show improved compliance with the law. The desired regulatory result is achieved in at least 80 percent of enforcement actions and in 90 percent of surveillance cases where deficiencies are identified.

Achievement

During the year, the Commission maintained its focus on initiating enforcement actions as described above. In 100 percent of surveillance cases where deficiencies were identified, the desired regulatory result was achieved and the desired regulatory result in 100 percent of enforcement actions was achieved.

Financial adviser oversight and supervision

Objectives

- The Commission is ready to fulfil its statutory role under the Financial Advisers Act 2008 (FAA).

Measures

- The Commission has, within the funding available, the people, training, procedures and infrastructure in place to implement the new financial adviser law when it comes into force. The Commission's work to implement the new financial adviser regulatory regime progressed well through the period. With the regime due for full implementation on 1 July 2011, the key milestones of the year to 30 April included the following matters.

Public register

The Commission worked with the Companies Office to set up the FSPR, an online public register of all financial service providers operating in New Zealand. Its launch on 16 August 2010 marked a significant milestone, allowing financial advisers to apply for registration and authorisation and the public to search the FSPR website for information on financial service providers. The deadline for registration was 31 March 2011.

The Commission also published an *AFA Authorisation Guide* and testimonial templates to assist advisers with the online application process.

Code of conduct

Another milestone was achieved in September when the draft Code of Professional Conduct for Authorised Financial Advisers was approved by the Commissioner for Financial Advisers David Mayhew and subsequently the Minister of Commerce Hon Simon Power.

In November, the Commission published the Code in booklet format for easy reference.

Guidance

The Commission published an updated guide for entities explaining how to prepare an Adviser Business Statement – a key requirement for becoming licensed by the Commission. The revised *QFE Adviser Business Statement Guide* reflects recent changes to the FAA.

In November, the Commission published a guidance note explaining its approach to granting exemptions under the FAA together with a form outlining the information required for an exemption application. Under section 148, the Commission is permitted to grant exemptions to the Act, which may be subject to terms and conditions. As at 30 April 2011, one exemption under the FAA had been granted.

Consultation

The Commission invited submissions on four consultation papers in the period to 30 April and subsequently published the following terms and conditions:

- *Standard Conditions for Authorised Financial Advisers*
- *Standard Conditions for Qualifying Financial Entities*
- *Reporting and Notification Standard Conditions for Qualifying Financial Entities*
- *Proposed AFA ABS Statement Guide*.

Complaints

The Commission developed a process for dealing with complaints under the FAA and published a form for making a complaint about a financial adviser.

Communication with industry

As implementation gathered momentum, communication with the financial adviser industry included face-to-face meetings, regular engagement with industry bodies, and speeches and presentations by the Commissioner for Financial Advisers and key staff across New Zealand.

An application checklist was published and distributed via industry bodies. The Commission held combined certificate presentations and media briefings when the first phase of the regime came into force (1 December 2010) to promote the value of the authorisation regime to investors and to encourage advisers wishing to be AFAs to begin the process.

The financial adviser regulation section on the Commission's website was regularly updated and email alerts were issued about news for financial advisers. There was regular contact and interviews with industry media. From February, a regular blog by Mel Hewitson, Director Financial Adviser Regulation, was posted on the Good Returns website, www.goodreturns.co.nz.

Licensing advisers

As at 30 April 2011, there were:

- 412 AFAs
- 1418 advisers in the Commission's system awaiting authorisation
- 4953 financial advisers on the FSPR.

Licensing Qualifying Financial Entities

As at 30 April 2011, 63 entities had been granted Qualifying Financial Entity (QFE) status.

Medium-term performance

Measures

The FAA is successfully implemented and the Commission equipped to take on its related role.

Achievements

The Commission remained on track in achieving milestones for full implementation of the financial adviser regime.

NZX oversight and supervision

Objectives

- NZX properly fulfils its regulatory role in the market.

Measures

- NZX responds constructively to all recommendations in the Commission's annual review of NZX's performance of its regulatory role.

During the period the Commission and NZX re-evaluated how the annual oversight review of NZX's performance of its regulatory functions would be undertaken. It was agreed that the proposed process under FMA's legislation would be used to review the period from 1 January 2009 to 30 June 2010. This approach envisages an annual review based on a report by NZX for FMA.

The oversight review was completed by the Commission and published in April 2011. It found that overall NZX was satisfying its obligations to operate its markets in accordance with its conduct rules, being the Participant Rules and the Listing Rules.

General recommendations made by the Commission in the report included:

That NZX ensures adequate resources are maintained at all times to enable essential supervisory functions, such as onsite inspections, to be carried out despite other competing matters requiring the attention of the Market Supervision Group of NZX.

As it is intrinsic in the current structure of NZX that a conflict of interest could arise between the commercial and regulatory functions of NZX, the Commission recommends:

- this structure and its outcomes remain under review in further oversight reviews
- that NZX, in particular, considers whether a sole delegation to the Head of Market Supervision is a more appropriate structure for the management of perceived and/or actual conflicts of interest between the commercial and regulatory functions of NZX.

A copy of the oversight report can be viewed online at www.fma.govt.nz under 'Laws We Enforce'.

The Commission received 13 referrals from NZX, between 1 January and 30 April 2011, relating to breaches of the conduct rules and price queries. Of those referrals, three matters are the subject of further investigation by the FMA as at 30 April 2011.

Medium-term performance

Measures

NZX takes action in response to the Commission's recommendations.

Achievements

NZX resolved or responded appropriately to the recommendations made by the Commission in the last oversight review for the 2008 year.

Law and practice reform

Objectives

- To provide robust advice to Government to give priority to reforms needed to address shortcomings in the law identified through the Commission's work.
- To give high-quality advice and assistance to the Government's financial services policy development.

Measures

- Advice given seeks priority for reforms to address identified shortcomings in regulation of financial advisers, disclosure about investment products, issues identified by the *Financial Services Action Plan*, and auditor oversight.
- The quality, quantity and timeliness of advice and assistance to MED's reform programmes satisfy the Commission and MED.

Advice on reforms

Throughout the period, the Commission continued to provide advice to the Minister and MED focused on priority areas for reforms to address regulatory shortcomings in the following areas.

Financial Markets (Regulators and KiwiSaver) Bill

This Bill was introduced to Parliament in September, setting out FMA's objectives and functions. The Bill outlined the structure of FMA – a combination of the Commission with certain regulatory functions of the Companies Office, NEU, and those of the Government Actuary dealing with supervising KiwiSaver and superannuation schemes.

Throughout the period, the Commission worked with MED, and provided advice to the Commerce Select Committee, which reported on the Bill on 28 February 2011. The Financial Markets (Regulators and KiwiSaver) Bill was divided into separate bills – the Financial Markets Authority Bill, creating the new agency, and separate amendment bills. These were enacted on 18 April 2011, and come into force on 1 May 2011.

FMA will be responsible for approving NZX's conduct rules, and for oversight of auditors. As well as establishing the new regulator, the Bill improves the governance and management of retail KiwiSaver schemes and strengthens auditor regulation.

Securities Act review

In June 2010, MED released a discussion paper titled *Review of Securities Law*, with submissions closing in late August. The Commission, with MED, was involved in preliminary discussions with interested parties on topics raised in the consultation and assisted MED with recommendations to Cabinet. MED prepared two Cabinet papers, in February and May this year, setting out recommendations for the new securities legislation.

Securities Trustees and Statutory Supervisors Bill

The Commission assisted MED in preparing its report on the Bill for consideration by the Commerce Select Committee. This Bill has now been enacted and will come into force on 1 October 2011.

Review of financial reporting framework

The Commission participated in an Accounting Standards Review Board (ASRB) working group to consider which entities in the profit-oriented sector have public accountability. The working group made recommendations to the ASRB in October.

Commodities futures – guidance and regulations

In July, the Commission published a guidance note on the application of insider trading rules to commodities futures trading in response to concerns from market participants regarding interpretation of the law. The Commission worked with MED on proposals for regulations to ensure the insider trading rules did not prevent legitimate practices. The Securities Markets (Insider Trading Exemption – Futures Contracts) Regulations 2010 came into force on 5 October 2010.

Auditor Regulation and External Reporting Bill

In July, the Commission provided comment to MED on a draft paper on the Auditor Regulation and External Reporting Bill, which strengthens the regulation of practitioners who carry out audits of issuers. This Bill has subsequently been enacted as the Auditor Regulation Act 2011.

Feedback from MED

MED is satisfied with the Commission's advice.

Medium-term performance

Measures

Laws are enacted to address shortcomings identified by the Commission.

Achievements

FMA was established as a new Crown entity with powers that address needs identified by the Government and the Commission as well as other stakeholders.

The Securities (Moratorium) Regulations 2009, which came into force on 31 January 2009, and the Securities Regulations 2009, which came into force on 1 October 2009, each of which addressed shortcomings identified by the Commission.

Exemptions and authorisations

Objectives

- Decisions on exemptions and authorisations are clearly based on the policy of the law while meeting the needs of the market.
- Applications for exemptions and authorisations are completed within six weeks or within the time agreed with the applicants.

Measures

- A *Statement of Reasons* is published as part of each exemption notice, which explains the policy basis for the Commission's decision.
- All applications are completed within six weeks of receiving information or processed within the time agreed with the applicants.

Exempting issuers from the law reduces their costs in bringing new and overseas investment products to New Zealand markets. During the last 10 months, 70 applications for exemptions and authorisations were addressed. All were completed within six weeks of receiving the necessary information or within the period agreed with the applicant.

Significant exemptions and authorisations

Class exemption review

The Commission completed its review of class exemptions in light of the introduction of the Securities Regulations 2009 (2009 Regulations). In November 2009, the Commission granted an exemption notice of general application, which extended existing exemptions from identified provisions of the 1983 Regulations to equivalent provisions of the 2009 Regulations. This general notice did not extend the exemptions to any of the new regulations which were significantly different or where additional requirements had been added. We identified that the class notices for cooperative companies, industrial and provident societies, friendly societies, stock and station agents, employee share purchase schemes of listed and unlisted companies, financial institutions and takeovers contained exemptions from provisions which had changed significantly. In these cases, new exemptions were considered, consulted on and granted. In general, the new notices continue exemptions from provisions of the Act, and provide for the existing exemptions from the provisions of the 1983 Regulations to be provided from equivalent provisions of the 2009 Regulations, with changes for consistency with the new regulatory regime.

Exemption for disclosure of tax changes

The Commission granted a class exemption to assist issuers and trustees of portfolio investment entity (PIE) products, other superannuation funds and unit trusts with disclosure of information about returns and fees in investment statements arising from taxation changes which came into effect on 1 October 2010. This exemption allowed issuers and trustees of these products to provide the information about relevant tax rate changes impacting on the fees and returns by way of supplementary information for a transitional period, without being required to update investment statements immediately.

Exemption for investment brokers' trust accounts

The FAA requires that investment brokers pay client funds into a trust account held with a New Zealand bank or "any other prescribed entity". This envisages regulations being made to permit payment of funds into client funds accounts held with overseas banks as was allowed under previous law. However, at the time the FAA came into force, regulations were not in place, meaning that payments of funds into accounts held with overseas banks would contravene the FAA. The Commission granted a temporary exemption to allow investment brokers to pay client money into their trust accounts or an account of a related person, held with an overseas bank. This exemption was revoked on 31 March 2011 when regulations addressed the issue.

New Zealand Clearing Depository Corporation Limited settlement system

The clearing and settlement system operated by New Zealand Clearing Depository Corporation Limited, a subsidiary of NZX, was designated as a settlement system under the Reserve Bank of New Zealand Act 1989 on the recommendation of the Reserve Bank of New Zealand (RBNZ) and the Commission. The system began operation in September 2010.

NZX Derivatives Exchange

The Commission authorised NZX Limited to operate a futures exchange under Part 3 of the Securities Markets Act 1988. The authorisation was accompanied by several futures dealers' authorisations and exemptions from aspects of the Futures Industry (Client Funds) Regulation 1990. The market was launched on 8 October 2010.

Medium-term performance

Measure

Five-yearly reviews and consultation on class exemption notices indicate they are relevant and useful to market participants.

Achievement

The next scheduled five-yearly review will occur under FMA. However, feedback from consultation during the class exemption review undertaken to address regulatory changes, from general enquiries received about class exemption notices, and from feedback on amendment proposals to particular notices, indicated the class exemption remained relevant and useful to market participants.

International cooperation and recognition

Objectives

- The Commission's high profile and good standing in IOSCO and its contribution to IOSCO's work are maintained, and opportunities leveraged to promote New Zealand as a well regulated market internationally.
- The Commission participates in and supports use of international memoranda of understanding (MOUs) to facilitate effective cooperation and enforcement.
- The Commission promotes the trans-Tasman SEM agenda and maintains a strong relationship with ASIC.
- The Commission works to develop New Zealand's capital markets and facilitate cross-border investments.

Measures

- Take part in all relevant IOSCO meetings and working groups.
- Take all opportunities identified in consultation with the Ministry of Foreign Affairs and Trade (MFAT) and New Zealand Trade and Enterprise (NZTE) to promote New Zealand as a well regulated market while on IOSCO business.
- Positive assessment of the Commission's work in contributing to the smooth operation of the IOSCO Multilateral MOU (MMOU).
- Meet regularly with ASIC, and cooperative work is completed to agreed standards and timeframes.
- Facilitate the development of New Zealand's capital markets.

IOSCO participation

The Commission helped strengthen the international investment environment through its participation in IOSCO. IOSCO promotes adherence to internationally recognised standards of regulation, oversight and enforcement as well as encouraging cooperation and information exchange.

Jane Diplock chaired IOSCO's governing body, the Executive Committee. The Commission was also Vice-Chair of the APRC. We attended meetings of these committees and IOSCO's annual President's Committee.

Under Jane Diplock's leadership, IOSCO continued to work towards a regulatory framework for the post-global financial crisis economic world order, centred on enhancing transparency and accountability and promoting integrity in financial markets.

Promoting New Zealand internationally

Through the Commission's work in promoting New Zealand's markets and regulatory environment, New Zealand continued to gain influence in the global financial community.

The Commission worked with MFAT and NZTE to create opportunities for the Chairman to position New Zealand as an attractive investment destination and to forge links with other regulators.

While undertaking IOSCO commitments, the Chairman promoted New Zealand as a well regulated securities market to overseas business audiences, including at three events organised by MFAT and NZTE.

Contribution to IOSCO's strategic goal for information sharing

New Zealand is a signatory to IOSCO's MMOU, a global information-sharing agreement aimed at improving regulators' ability to handle cross-border enforcement issues. The majority of member jurisdictions have now signed the MMOU.

The Commission contributed to the IOSCO MMOU Screening Group by assessing applications and ensuring signatories met the high standards required for providing effective cross-border assistance.

The Commission received nine requests for information from overseas regulators under the IOSCO MMOU and/or bilateral MOUs.

Trans-Tasman SEM cooperation

The Australian and New Zealand Governments announced the SEM outcomes framework on 20 August 2009. Its purpose is to create a seamless trans-Tasman business environment and to remove regulatory barriers to trade. The Commission and ASIC established a joint work programme to further develop mutual recognition opportunities.

The Trans-Tasman Mutual Recognition of Securities Offerings (TTMRSO) regime reduces costs and simplifies compliance for issuers making offers of securities. It has continued to be used by more issuers on both sides of the Tasman since it was established in June 2008.

The Commission and ASIC regularly communicated to discuss the global regulatory environment, and enforcement issues of mutual interest, and to educate staff from both organisations.

International Integrated Reporting Committee

Jane Diplock was invited to be a member of the International Integrated Reporting Committee (IIRC). The goal of the IIRC is to create a globally accepted, integrated reporting framework. It aims to bring together financial, environmental, social and governance information in a consistent and comparable format. This is so businesses can make more sustainable decisions and enable investors and other stakeholders to understand an organisation's true performance. Jane Diplock attended two IIRC meetings.

Medium-term performance

Measures

Cooperation in our enforcement work is forthcoming from other regulators when needed.

Achievements

100 percent of requests for information under the IOSCO MMOU and/or bilateral MOUs were met with good cooperation.

Public understanding

Informed investors are essential to robust capital markets. During the reporting period, the Commission continued its work to promote public understanding of securities law and practice to encourage public confidence and participation in the capital markets.

Objectives

- Investors and potential investors, intermediaries and market participants understand securities law and securities market practices that are applicable to them.
- The public and news media are aware of the work and views of the Commission.
- Communications maximise regulatory impact.

Measures

- Initiatives meet pre-set measures of success to 90 percent.
- Significant regulatory actions are communicated.

Significant regulatory actions

During the period, we publicised all significant regulatory actions and informed the public and media about securities markets and their regulation using a range of communication channels. These included our websites, media releases, media interviews, published articles, speeches and face-to-face briefings.

Financial adviser regulation

As referenced earlier in 'Financial adviser oversight and supervision' on pages 13–14, communication with the financial adviser industry included regular updates of the Commission's website, face-to-face meetings, regular engagement with industry bodies and presentations by David Mayhew, the Commissioner for Financial Advisers, as well as key staff across New Zealand.

Investor guidance and information

The Commission received a number of complaints about unsolicited offers that had been made, often by mass mail-out, for shares, debentures and other investments. In August 2010, guidance was published for investors and, in December 2010, Commission staff provided public comment via the news media to raise awareness of the issue.

In December 2010 the Commission released information to keep the public, particularly investors, informed about investigations into failed finance companies. It covered the companies being investigated, the status of investigations and the progress of cases before the Court. The Commission also explained the powers it had and the investigation process it followed. The information received substantial coverage in key media.

Warnings to investors

The Commission issued three warnings advising investors to seek advice before accepting unsolicited offers to buy their investments for a percentage of their face value. They were:

- to investors in Dorchester Finance Limited by Stock & Share Trading Company Pty Limited to buy their debentures for five cents in the dollar
- to investors in DNZ Property Fund Limited by Carrington Securities LP to buy their shares for \$0.60 per share when the indicative price range of \$0.80 to \$1.05 per shares was set out in DNZ's prospectus
- to all debenture-holders in Strategic Finance Limited to be wary of a further offer by Stock & Share Trading Company Pty Limited to buy their debentures for five cents in the dollar.

The Commission also issued a warning about an illegal share offer by Ira NRG NZ Limited (INNL) and its sole director Simon Romana. The Commission banned the company's website and there was no registered prospectus for the offer. The Commission subsequently banned INNL's investment statement and reiterated its earlier warning.

Media

The Commission maintained relationships with the media, providing timely and appropriately informative responses to enquiries. The Commission maintained a regular programme of liaison with the news media.

Monthly media monitoring during the period showed negative coverage was low at 3 percent, while 28 percent of coverage was positive and 69 percent neutral.

Stakeholder outreach

The Chairman and various Members met with five major businesses as part of a stakeholder outreach programme designed to explore the market perspective and build and maintain good relationships with industry.

Medium-term performance

Measure

Our communications initiatives succeed in delivering information to their target audiences.

Achievement

This measure will post-date 30 April 2011 and continue under FMA.

Anti-money laundering and countering financing of terrorism

Objectives

- A sector risk assessment is completed to inform New Zealand Police's National Risk Assessment.
- High quality assistance is provided to the Ministry of Justice (MoJ) to develop regulations and implement the law successfully.

Measures

- A sector risk assessment is completed within the financial year.
- MoJ is satisfied with the quality of assistance given.

The Anti-Money Laundering (AML) and Countering Financing of Terrorism (CFT) Act 2009 is designed to enhance collaboration between the financial sector and government in combating money laundering and resulting crime.

The Commission was one of three government agencies, along with RBNZ and the Department of Internal Affairs (DIA), appointed to work with New Zealand Police's Financial Intelligence Unit for supervising and enforcing this law.

Under this legislation (due to come into full force in June 2013), the Commission supervises issuers of securities, sharebrokers, financial advisers, trustee corporations, collective investment schemes and futures dealers.

The Commission completed and published a sector risk assessment in March 2011 to determine money laundering and terrorism financing risks across the entities it supervises. This assessment was informed by an industry survey undertaken by the Commission in 2009, which found a low level of understanding amongst those entities of countering the financing of terrorism.

The Commission provided assistance to MoJ by responding to requests and attending a number of working groups with industry representatives on aspects of the proposed regulations.

The Commission worked closely with the other supervising agencies to publish an AML Supervising Framework to ensure a consistent approach among the supervising agencies. The Commission also participated in a joint feasibility study on supervisory requirements.

Along with the other supervising agencies and MoJ, the Commission published a joint consultation paper on *Regulations and Codes of Practice* in August 2010. The regulations were gazetted on 30 June 2011.

Medium-term performance

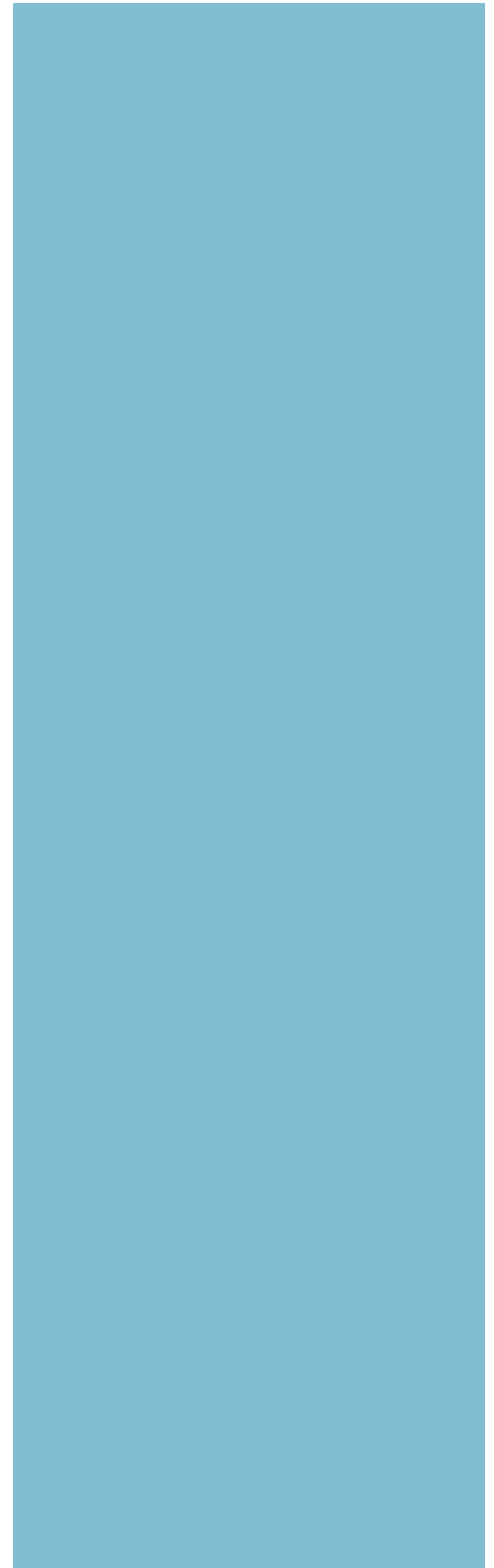
Measure

The Commission contributes to establishing capability for implementing the regulatory regime arising from the Act.

Achievement

The Commission completed a sector risk assessment and assisted MoJ in successfully implementing this law.

Effectiveness and capability



Capability and risk

The Commission has a risk management framework that identifies key areas of capability and associated risks. We developed the following responses to the main risks.

Recruiting and retaining staff

As at 30 April 2011 the Commission had 94 staff positions (69 in 2009/10) and 71.9 fulltime equivalent employees (55.6 in 2009/10). The risk of being unable to recruit suitably qualified staff was countered by graduate and overseas recruitment, and by targeting New Zealand recruitment campaigns effectively.

The organisation minimises the risk of losing staff by committing itself to being a good employer. The Commission continued its values-based culture, maintained high professional standards and responded to staff feedback.

Physical event/disaster

The Commission's offices are code-compliant under section 95 of the Building Act 2004. Our earthquake and disaster plan includes emergency food, water and first-aid supplies, staff trained in first-aid, and document and IT recovery systems. Key staff have access to our computer network, allowing them to work remotely.

Reputation and integrity

Since we promote high ethical standards in securities markets, it is essential that people have confidence in our organisation. The Commission's integrity, work quality and maintenance of confidentiality are managed through our Code of Ethics.

Confidentiality of information

New Members and staff sign confidentiality agreements when they join the Commission, and the induction process reinforces the need for confidentiality. The IT system and file security are robust and effective, and the Commission's offices are physically secure.

Accessible knowledge

The Commission's document management and records systems make institutional knowledge available. Our virtual teamwork structure encourages effective knowledge sharing.

Future capability

MED continued to propose reforms that would expand the Commission's responsibilities. These were superseded by the Government's decision to establish FMA to take over the functions and powers of the Commission. Notwithstanding, we continued to advise the Ministry on future resource and funding implications.

Organisational health and capability building

The Commission continued to work with the following agencies on organisational capability and health initiatives:

- the State Services Commissioner – Development Goals for the State Services
- the Equal Employment Opportunities Unit (EEO Unit) of the Human Rights Commission – Good Employer Guidance under the National Equal Opportunities Network.

The Commission's good employer programme reflected our commitment to EEO, according to which staff are recruited and rewarded on the basis of merit and affordability.

Financial objectives

We achieved our main financial objective for 2010/11 by carrying out our *Strategic Plan* on time and within budget and resources. To achieve this, the Commission balanced its operating deficits on baseline and FAA appropriations with the operating surplus on AML appropriations.

The Commission delivered the outputs listed in the Statement of Service Performance and detailed in our Output Agreement with the Minister of Commerce, within the funding appropriated by Parliament for the purpose.

We applied our policies for expenditure, financial delegations and acquisitions. The Commission followed the Auditor-General's detailed planning and management procedures for significant acquisitions, including planning and managing litigation costs.

Working with others

The Commission has a wide range of stakeholders, and our stakeholder policy is published on the Commission's website.

According to our statutory functions and powers, we worked with the Minister of Commerce and MED on policy, regulatory matters, law reform and appropriations. We reported to the Minister under the Crown Entities Act 2004.

As required by the Securities Markets Act, we performed our co-regulatory role with NZX, covering markets operated by the exchange.

As appropriate, and according to our statutory functions and powers, we worked with a number of government agencies including the Commerce Commission, New Zealand Police, the Registrar of Companies, RBNZ, SFO, MoJ, DIA, the State Services Commission (SSC), the Retirement Commission and the Takeovers Panel.

According to our statutory functions and processes arising from implementation of the financial adviser regime, we worked with non-government agencies, notably the Electrotechnology Industry Training Organisation (ETITO).

In line with the IOSCO MMOU, bilateral MOUs and applicable law, we worked with overseas securities regulators and agencies, as well as with a range of industry organisations and professional bodies.

Corporate governance



The Commission encourages all entities impacting economically on New Zealand or variously accountable to the public to report on their corporate governance. To this end, the Commission published *Corporate Governance in New Zealand – Principles and Guidelines* in 2004. We report on how the Commission itself applied each of these principles in the 2010/11 year.

Principle 1: Directors should observe and foster high ethical standards.

The Commission's Code of Ethics sets out our values and procedures for:

- conflicts of interest
- confidential information
- Commission property
- compliance with other ethical codes
- compliance with the law
- conduct
- compliance with the Code of Ethics
- reporting breaches of the Code of Ethics.

The Code sets out measures to deal with breaches and how to report them. Every Commission Member and staff member has been given a copy of the Code, which is also published on the website. No breaches were identified during the year. The Commission has a conflicts of interest policy to ensure compliance with the Crown Entities Act, and it also complies with the SSC Code of Conduct.

Principle 2: There should be a balance of independence, skills, knowledge, experience and perspectives among directors so the Board works effectively.

The Securities Act sets out the skills and attributes required of a Member of the Commission. Commission Members are appointed by the Governor-General on the recommendation of the Minister of Commerce. When seeking new Members, MED advertises widely to attract people with the skills the Act requires. Commission Members disclose any securities market interests and must comply with the Commission's conflicts of interest policy. The functions and powers of the Commission set out in the Securities Act establish Members' roles and responsibilities.

The Chairman has a fulltime role equivalent to an executive chairman, in line with the governance of many overseas jurisdictions' securities regulators. The Chairman is responsible for fostering a constructive corporate governance culture among Members and staff. The Commissioner for Financial Advisers also has a fulltime role. Much of the Commission's work is carried out by its formal divisions between regular monthly Commission meetings. Members are made aware before appointment of likely demands on their time, frequently at short notice. Commission Members' profiles appear on page 7.

The membership of the 10-member Code Committee, appointed by the Commissioner for Financial Advisers, has an appropriate mix of experience, knowledge and skills, in accordance with the requirements of the FAA.

Each year, we formally evaluate our performance against our *Strategic Plan*. The Commission also periodically evaluates itself as a board. Staff performance monitoring is carried out each year.

Principle 3: The Board should use committees where this would enhance its effectiveness in key areas while retaining its responsibility.

The Securities Act provides for the appointment of Commission divisions with full Commission powers to carry out day-to-day work. This enables the Commission to function effectively and apply our conflicts of interest policy. The Commission has an Audit and Risk Review Committee, chaired by a chartered accountant. Its mandate is to oversee all aspects of the Commission's relationship with the external auditor. It is also responsible to the Commission for risk management and for preparing the Commission's quarterly reports to the Minister of Commerce. The Audit and Risk Review Committee convenes quarterly.

Principle 4: The Board should demand integrity both in financial reporting and in the timelines and balance of disclosures on entity affairs.

As a body corporate funded by Parliamentary appropriation, the Commission is required to meet all obligations under the Securities Act and the Crown Entities Act, including tabling our annual report in Parliament. After tabling, the annual report is made publicly available in hard copy and on our website. The Commission's financial statements are signed by the Chairman of the Commission and the Chairman of the Audit and Risk Review Committee. The Commission also reports quarterly to the Minister of Commerce, in accordance with our output agreement.

The Crown Entities Act requires us to prepare a *Statement of Intent* (SOI). This year, due to the Commission's disestablishment, no *Statement of Intent* was produced.

Principle 5: The remuneration of directors and executives should be transparent, fair and reasonable.

Remuneration for Commission Members and Code Committee Members is set by the Remuneration Authority and disclosed in our annual report. Staff remuneration is set to attract and retain competent people, and is comparable with remuneration in other public sector organisations. The financial statements disclose the number of staff in salary bands higher than \$100,000 per annum.

Principle 6: The Board should regularly verify that the entity has appropriate processes that identify and manage potential and relevant risks.

The Audit and Risk Review Committee provides governance of potential and relevant risks. The Committee's risk review objective is to assist the Commission in independently assessing compliance with risk management, internal control, internal audit and legislative compliance practices. It has examined, accepted and assumed its monitoring role of the Commission's organisational risks. Its audit task is to assist the Commission to ensure the soundness and integrity of the financial statements.

Principle 7: The Board should ensure the quality and independence of the external audit process.

As a body corporate funded by Parliament, the Commission's financial statements and statement of service performance are audited by Audit New Zealand on behalf of the Auditor-General, which has a formal process for rotating audit staff. The Audit and Risk Review Committee and staff communicate with Audit New Zealand before and after the audit. Fees paid to Audit New Zealand are disclosed in the annual report.

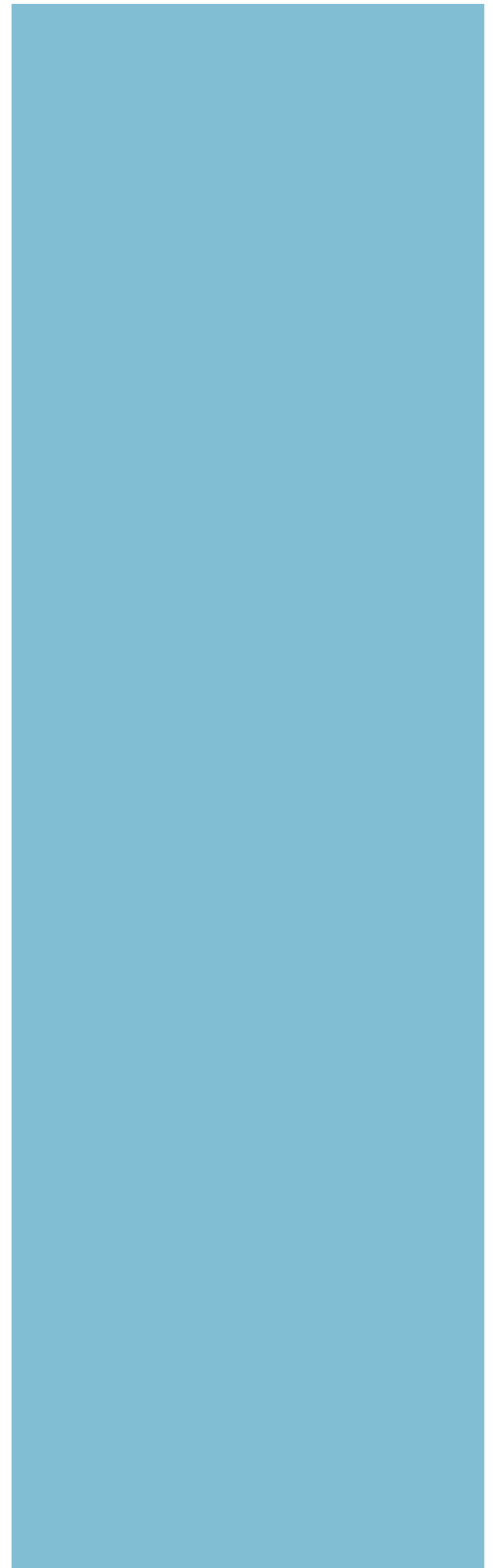
Principle 8: The Board should foster constructive relationships with shareholders that encourage them to engage with the entity.

The Commission is a statutory body, and its assets form part of the Crown's assets. We are accountable to Parliament through the Minister of Commerce for this ownership interest. The Commission is funded by Parliamentary appropriation to carry out statutory functions and we have an annual output agreement with the Minister on the work we will do. We report quarterly to the Minister, and formally report to Parliament annually on how we use public funds to deliver services agreed with the Minister of Commerce. We follow engagement protocols as set out in our output agreement with the Minister of Commerce.

Principle 9: The Board should respect the interests of stakeholders within the context of the entity's ownership type and its fundamental purpose.

The Commission has a stakeholder policy, published on the website, which identifies our stakeholders and describes how we relate to and communicate with them.

Functions and powers



The Commission was established under the Securities Act, which determined its functions as:

- keeping under review the law relating to bodies corporate, securities and unincorporated issuers of securities, and recommending changes to the Minister of Commerce
- keeping under review and commenting on practices relating to securities and financial advisers
- cooperating with overseas securities commissions
- keeping under review and commenting on securities markets activities
- advising the Minister of Commerce on conduct rules proposed by securities exchanges
- promoting public understanding of the law and practice relating to securities and financial advisers
- keeping under review the law and practices relating to settlement systems (other than pure payment systems).

The Commission's powers to perform these functions include:

- receiving evidence on securities law and practice, with the power to summons people and documents and carry out inspections
- banning misleading and illegal offer documents and advertisements
- enforcing securities law and the law relating to insider trading, market manipulation and disclosure by substantial security holders and investment advisers
- enforcing continuous disclosure law and making orders requiring disclosure by issuers
- requiring an exchange to provide the Commission with information and assistance
- accepting enforceable undertakings
- publishing reports and comments
- making orders requiring disclosure by unregistered exchanges
- exempting persons from compliance with provisions of the Securities Act or Regulations under the Act
- authorising certain market participants
- recommending law reform
- hearing appeals against certain decisions of the Registrar of Companies.

The Commission is an independent Crown entity in terms of the Crown Entities Act.

Other legislation the Commission worked with included the Securities Markets Act, the Financial Reporting Act 1993, the FAA, the AML and CFT Act, the Securities Regulations 1983, the Securities Act (Contributory Mortgage) Regulations 1988, and the Securities (Fees) Regulations 1998.

The Commission was responsible for administering the implementation of the FAA.

The Commission could also consider certain matters arising under the Corporations (Investigation and Management) Act (in particular, directions to "at risk" corporations and recommendations about statutory management).

The Commission has a supervisory role under the AML and CFT Act. Our responsibility covers issuers of securities, collective investment schemes, brokers, financial advisers, trustee companies and futures dealers. We have been working with the other AML and CFT supervisors in developing the regulatory framework.

Authority

This annual report was approved by the Financial Markets Authority on 29 September 2011.

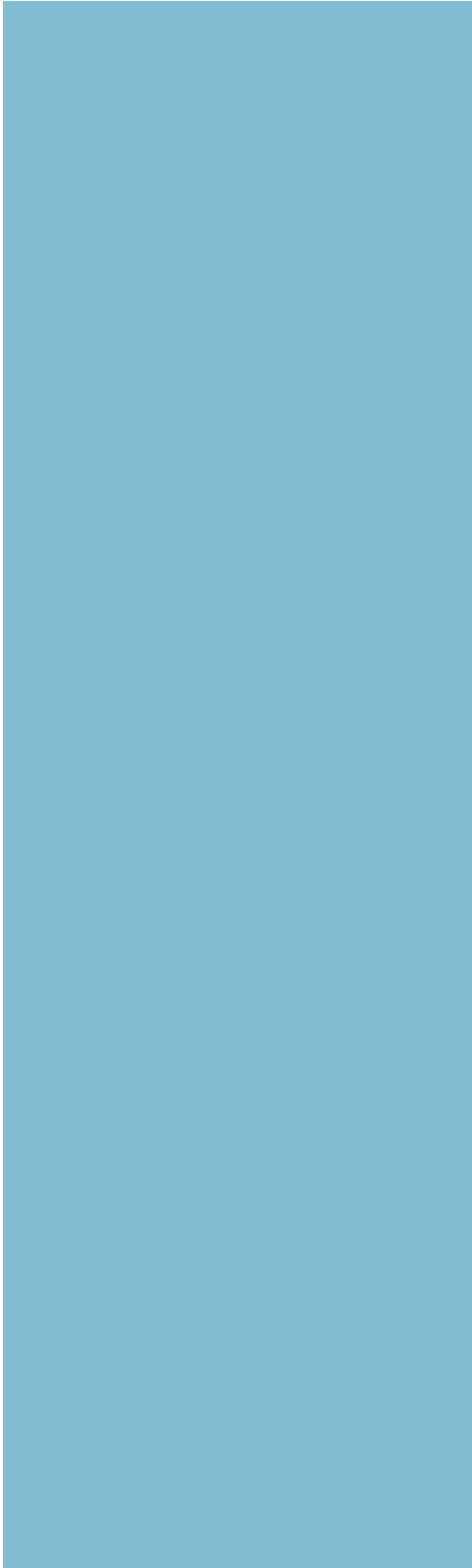


Simon Allen
Chairman



Murray Jack
Chairman, Audit and Risk Committee

Financial report



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Sources of funding

The Commission is funded by the appropriation of money by Parliament and the payment of fees by the users of its services. It is responsible for the allocation of the money. It sets priorities with care and reviews them constantly to ensure that the money is used to best advantage.

Statement of responsibility

We acknowledge responsibility for the preparation of these financial statements and statement of service performance and for the judgements used in them.

We acknowledge responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the Commission's financial reporting.

The Minister of Finance has transferred responsibility for the preparation of this annual report to FMA under section 45J of the Public Finance Act 1989. As such, FMA is required to sign this statement of responsibility.

In our opinion these annual financial statements and statement of service performance fairly reflect the financial position and operations of the Securities Commission for the 10 months ended 30 April 2011, as per section 45J of the Public Finance Act 1989.



Simon Allen

Chairman
29 September 2011



Murray Jack

Chairman, Audit and Risk Committee
29 September 2011

Statement of comprehensive income
for the 10 months ended 30 April 2011

2011 12 months Budget \$000s	Notes	2011 10 months Actual \$000s	2010 12 months Actual \$000s	
Revenue				
16,317	Government grant	4	12,238	11,041
-	Government grant – ETITO funding		130	1,300
1,370	Litigation fund income	5	1,615	1,333
250	Exemption and authorisation fees		402	362
-	Administrative services to the Takeovers Panel	3	-	80
17,937	Total revenue		14,385	14,116
Income				
100	Interest	9	190	169
60	Other income		138	75
160	Total income		328	244
18,097	Total revenue and income		14,713	14,360
Expenditure				
10,638	Personnel expenditure	4	8,376	7,894
1,370	Litigation fund expenditure	5	1,556	1,329
-	ETITO expenditure		130	1,337
945	Occupancy		876	668
926	Depreciation and amortisation	4	384	332
4,226	Other operating expenditure	4	3,775	3,120
18,105	Total expenditure		15,097	14,680
(8)	Surplus/(deficit)		(384)	(320)
-	Other comprehensive income		-	-
(8)	Total comprehensive income/(expenditure) attributable to the owners of the Commission		(384)	(320)
Total comprehensive income/(expenditure) comprises:				
(8)	Net operating surplus/(deficit)		(443)	(324)
-	Net litigation fund surplus/(deficit)		59	4
(8)			(384)	(320)

The accompanying notes form part of these financial statements.

Statement of changes in equity
for the 10 months ended 30 April 2011

Budget \$000s		Notes	Accumulated Funds \$000s	Litigation Fund \$000s	Total Equity \$000s
3,216	At 30 June 2009		2,435	781	3,216
215	Total comprehensive income (expenditure) for the year		(324)	4	(320)
1,110	Capital contribution		1,110	-	1,110
4,541	At 30 June 2010		3,221	785	4,006
(8)	Total comprehensive income (expenditure) for the 10 months		(443)	59	(384)
1,230	Capital contribution		1,230	-	1,230
5,763	At 30 April 2011		4,008	844	4,852

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 April 2011

2011 12 months Budget \$000s		Notes	2011 10 months Actual \$000s	2010 12 months Actual \$000s
Current assets				
787	Cash and cash equivalents	7	3,298	639
2,000	Term deposits	7	-	2,615
454	Cash and cash equivalents – litigation fund	7	119	486
-	Term deposits – litigation fund	7	-	-
35	GST receivable		228	92
488	Trade and other receivables	10	956	672
3,764	Total current assets		4,601	4,504
Non-current assets				
2,507	Property, plant and equipment	11	1,246	910
-	Computer software	12	82	45
2,507	Total non-current assets		1,328	955
6,271	Total assets		5,929	5,459
Current liabilities				
487	Trade and other payables	13	1,055	1,419
13	Rent holiday liability	14	13	13
500	Total current liabilities		1,068	1,432
Non-current liabilities				
8	Rent holiday liability	14	9	21
508	Total liabilities		1,077	1,453
Equity				
4,982	Accumulated funds		4,008	3,221
781	Litigation fund	5	844	785
5,763	Total equity	6	4,852	4,006
6,271	Total equity and liabilities		5,929	5,459

The accompanying notes form part of these financial statements.

Statement of cash flows
for the 10 months ended 30 April 2011

2011 12 months Budget \$000s	Notes	2011 10 months Actual \$000s	2010 12 months Actual \$000s
Cash flows from operating activities			
Cash was provided from:			
16,317	- Government grant	12,238	11,041
-	- Government grant – ETITO funding	130	1,300
1,566	- Litigation fund income	1,320	1,355
250	- Exemptions and authorisations fees	423	295
55	- Miscellaneous	115	65
100	- Interest	212	190
-	- Administrative services to the Takeovers Panel	-	90
Cash was applied to:			
(6,732)	- Suppliers	(6,541)	(5,812)
(10,517)	- Employees	(8,541)	(7,731)
30	- Net GST	(136)	(29)
1,069	Net cash flows from operating activities	15	(780)
Cash flows from investing activities			
Cash was provided from:			
-	- Sale of fixed assets	74	-
-	- Decrease in term deposits	2,615	650
Cash was applied to:			
(2,406)	- Purchase of property, plant and equipment	(787)	(116)
-	- Purchase of computer software	(60)	(47)
-	- Increase in term deposits	-	(1,865)
(2,406)	Net cash flows from investing activities	1,842	(1,378)
Cash flows from financing activities			
Cash was provided from:			
1,230	- Capital contribution	1,230	1,110
1,230	Net cash flows from financing activities	1,230	1,110
(107)	Net increase (decrease) in cash balances	2,292	496
1,347	Add opening cash and cash equivalents balance	1,125	629
1,240	Closing cash and cash equivalents balance carried forward	3,417	1,125
Comprising			
786	Cash and cash equivalents	3,298	639
454	Cash and cash equivalents – litigation fund	119	486
1,240		3,417	1,125

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the 10 months ended 30 April 2011

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Note 1 Statement of accounting policies

Reporting entity

The Securities Commission (the Commission) is a body corporate established by the Securities Act 1978. The Commission's primary function is the regulation of investments in New Zealand.

The Commission is an independent Crown entity for legislative purposes and a public benefit entity for the purposes of complying with Generally Accepted Accounting Practices in New Zealand (NZ GAAP). The financial statements of the Commission are prepared pursuant to section 154 of the Crown Entities Act 2004.

The financial statements of the Commission have been prepared on a dissolution basis, following the Government's decision to transfer the powers and functions of the Commission to a new organisation, the Financial Markets Authority (FMA). However, as the Commission expects the outputs it currently delivers to continue to be delivered by the organisation structure put in place by FMA, the assets and liabilities of the Commission are expected to be relevant to FMA. For that reason, while the financial statements have been prepared on a dissolution basis, no adjustments have been made to the financial statements because of the dissolution basis preparation.

The financial statements of the reporting entity, the Commission, for the 10 months ended 30 April 2011 were authorised for issue by FMA on 12 September 2011. The responsibility for preparing the adjusted annual report for the period ended 30 April 2011 was formally transferred to FMA in accordance with section 45J of the Public Finance Act 1989.

Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Basis of measurement

The accounting principles recognised as appropriate for the measurement and reporting of results and financial position on a historic cost basis have been applied.

Functional and presentational currency

These financial statements are presented in New Zealand dollars (\$), which is the entity's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand dollars.

Use of estimates and judgements

The process of applying accounting policies requires the Commission to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on past experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The Commission has made the following critical accounting estimates and judgements when preparing these financial statements:

a) Financial Markets Authority

On 28 April 2010 the Minister of Commerce, Hon. Simon Power, announced the Government's decision to create a new, consolidated regulator for New Zealand's capital markets. The new regulator, FMA, was established on 1 May 2011.

The powers and functions of the Commission have been transferred to FMA along with:

- the parts of the Companies Office at the Ministry of Economic Development which deal with entities that are financial service providers, including those that investigate and enforce securities laws
- the functions of the Government Actuary, who currently monitors and supervises superannuation and KiwiSaver schemes.

The Commission was dissolved as at the close of 30 April 2011. The functions, duties and powers of the Commission are now the functions, duties and powers of FMA. The Commission's assets, rights, liabilities, contracts, entitlements and engagements have been transferred to FMA.

The dissolution of the Commission requires the financial statements to be prepared on a dissolution basis, not the normal going-concern basis. However, as the Commission expects the outputs it currently delivers to continue to be delivered by the organisation structure put in place by FMA, the assets and liabilities of the Commission are expected to be relevant to FMA. For that reason, while the financial statements have been prepared on a dissolution basis, no adjustments have been made to the financial statements because of the dissolution basis of preparation.

b) Impairment on library

The Commission estimates there are no significant impairment issues in respect of the carrying values of its library collection.

Standards amendments and interpretations issued that are not yet effective and have not been early adopted

NZ IFRS 9

NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following three main phases:

- Phase 1 Classification and Measurement
- Phase 2 Impairment Methodology
- Phase 3 Hedge Accounting.

Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9.

NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The NZ IFRS 9 approach is based on how the entity's business model for managing the financial assets and their cash flow characteristics. It requires the use of a single impairment method, replacing the numerous impairment methods in NZ IAS 39 arising from the various classification categories.

FMA will be required to adopt NZ IFRS 9 for the year ended 30 June 2014. The Commission has not assessed the effect of NZ IFRS 9.

NZ IAS 24

NZ IAS 24 *Related Party Disclosures (Revised 2010)* replaces NZ IAS 24 *Related Party Disclosures (Issued 2004)* and is effective for reporting periods commencing on or after 1 January 2011. The revised related party standard:

- i) Removes the previous disclosure concessions applied by the Commission for arms-length transactions between the Commission and entities controlled or significantly influenced by the Crown. The effect of the revised standard is that more information is required to be disclosed about transactions between the Commission and entities controlled or significantly influenced by the Crown.
- ii) Provides clarity on the disclosure of related party transactions with Ministers of the Crown. Further, with the exception of the Minister of Commerce, the Commission will be provided with an exemption from certain disclosure requirements relating to transactions with other Ministers of the Crown. The clarification could result in additional disclosures should there be any related party transactions with Ministers of the Crown.
- iii) Clarifies that related party transactions include commitments with related parties.

FMA will be required to adopt NZ IAS 24 for the year ended 30 June 2012. The Commission has not assessed the impact of NZ IAS 24.

Significant accounting policies

Significant accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Property, plant and equipment

Property, plant and equipment are shown at cost or deemed cost less depreciation, and less any impairment losses (see note 1(o)).

Library collections that had been revalued to fair value immediately prior to 1 July 2004, the date of transition to IFRSs, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

The following classes of property, plant and equipment have been depreciated over their economic lives on the following bases:

- office furniture – 20 percent of diminishing value
- office equipment – straight line over three years
- leasehold improvements – straight line over remaining life of lease
- library collections – straight line over ten years
- motor vehicle – straight line over five years.

b) Intangible assets

Computer software that is not integral to the operation of the hardware is recorded as an intangible asset and amortised on a straight-line basis over a period of three years.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand and held in bank accounts, and short-term deposits that form part of the Commission's day-to-day cash management. They are short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in values. They are held for the purpose of meeting short-term cash commitments and have short maturities of three months or less.

d) Term deposits

This category includes only term deposits with maturities greater than three months. These deposits are loans and receivables under NZ IFRS. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

e) Trade and other receivables

Trade and other receivables and GST receivables are stated at cost less impairment losses.

f) Short-term employee benefits

Employee entitlements represent the Commission's liability for employee annual leave entitlements. This has been calculated on an accrued entitlement basis, which involves recognising the undiscounted amount of short-term employee benefits expected to be paid in exchange for service that an employee has already rendered. This is calculated at current remuneration rates.

g) Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term after taking into account any lease inducements.

h) GST

All items in financial statements are exclusive of GST with the exception of trade and other receivables and trade and other payables, which are stated with GST included.

The statement of cash flows has been prepared on a net GST basis. That is, cash receipts and payments are presented exclusive of GST. A net GST presentation has been chosen to be consistent with the presentation of the statement of comprehensive income and statement of financial position. The net GST component of operating activities reflects the net GST paid to and received from the Inland Revenue Department. The GST component has been presented on a net basis as the gross amounts would not provide meaningful information for financial statement purposes.

i) Trade and other payables

Trade and other payables and GST payable are stated at cost.

j) Financial instruments

A financial instrument is recognised when the Commission becomes party to a financial contract. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the statement of comprehensive income.

Financial instruments comprise trade and other receivables, cash and cash equivalents, term deposits and trade and other payables.

k) Income tax

The Commission is exempt from income tax under the Income Tax Act 2004.

l) Revenue recognition

Government grant is recognised as revenue in the year in which it is appropriated.

Revenue from application fees and recovery of related costs and revenue from administrative services provided to the Takeovers Panel is recognised when the relevant services are provided.

Interest income is recognised as it accrues, based on the effective interest rate inherent in the respective financial instrument. The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

m) Cost allocation policy

For the purposes of the statement of service performance, direct costs are charged directly to outputs. Indirect costs are allocated on the basis of direct labour hours spent on each output.

n) Litigation fund

Reimbursements from the Crown to top up the fund are shown as income in the period to which the Commission's claim for reimbursement relates.

The balance of the fund is disclosed as a component of equity in the statement of financial position. The fund is restricted for approved litigation purposes only.

o) Impairment

The Commission considers at each reporting date whether there is any indication that a non-financial asset may be impaired. If any such indication exists, the asset's recoverable amount is estimated.

Given that the future economic benefits of the Commission's assets are not directly related to the ability to generate net cash flows, the value in use of these assets is measured on the basis of depreciated replacement cost.

At each balance date financial assets such as receivables are assessed for impairment. Trade and other receivables are individually assessed for impairment. This assessment is also made with reference to previous experience with debtors. The recoverable amount is the present value of the estimated future cash flows.

An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount. Any reversal of impairment losses is also recognised in the statement of comprehensive income.

p) Contingent assets and contingent liabilities

Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

q) Superannuation schemes

Obligations for contributions to KiwiSaver and the State Sector Retirement Savings Scheme are accounted for as defined contribution superannuation scheme and are recognised as an expense in the statement of comprehensive income as incurred.

Note 2 Budget figures

The budget figures are those approved by the Commission on 22 April 2010 and published in the Commission's *Statement of Intent 2010-2013*. The 12-month budget figures are prepared in accordance with NZ GAAP and are consistent with the accounting policies adopted by the Commission for the preparation of the financial statements.

Note 3 Administrative services to the Takeovers Panel

The Takeovers Panel relocated to its separate premises at Solnet House, 70 The Terrace and no administrative services have been provided to the Panel since August 2009.

Note 4 Revenue and expenditure

2011 12 months Budget \$000s	Notes	2011 10 months Actual \$000s	2010 12 months Actual \$000s
REVENUE			
6,501	Securities Market Functions	4,876	6,501
6,561	Financial Advisers and Financial Service Providers	4,921	2,620
3,255	Anti-Money Laundering and Countering Financing of Terrorism	2,441	1,920
16,317		12,238	11,041
EXPENDITURE			
Personnel expenditure			
9,571	Staff expenses	7,424	6,579
1,067	Members' fees	952	1,315
10,638		8,376	7,894
Depreciation and amortisation			
926	Depreciation	361	316
-	Amortisation	23	16
926		384	332
Other operating expenditure			
32	Auditors – audit fees	28	28
-	Auditors – other assurance services	-	7
-	Loss on sale on fixed assets	16	-
-	Bad debts	4	-
88	Communication charges	83	76
717	Printing and stationery	413	346
1,762	Professional services	1,515	1,211
887	Services and supplies	1,053	720
740	Travel and accommodation	663	732
4,226		3,775	3,120

In the prior year the Commission contracted Audit New Zealand to provide assurance reviews in respect of three significant contracts entered during that year.

Note 5 Litigation fund

The Government has appropriated a litigation fund to cover actual litigation costs up to a maximum of \$1,370,000 for the year ended 30 June 2011. An additional \$1,000,000 was appropriated to FMA in March for the last quarter due to the high level of litigation activity. This was able to be used by the Commission when the disestablishment date was extended to 30 April 2011.

A summary of the movements in the fund during the 10 months is as follows:

	2011 10 months Actual \$000s	2010 12 months Actual \$000s
Opening balance	785	781
Government grant revenue	1,464	1,304
Interest income	1	8
Settlements and cost recoveries	150	21
Total litigation fund income	1,615	1,333
Expenditure on eligible litigation	(1,556)	(1,329)
Capital repayment	-	-
Closing balance	844	785
Comprising		
Cash and cash equivalents		
- Current account	114	481
- Call account	5	5
	119	486
Trade and other receivables	822	484
	948	970
Trade and other payables	(97)	(185)
Balance	844	785

Note 6 Management of equity

The Commission seeks to maintain sufficient equity to allow it to manage its ongoing operations and obligations. Surplus funds are invested having regard to the cash flow profile of future commitments. There have been no material changes in the Commission's management of equity during the period compared with the previous period.

The Commission is not subject to any externally imposed equity requirements.

Note 7 Financial instruments

Credit risk

Credit risk represents the risk that a counterparty will default on its contractual obligations to the Commission. Financial instruments that subject the Commission to credit risk consist of bank balances, bank term deposits, trade and other receivables. The maximum exposure to credit risk at the reporting date is the carrying amount of those instruments as detailed in note 8.

There is limited credit risk for the Commission because most of the financial assets are the Commission's cash or investments. These are deposits with Westpac Banking Corporation, which is a registered bank in New Zealand and is rated Moody's Aa2 and Standard & Poors AA for its long-term credit rating.

The Commission does not require collateral or security to support financial instruments. There is a concentration of credit risk for accounts receivable in relation to receivables from the Government but this risk is very low.

There is no other significant concentration of credit risk pertaining to trade and interest receivable.

Liquidity risk

Liquidity risk represents the Commission's ability to meet its contractual obligations associated with financial liabilities. The Commission evaluates its liquidity requirements on an on-going basis by preparing quarterly budget analyses which are used to manage the timing of investment maturity with payments due. The Commission's creditors are mainly those reported as trade and other payables. The Commission aims to pay these within normal commercial terms, that is, by the 20th of the month, if not earlier.

Employee entitlements comprise obligations for employee accumulated leave. This obligation is extinguished when leave is taken. Staff are encouraged to take leave within the year in which it vests.

The Commission has cash and other short-term deposits that it can use to meet its ongoing payment obligations.

Market risk

The only market risk to which the Commission is subject is interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Commission's exposure to fair value interest rate risk is limited to its bank deposits, which are held at fixed rates of interest.

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Commission's exposure to cash flow interest rate risk is limited to its bank deposits, which are held at fixed rates of interest.

Details are as follows:

	Effective Interest Rate	Total \$000s	Maturities 3 months or less \$000s	Maturities greater than 3 months \$000s
2011				
Cash and cash equivalents				
- Current account	0.30%	311	311	-
- Call account	3.10%	2,987	2,987	-
Term deposits		-	-	-
		3,298	3,298	-
Cash and cash equivalents – litigation fund				
- Current account	0.30%	114	114	-
- Call account	3.10%	5	5	-
Term deposits		-	-	-
		119	119	-
2010				
Cash and cash equivalents				
- Current account	0.30%	574	574	-
- Call account	3.40%	65	65	-
Term deposits	4.65%	2,615	-	2,615
		3,254	639	2,615
Cash and cash equivalents – litigation fund				
- Current account	0.30%	481	481	-
- Call account	3.40%	5	5	-
Term deposits	-	-	-	-
		486	486	-

Term deposits are made for varying periods of up to, including, and greater than three months depending on the immediate cash requirements of the Commission, and earn interest at the respective short-term deposit rates.

The Commission interest rate risk is limited to interest on term investments, the maturities of which are shown above.

Sensitivity analysis

As at 30 April 2011, if the floating interest rate on call deposits had been 100 basis points higher or lower, with all other variables held constant, the surplus/deficit for the 10 months would have been \$29,921 (2010 – \$700) higher or lower.

Fair values

All financial instruments are recognised in the statement of financial position and are stated at carrying amounts. Given their short-term nature, the carrying amounts are considered a reasonable approximation of their fair values.

There has been no change from the previous period in the Commission's exposure to risks, how they arise, or in the Commission's objectives, policies and processes for managing the risks and the methods used to measure the risks.

Note 8 Categories of financial assets and financial liabilities

The carrying amounts of financial assets in the NZ IAS 39 categories are as follows:

	2011 \$000s	2010 \$000s
Loans and receivables		
Cash and cash equivalents	3,298	639
Term deposits	-	2,615
Interest receivable – other	-	22
GST receivable	228	92
Trade and other receivables	956	650
Cash and cash equivalents – litigation fund	119	486
Term deposits – litigation fund	-	-
Interest receivable – litigation fund	-	-
Total loans and receivables	4,601	4,504

Financial liabilities at amortised cost:

	2011 \$000s	2010 \$000s
Trade payables	777	977
Employee entitlements	278	442
	1,055	1,419

Note 9 Income from financial assets

	2011 \$000s	2010 \$000s
Loans and receivables		
Interest – other	190	169
Interest – litigation fund	1	8
Total interest income from loans and receivables	191	177

Note 10 Trade and other receivables

	2011 \$000s	2010 \$000s
Trade receivables	178	165
Less: provision for impairment	-	-
Receivables from the Crown	778	485
Interest receivable	-	22
	956	672

The status of trade and other receivables as at 30 April 2011 is as follows:

Trade and other receivables	Total \$000s	Not past due \$000s	Up to 30 days past due \$000s	Over 30 days past due \$000s
2011				
Gross receivables	956	909	2	45
Impairment	-	-	-	-
	956	909	2	45
2010				
Gross receivables	672	629	18	25
Impairment	-	-	-	-
	672	629	18	25

Note 11 Property, plant and equipment

	Office equipment \$000s	Office furniture \$000s	Leasehold improvements \$000s	Library \$000s	Motor vehicle \$000s	Total \$000s
At 1 July 2010						
Net of accumulated depreciation	129	131	401	218	31	910
Additions	498	123	99	4	63	787
Disposals	(7)	-	-	-	(83)	(90)
Depreciation charge for the 10 months	(152)	(38)	(142)	(18)	(11)	(361)
At 30 April 2011, net of accumulated depreciation	468	216	358	204	-	1,246
At 30 June 2010						
Cost	1,106	502	1,314	335	64	3,321
Accumulated depreciation	(977)	(371)	(913)	(117)	(33)	2,411
Net book value	129	131	401	218	31	910
At 30 April 2011						
Cost	1,604	625	1,413	339	127	4,108
Cost (Disposals)	(155)	-	-	-	(127)	(282)
Cost	1,449	625	1,413	339	-	3,826
Accumulated depreciation	(1,129)	(409)	(1,055)	(135)	(44)	(2,772)
Accumulated depreciation (Disposals)	148	-	-	-	44	192
Accumulated depreciation	(981)	(409)	(1,055)	(135)	-	(2,580)
Net book value	468	216	358	204	-	1,246
At 1 July 2009						
Net of accumulated depreciation	161	153	545	207	44	1,110
Additions	71	10	2	33	-	116
Disposals	-	-	-	-	-	-
Depreciation charge for the year	(103)	(32)	(146)	(22)	(13)	(316)
At 30 June 2010, net of accumulated depreciation	129	131	401	218	31	910
At 30 June 2009						
Cost	1,043	492	1,312	302	64	3,213
Accumulated depreciation	(882)	(339)	(767)	(95)	(20)	(2,103)
Net book value	161	153	545	207	44	1,110
At 30 June 2010						
Cost	1,114	502	1,314	335	64	3,329
Cost (Disposals)	(8)	-	-	-	-	(8)
Cost	1,106	502	1,314	335	64	3,321
Accumulated depreciation	(985)	(371)	(913)	(117)	(33)	(2,419)
Accumulated depreciation (Disposals)	8	-	-	-	-	8
Accumulated depreciation	(977)	(371)	(913)	(117)	(33)	(2,411)
Net book value	129	131	401	218	31	910

Note 12 Computer software

	2011 \$000s	2010 \$000s
Gross carrying amount	250	190
Accumulated amortisation	(168)	(145)
Net carrying amount	82	45
Opening accumulated amortisation	(145)	(129)
Amortisation	(23)	(16)
Closing accumulated amortisation	(168)	(145)
Opening net carrying amount	45	14
Additions	60	47
Amortisation	(23)	(16)
Closing net carrying amount	82	45

Note 13 Trade and other payables

	2011 \$000s	2010 \$000s
Trade payables	777	977
Employee entitlements	278	442
	1,055	1,419

Note 14 Rent holiday liability

This represents amounts received from the landlord for a rent holiday. The accrual is being released having regard to the expected life of the lease of 9 years.

Note 15 Reconciliation of the net surplus from operations with the net cash flows from operating activities

	2011 \$000s	2010 \$000s
Reported surplus (deficit)	(384)	(320)
Add (less) non-cash items:		
- Allocation of receipt of rent-free period	(12)	(13)
- Depreciation/amortisation	384	332
	372	319
Add (less) movement in working capital:		
- Increase in creditors	(364)	820
- Decrease (increase) in receivables	(420)	(55)
	(784)	765
Add (less) investing activity items		
- Loss on sale of fixed assets	16	-
	16	-
Net cash flows from operating activities	(780)	764

Note 16 Lease commitments

The Commission has the following operating lease commitments. These amounts are the total of minimum future lease payments under the Commission's non-cancellable operating leases.

56 The Terrace	2011 \$000s	2010 \$000s
- Not later than 1 year	722	721
- Later than 1 year and not later than 5 years	541	1,143

The Commission rents its premises under an operating lease that ends on 1 February 2013. This lease gives the Commission the right to renew the lease for 3 years subject to a mutually agreed re-determination of the lease rental. The lease specifies that the Commission is required to make good the premises to the original condition on termination of the lease. The make good amount is estimated at \$20,000.

22 The Terrace	2011 \$000s	2010 \$000s
- Not later than 1 year	173	159
- Later than 1 year and not later than 5 years	45	188

The Commission has taken a short-term operating lease that ends on 31 July 2012. The make-good amount is estimated at \$10,000.

Shortland Street	2011 \$000s	2010 \$000s
- Not later than 1 year	42	-

The Commission has taken a short-term operating lease that ends on 31 August 2011.

Note 17 Capital commitments

Estimated capital expenditure contracted for at balance date but not provided for: Nil (2010 – \$95,843).

Note 18 Contingent liabilities and contingent assets

Contingent liabilities

There are no contingent liabilities at balance date. The Commission is undertaking litigation against a number of parties. Should any case be unsuccessful the Commission could have costs awarded against it. (2010 – There are no contingent liabilities at balance date. The Commission is undertaking litigation against a number of parties. Should any case be unsuccessful the Commission could have costs awarded against it).

Contingent assets

There are no contingent assets at balance date (2010 – Nil).

Note 19 Professional indemnity insurance

The Commission has effected a professional indemnity insurance policy to provide cover for Members and employees of the Commission as the Commission performs its duties and statutory functions.

Note 20 Subsequent events

The Commission was dissolved 30 April 2011. The functions, duties and powers of the Commission are now the functions, duties and powers of FMA. The Commission's assets, rights, liabilities, contracts, entitlements and engagements have been transferred to FMA.

Note 21 Transactions with related parties

Transactions with other entities within the Crown

The Commission is an independent Crown entity under the Crown Entities Act 2004. The Commission is wholly owned by the Crown and the Government is its major source of revenue.

The Commission has entered into a number of transactions with other entities within the Crown on an arm's-length basis. Where those parties are acting in the course of their normal dealings with the Commission, related party disclosures have not been made for transactions of this nature. NZ IFRS provides an exemption for public entities from having to make disclosures in respect of transactions between related parties subject to common control or significant influence by the Crown for transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that entity at arm's length in the same circumstances. Therefore, in accordance with NZ IFRS such transactions are not disclosed in these financial statements.

As indicated in the statement of comprehensive income, income is received from a Government grant and from administrative services provided to the Takeovers Panel.

Transactions with suppliers

During the year the Commission incurred expenses of:

Transaction	Transaction value		Balance outstanding	
	10 months ended 30 April 2011	12 months ended 30 June 2010	10 months ended 30 April 2011	12 months ended 30 June 2010
A.M. Cotton Genesis Energy	-	52,394	-	1,978
M. Jack New Zealand Institute of Chartered Accountants	9,678	7,933	-	-
C.A. Quinn Minter Ellison Rudd Watts	-	1,103	-	-
S. Botherway S. Botherway	-	6,300	-	-
D. Ireland Kensington Swan	21,906	14,613	-	14,613
M. Jack Deloitte	310,288	-	12,500	-

- Genesis Energy, 2011 – no longer a related party. (2010 – a firm of which A.M. Cotton, Member of the Commission was a director until April 2010. The expenses relate to office electricity charges, which were charged on normal commercial terms).
- New Zealand Institute of Chartered Accountants, of which M. Jack, Member of the Commission, is a director. The expenses relate to subscription fees, course fees and publication costs, which were charged on normal commercial terms (2010 – of which E.H. Hickey, Member of the Commission was a director until March 2010).
- Minter Ellison Rudd Watts, 2011 – no longer a related party. (2010 – of which C.A. Quinn, Member of the Commission until March 2010, is a partner. The expenses relate to a market education function held by the Commission at her office).
- S. Botherway, Member of the Commission, 2011 – nil (2010 – the expenses relate to professional advice provided to the Commission.)
- Kensington Swan, of which D. Ireland, Member of the Code Committee, is a partner. The expenses relate to drafting services provided to the Code Committee.
- Deloitte, of which M. Jack, Member of the Commission, is the CEO. The expenses relate to professional services in relation to matters that the Commission is investigating.

These transactions are on normal commercial terms and there are no other material transactions between Members and the Commission in any capacity other than that to which they were appointed.

No related party debts have been written off or forgiven during the year.

Compensation of key personnel

Key personnel comprise the Chairman, Members of the Commission, Members of the Code Committee and the executive team.

	2011 10 months \$000s	2010 12 months \$000s
Short-term employee benefits comprise:		
- Members' fees	291	427
- Code Committee fees	39	297
- Chairman's salary	361	385
- Chairman's motor vehicle benefit	28	34
- Commissioner for Financial Advisers	252	197
- Executive team remuneration	1,255	1,372
	2,226	2,712
Termination benefits	155	-
	2,381	2,712

Composition of Members' fees

Members' fees are paid on the basis of time spent on the work of the Commission and were:

	2011 10 months \$000s	2010 12 months \$000s
C.A.N. Beyer	-	27
S. Botherway	36	26
S. Cave	26	19
M. Chen	-	3
A.M. Cotton	48	61
K.D. Dunstan	42	50
E.H. Hickey	-	29
J.L. Holland	23	34
M. Jack	16	-
D.A. Jackson	-	24
C.A. Quinn	-	16
N.O. Todd	77	108
M. Verbiest	23	30
	291	427

Composition of Code Committee fees

Code Committee fees are paid on the basis of time spent on the work of the Committee and were:

	2011 10 months \$000s	2010 12 months \$000s
S. Brown	-	20
R. Butler	12	82
P. Dunphy	2	21
S. Edmond	-	18
D. Ireland	18	72
L. Koh	-	9
P. Middleton	-	5
D. Russell	2	20
M. Staal	3	25
G. Young	2	25
	39	297

Employee remuneration

During the 10 months, the number of employees of the Commission, not being Members, who received remuneration and other benefits in excess of \$100,000, were:

Remuneration \$	Number of employees 2011 \$000s	Number of employees 2010 \$000s
270,001 to 280,000	-	1
260,001 to 270,000	-	-
250,001 to 260,000	-	-
240,001 to 250,000	-	1
230,001 to 240,000	1	-
220,001 to 230,000	-	-
210,001 to 220,000	-	2
200,001 to 210,000	-	-
190,001 to 200,000	1	1
180,001 to 190,000	2	-
170,001 to 180,000	1	2
160,001 to 170,000	2	1
150,001 to 160,000	1	1
140,001 to 150,000	-	1
130,001 to 140,000	5	4
120,001 to 130,000	2	2
110,001 to 120,000	2	1
100,001 to 110,000	8	2

During the 10 months \$128,333 was paid to one employee as compensation for cessation of employment (2010 – \$5,000 was paid to one employee as compensation for cessation of employment).

Note 22 Budget variances

a) Actual performance is for 10 months where budget is 12 months

The actual figures represent 10 months, performance owing to the disestablishment of the Securities Commission on 30 April 2011. Budget figures are for 12 months.

b) Revenue and income

Significant variances from budget were:

- i) Lower Government grant is due to the non-receipt of the final quarter's appropriations.
- ii) Higher other income is due to the larger-than-expected KiwiSaver employer contribution top-ups from the Government.

c) Expenditure

Significant variances from budget were:

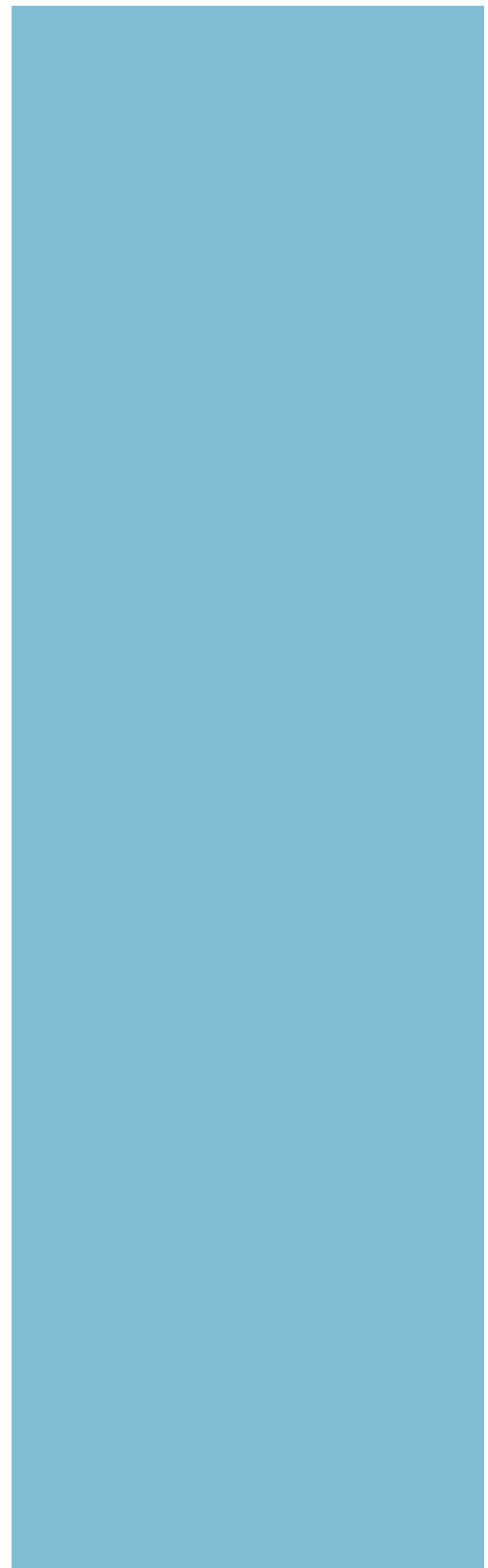
Lower personnel expenditure is due to lower-than-expected staffing activity for AML implementation.

d) Litigation income and expenditure

Significant variances from budget were due to higher-than-expected activity on finance company litigation.

Statement of objectives

for the 10 months ended 30 April 2011



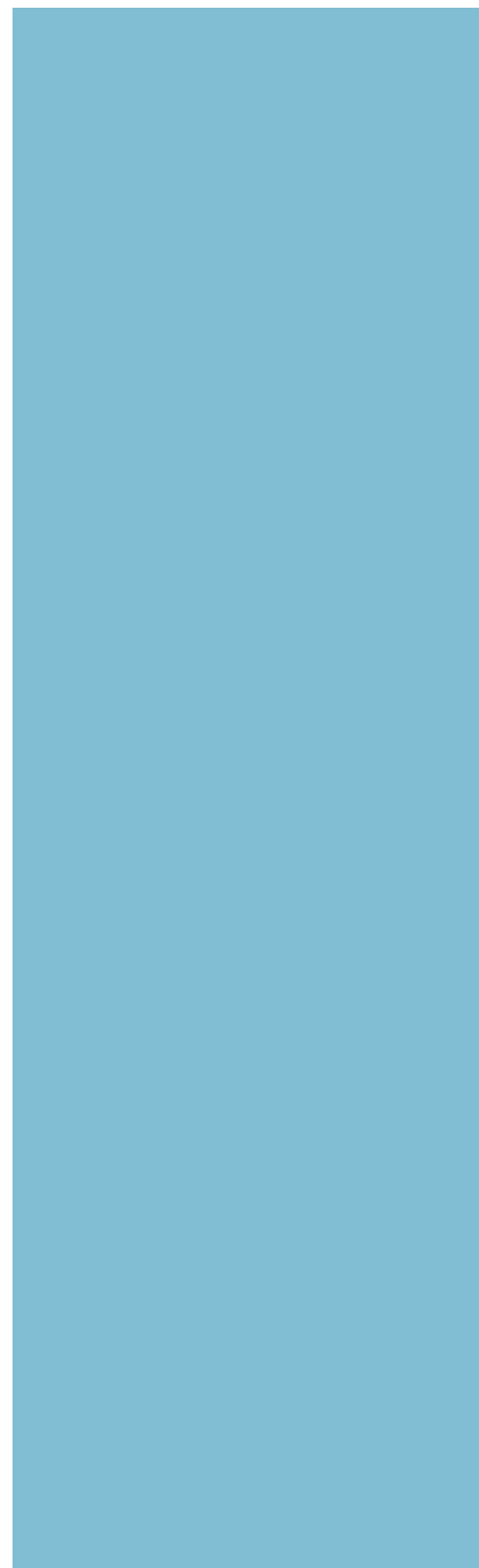
The Minister of Commerce and the Securities Commission have agreed that the Commission will produce the following outputs.

- Surveillance and enforcement – monitoring securities market activity, inquiring into suspected breaches of securities law and taking actions to enforce the law, covering primary and secondary markets, and intermediaries.
- Oversight and supervision – oversight of NZX's performance of its regulatory function and preparation for supervisory roles under Government reforms.
- Law and practice reform – reviewing securities law and practice and making recommendations for reform.
- Exemptions and authorisations – considering and deciding on applications for exemptions from the provisions of the Securities Act 1978, Securities Markets Act 1988 and the Securities Regulations 1983; considering and deciding on applications for authorisation of market participants, including futures exchanges and dealers, trustees and statutory supervisors; reviewing existing authorisations.
- International cooperation and recognition – contributing to the Government's SEM objective and to the business law coordination agenda, including regulatory cooperation with ASIC, promoting New Zealand's markets as well-regulated, and keeping abreast of developments in global standard setting.
- Public understanding – promoting public understanding of the law and practice relating to securities and developing and implementing initiatives to promote financial literacy.
- Financial adviser supervision – implementing the supervision and authorisation activities of the FAA regulatory regime, including infrastructure capability building.
- AML/CFT – monitoring market activity, inquiring into suspected breaches of AML/CFT law and taking actions to enforce the law.

(Source: Pages 5 and 6 of the draft output agreement between the Minister of Commerce and the Securities Commission for the period 1 July 2010 to 30 June 2011)

Statement of service performance

Performance standards and measures for the outputs of the Commission
for the 10 months ended 30 April 2011



Output 1

Market surveillance and enforcement – monitoring securities market activity, inquiring into suspected breaches of securities law and taking actions to enforce the law

Activities

Monitor securities market activity and take enforcement action in the following areas:

Primary market – offer documents, illegal offers, contributory mortgages

Secondary market – insider trading, market manipulation, secondary market disclosures (substantial security holder disclosure, continuous disclosure, disclosure of trading by directors and officers)

Intermediaries – futures dealers, investment advisers

This is done by:

- applying public interest criteria and enforcement resources to target conduct that harms investors, including:
 - finance company collapses
 - mis-selling of investments
 - poor market disclosure
 - poor financial advice
- reviewing prioritisation for new and existing enforcement powers
- taking appropriate enforcement action if a regulated entity fails to comply with the law, including:
 - prohibiting advertising
 - removing offer documents from the market
 - taking civil and/or criminal enforcement action in the Courts
- considering and establishing the desired regulatory result for each action
- liaising with other regulators and law enforcement agencies so that enforcement resources are efficiently applied
- conveying surveillance and enforcement priorities, objectives and actions to issuers, investors and other market participants
- using surveillance interventions to continue to promote transparency in financial reporting.

Performance measures Surveillance and enforcement	Notes	Performance standards	
		2011 10 months actual	2011 12 months budget
Quantity			
Complete surveillance actions that meet the Commission's case criteria relating to the above matters	1A	56 actions were completed	95
Complete the enforcement actions that meet the Commission's case selection criteria relating to the above matters	1B	2 actions were completed	6
Complete the financial reporting surveillance programme		3 cycles	3 cycles
Quality			
The desired regulatory result is achieved in surveillance cases where deficiencies are identified, eg subject corrects disclosure document/remedies brief or withdraws offer		100%	90% (of an estimated 150 actions)
Enforcement actions achieve the desired regulatory result, eg court proceedings taken or statutory intervention powers exercised	1C	100% for actions completed	80% (of an estimated 5 actions)
	1D	Progress towards the desired regulatory result for finance companies enforcement continues to be made	
There is no successful judicial review of the Commission's decisions or actions		100%	100%
Timeliness			
Complete surveillance actions	1E	6.4 months	On average within 3 months
Progress civil enforcement actions from investigation to the filing of proceedings		17.7 months	On average within 24 months of commencement of investigation
Complete financial reporting surveillance reporting programme		8.0 months	On average within 9 months of commencing each cycle
Cost			
Expenditure allocated to market surveillance and enforcement work – \$000s (%)	1F	\$3,111 (23%)	\$2,849 (17%)
Expenditure of Litigation Fund allocated to surveillance and enforcement work – \$000s (%)		\$1,556 (100%)	\$1,370 (100%)

Notes – Supporting information

Quantity

- 1A Surveillance actions generally comprise:
- a) investigations or enquiries into possible breaches of securities law, including the exercising of the Commission's information gathering powers (e.g. inspections, summonses etc). These may become enforcement matters in due course,
 - b) work on reports or other documents for consultation, public comment, or industry guidance,
 - c) structured surveillance programmes, financial reporting reviews, corporate governance review, etc.

This is a demand driven performance measure therefore these quantities will vary from period to period.

- 1B Enforcement actions are those matters that, in the opinion of the Team Leader, are likely to be put to the Commission to consider for:
- a) litigation, or
 - b) conclusion via the exercise of the Commission's binding powers to achieve compliance with the law.

Enforcement does not include the exercise of powers that are related solely to information gathering (e.g. inspections, summonses etc)

This is also a demand driven performance measure therefore these quantities will vary from period to period.

Quality

- 1C During the period, 2 enforcement actions were completed. The desired regulatory results were the acceptance of enforceable undertaking and a conviction achieved by the NEU in a prosecution.

- 1D The Commission is working on 25 finance company cases and is progressing towards the desired regulatory result by making the work high priority, by regular communications to the market setting out Commission expectations, and by supporting the Select Committee inquiry into finance companies.

Timeliness

- 1E The average time to complete all jobs during the period, except eight, was 3.9 months. The exceptions took 21.6 months because they involved numerous and intricate matters that drew out the investigative process, and resulted in a higher actual average of 6.4 months.

Cost

- 1F Costs are above expectations because of higher than expected use of operating funds for external experts and senior staff in the period, mainly for finance companies matters.

Output 2

Financial adviser supervision – preparation for supervisors’ roles under Government reforms

Activities

This output includes the activities necessary for establishing the capability for implementing the regulatory regime arising from the FAA and for conducting the relevant authorisation work.

This is done by:

- developing the regulatory regime’s capability:
 - liaising with partner agencies (MED, the Companies Office and the Ministry of Consumer Affairs) to achieve an effective implementation of their components of the FAA
 - liaising with education providers and industry training organisations to implement effective adviser assessment and training programmes
 - developing the capability (people, training, procedures and infrastructure) that reflects the monitoring and enforcement priorities
 - developing educational programmes to ready the financial advisory industry for the FAA regime
- authorising AFAs and QFEs.

Performance measures		Performance standards	
Financial advisers supervision	Notes	2011 10 months actual	2011 12 months budget
Quantity			
The Code of Conduct (Code) is approved by the Minister		The Minister approved the Code	Approved by the Minister
Authorise AFAs and QFEs	2A	Authorisation commenced from 1 December 2010 412 advisers were authorised as AFAs 63 entities were granted QFE status	We expect to authorise up to 5,000 AFAs and 200 QFEs
Quality			
Assessment by the Commissioner for Financial Advisers of the effectiveness of the Code as developed by the Code Committee		The Commissioner was satisfied with the Code and accepted it to be effective	The Commissioner is satisfied with and accepts the code to be effective
The Code is approved by the Minister		The Minister approved the Code	Approved by the Minister

Performance measures Financial advisers supervision	Notes	Performance standards	
		2011 10 months actual	2011 12 months budget

Quality

Develop measures that assess the quality of the authorisation of AFAs and QFEs		The quality measures are under development and include: <ul style="list-style-type: none"> • AFA licensing policies and procedures were finalised • AFA Standard Terms and Conditions came into force • QFE Standard Terms and Conditions published • QFE Adviser Business Statement assessment approach was completed • QFE ABS guide Version 2 was released • New website pages launched providing guidance to industry • Complaints handling process and policies were finalised • 5 Disciplinary Committee members were appointed. 	Quality measures are developed
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Timeliness

The Code is approved by the Minister	2B	The Minister approved the Code in September 2010	Approved by the Minister by July 2010
Develop measures that assess the timeliness of the authorisation of AFAs and QFEs	2C	The Commission has developed a timeline of milestones for the implementation of the regime. Key milestones have been reached	Timeliness measures are developed

Cost

Expenditure allocated to financial advisers supervision work – \$000s (%)	\$5,419 (40%)	\$6,818 (41%)
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Notes – Supporting information

Quantity

2A	The number of authorisations completed is less than expected due to 2 main factors: <ul style="list-style-type: none"> • legislative changes delayed the commencement date to 1 July 2011, which delayed the date by which advisers submitted their applications for authorisation • legislative changes altered the compliance requirement, which reduced the number of advisers who required authorisation.
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Timeliness

2B	Last minute legislative changes delayed the approval process from the intended target of July.
2C	The key milestones reached include: <ul style="list-style-type: none"> • FSPR opened on 16 August 2010 for AFA and QFE applications • Competency assessment infrastructure provided by ETITO was completed on time • the Code of Professional Conduct for AFAs came into force on 1 December • AFA Standard Terms and Conditions came into force on 1 December • QFE Standard Terms and Conditions were published in December • 5 Disciplinary Committee members were appointed.

Output 3

Oversight and supervision – oversight of NZX’s performance of its regulatory function

Activities

Maintain oversight of NZX’s performance of its regulation function.

This is done by:

- advising the Minister on proposed changes to Conduct Rules of the NZX
- considering and commenting on continuous disclosure applications under the MOU with the NZX
- undertaking the annual oversight review
- following up on issues raised in reviews
- communicating the purpose and outcome of the oversight review to the market
- keeping the MOU with NZX under review.

Performance measures Oversight and supervision	Notes	Performance standards	
		2011 10 months actual	2011 12 months budget
Quantity			
Complete NZX oversight review		1 time in the year	1 time in the year
Quality			
NZX takes actions in response to recommendation in the Commission’s oversight review reports		NZX responded constructively to recommendations arising from the previous review	NZX responds constructively to recommendations when assessed by the Commission in the following year’s oversight review
Timeliness			
Complete NZX oversight review	3A	5.4 months	Within 6 months
Cost			
Expenditure allocated to oversight and supervision work – \$000s (%)	3B	\$171 (1%)	\$582 (4%)

Notes – Supporting information

Timeliness

3A The process for annual oversight of NZX was reviewed and significantly changed in the year. The review of the process commenced in May 2010 and the review process was settled in August 2010. Under this revised process the annual review commences with a self-assessment report being delivered to the Commission by NZX. This report was delivered in November 2010, at which point the Commission’s oversight review began. The timeliness measure reflects this new process.

Cost

3B Costs are below expectations because a new process was introduced for the review which reduced staff and Member resources required to carry out the oversight work.

Output 4

Law and practice reform – reviewing securities law and practice and making recommendations for reform

Activities

Contributing to Government law reform programmes by:

- providing advice and recommendations on discussion documents and draft Cabinet papers
- considering recommendations by international bodies, including the FSAP recommendations
- participating on projects and reviews with MED, other government departments and interested parties
- recommending practice-based changes to existing law
- commenting on exposure drafts and discussion papers relating to standards and regulation, raising relevant issues with the Ministry and appropriate regulatory bodies (e.g. NZICA, IASB)
- conveying the Commission's law reform priorities and actions to the market including any limitation on communicating these.

Performance measures Law and practice reform	Notes	Performance standards	
		2011 10 months actual	2011 12 months budget
Quantity			
Provide advice to seek priority for reforms to address identified shortcomings in respect of: <ul style="list-style-type: none"> • managed funds • securities laws' scope • regulatory structure • CMDT recommendations • investment products' disclosures • FSAP recommendations and IOSCO Principles • auditor oversight • trustee supervision • financial services policy 	The Commission sought priority for reforms by: <ul style="list-style-type: none"> • assisting the MED with a report to the Commerce Select Committee on the Securities Trustees and Statutory Supervisors Bill • assisting MED with topics raised during consultation on the Securities Act review • provided comment on the Financial Markets (Regulators and KiwiSaver) Bill • participated in the ASRB working group considering which entities in the profit-oriented sector have public accountability • published a guidance note on the application of insider trading rules to commodities futures trading, and then worked with MED on proposals for regulations • provided comment to MED on a draft paper on the Auditor Regulation and External Reporting Bill 	Provide (as required)	

Performance measures Law and practice reform	Notes	Performance standards	
		2011 10 months actual	2011 12 months budget
Quality			
MED is satisfied with the quality of advice and assistance given		MED is satisfied	MED is satisfied
Timeliness			
Provide information and responses to MED and others within agreed timeframes		100%	100%
Cost			
Expenditure allocated to law and practice reform work – \$000s (%)	4A	\$636 (5%)	\$543 (3%)

Notes – Supporting information

Cost

4A	Costs are above expectations because of higher-than-expected use of operating funds for external experts and senior staff in the period.
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Output 5

Exemptions and authorisations – considering and deciding on applications for exemptions from the provisions of the Securities Act 1978, Securities Markets Act 1988 and the Securities Regulations 1983; considering and deciding on applications for authorisation of market participants, including futures exchanges and dealers, trustees and statutory supervisors; reviewing existing authorisations

Activities

Receiving and considering exemption and authorisation applications by:

- conducting all exemption and authorisation work according to securities law policy while simultaneously meeting the needs of the market
- publishing reasons with exemption notices
- revoking authorisations of non-complying trustees and statutory supervisors as required
- considering new applications for futures dealers, trustees and statutory supervisors in accordance with policy guidelines
- consolidating similar notices into class exemptions
- considering amendments to policy guidelines as the needs of the market require
- conveying surveillance and enforcement priorities, objectives and actions to issuers, investors and other market participants
- using surveillance interventions to continue to promote transparency in financial reporting.

Performance measures Exemptions and authorisations	Notes	Performance standards	
		2011 10 months actual	2011 12 months budget
Quantity			
Consider all applications for exemptions and authorisations of market participants (demand driven)	5A	70 applications were completed	80 applications
Review existing exemption notices and authorisations (demand driven)	5B	3 projects were completed	6 applications
Quality			
The Regulations Review Committee does not recommend disallowance of notices, and notices are not successfully judicially reviewed		100%	100%
Timeliness			
Percentage of exemption applications and authorisations completed within 6 weeks of receiving all necessary information or within other period agreed with applicant		100%	100%
Cost			
Expenditure allocated to exemptions and authorisations work – \$000s (%)	5C	\$758 (6%)	\$750 (4%)

Notes – Supporting information

Quantity

5A	The 70 applications completed in the 10 months compares to 71 in the 2009/10 year. This is a demand-driven performance measure, therefore these quantities will vary from period to period.
5B	This is also a demand-driven performance measure. Three projects were completed in the year, being Dividend Reinvestment SR 2010/323, NZX – Share and Unit Purchase Plan SR 2010/383, and the transition of existing exemptions to the 2009 Securities Regulations. The transition project resulted in the following new exemptions notices: <ul style="list-style-type: none"> • Stock and Station Agents SR 2010/472 • Employee Share Purchase Schemes – Listed Companies SR 2011/6 • Employee Share Purchase Schemes – Unlisted Companies SR 2011/58 • Co-operative Companies SR 2011/59 • Industrial and Provident Societies SR 2011/60 • Friendly Societies SR 2011/61 • Financial Institutions SR 2011/62 • Takeovers SR 2011/63.

Cost

5C	Costs are above expectations because external experts were retained for one futures exchange authorisation application. These costs were recovered from the applicant.
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Output 6

International cooperation and recognition – promoting New Zealand's markets as well regulated, keeping abreast of developments in global standard setting and contributing the Commission's views to this process

Activities

Promote New Zealand's markets and regulatory environment by:

- taking part in the work of IOSCO's
 - Executive Committee. The Commission Chairman chairs this Committee and contributes by:
 - driving the development and implementation of IOSCO's strategy
 - providing leadership in IOSCO's response to the financial crisis
 - engaging with key stakeholders to enhance IOSCO's standing in the global financial architecture
 - APRC (New Zealand is the alternate member on the IOSCO Executive Committee representing the APRC)
 - Taskforce on the Implementation of Objectives and Principles of Securities Regulation
 - MMOU Screening Group
 - Communications Group
- participating in relevant international forums that are seeking solutions to the global financial crisis (such as the Financial Crisis Advisory Group (FCAG))
- meeting and liaising with ASIC, other overseas regulators and institutional investors
- responding to overseas enquiries and surveys about New Zealand's regulatory regime
- participating in the international standard-setting process by completing comparative surveys on securities law and regulation
- fulfilling the obligations under the IOSCO MMOU and bilateral MOUs
- contribute towards trans-Tasman initiatives
- liaise with MFAT and NZTE to take opportunities to promote New Zealand's markets and regulatory environment to wider audiences.

Performance measures International recognition	Notes	Performance standards	
		2011 10 months actual	2011 12 months budget
Quantity			
Attend relevant IOSCO meetings	6A	Chaired/participated in meetings of IOSCO Executive Committee (EC) (3); EC Task Forces (4); IOSCO MMOU Screening Group (3) and Decision-Making Body (3); and APRC (2)	Approximately 9 IOSCO meetings are expected
When travelling for IOSCO take opportunities identified with MFAT and NZTE to promote New Zealand to wider business audiences as a well regulated market in which investors can have confidence	6B	3 leveraging events held in conjunction with NZTE/MFAT	Approximately 10 leveraging events are expected
Respond to requests from ASIC and other overseas regulators (demand driven)	6C	9 requests received from regulators and others and responded to	Approximately 12 requests are expected
Quality			
IOSCO is satisfied with the contributions made by the Commission at relevant IOSCO meetings	6D	IOSCO more than satisfied with contribution to relevant meetings	Satisfied
NZTE and MFAT are satisfied with the contributions made by the Commission at leveraging events	6E	MFAT/NZTE satisfied with contribution	Satisfied
ASIC and other overseas regulators are satisfied that cooperative work is completed to agreed quality standards	6F	IOSCO MMOU signatories satisfied with cooperation assistance received	Satisfied
Timeliness			
Cooperative work with ASIC and other overseas regulators is completed to agreed timeframes	6G	100%	100%
Cost			
Expenditure allocated to international recognition work – \$000s (%)	6H	\$1,515 (11%)	\$1,315 (8%)

Notes – Supporting information

Quantity

6A	Meetings reported on are IOSCO member-only meetings for the Executive Committee, Executive Committee Task Forces, MMOU Decision Making Body and MMOU Screening Group, and APRC.
6B	When travelling for IOSCO purposes, MFAT or NZTE identified 3 leveraging opportunities (in Beijing, London and Chinese Taipei) which were taken. In consultation with MFAT and NZTE in other locations it was decided that it was not practical to host leveraging events as the venues did not provide a suitable audience or there were insurmountable logistical issues. This led to fewer than expected leveraging events.
6C	This performance measure is demand driven by requests received from overseas regulators.

Quality

6D	Annual feedback received from 3 outside sources: “highly satisfied” with contribution to committees in which participating and where chairing, “achieving substantial and significant results”, “more than ‘satisfied’”, and “satisfied” in respect of contribution to IOSCO MMOU Screening Group along with expressions of thanks/appreciation.
6E	Feedback from MFAT/NZTE expressed satisfaction with contribution to leveraging events.
6F	Annual IOSCO MMOU survey indicated all authorities seeking cooperation assistance from Commission under MMOU received it and were satisfied.

Timeliness

6G	Annual IOSCO MMOU survey indicated all authorities seeking cooperation assistance from Commission under MMOU received in agreed timeframes.
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Cost

6H	Costs are above expectations because of higher than expected activity, including attendance at meetings.
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Output 7

Public understanding – promoting public understanding of the law and practice relating to securities

Activities

Develop and implement initiatives to promote awareness and understanding of securities law and securities market practices and the Commission's work by:

- publishing the e-newsletter, annual report and other documents
- communicating all significant regulatory actions
- responding to public enquiries
- managing the website and publishing updates promptly
- maintaining relationships with the news media via media briefings and meetings
- using appropriate communication channels to reach the wider public
- identifying areas requiring investor awareness and developing appropriate communications.

Performance measures Public understanding	Notes	Performance standards	
		2011 10 months actual	2011 12 months budget
Quantity			
Publish the e-newsletter		September, November, February, March	6-8 issues
Deal with inquiries from the public (demand driven)	7A	1,676 inquiries	1400 public inquiries are expected
Communicate significant regulatory actions relating to: <ul style="list-style-type: none"> • financial reporting surveillance programme (3 cycles each year are expected) • law reform programme (9 law reforms are expected) • FAA implementation (7 sub-projects are expected) • AML implementation (6 sub-projects are expected) • surveillance and enforcement actions (demand driven) • NZX oversight review (1 review each year) • Exemptions and authorisation programme (demand driven) 	7B	100% – all 55	100%
Undertake significant initiatives to build public awareness and understanding.		Commenced work on consumer campaign (advertising and PR) to run in July 2011 re financial adviser regulation	2 per year

Performance measures Public understanding	Notes	Performance standards	
		2011 10 months actual	2011 12 months budget
Quality			
Inquiries are dealt with effectively		No material complaints received	Absence of material complaints
Significant initiatives to build awareness and understanding amongst the public, intermediaries and market participants meet the quality measures of success identified		One significant initiative was in progress at the end of the period and therefore could not be assessed	Meet all the measures of success identified for the programme or action
Communication materials meet established standards		The communication material met established standards	Meet established standards
Timeliness			
Public inquiries are handled within 5 working days of receipt		100%	100%
Cost			
Expenditure allocated to public understanding work – \$000s (%)		\$741 (5%)	\$768 (5%)

Notes – Supporting information

Quantity

7A	The 1,676 enquiries received in the period compare with 1,367 in 2009/10. This is a demand-driven performance measure therefore these quantities will vary from period to period.
7B	<p>55 significant regulatory actions were communicated during the half year, and are listed below:</p> <ul style="list-style-type: none">• charges laid – Dominion and North South Finance• accepted enforceable undertaking – Finance & Investments partners• warning – unsolicited offer for Dorchester Finance debentures• review of corporate governance reporting• Code Committee members reappointed• Commissioner received draft Code• warning – unsolicited offer for DNZ Property Fund Limited shares• authorisation guide for AFAs• letter from Commissioner for Financial Advisers to Code Committee Chair re draft Code• <i>AFA Authorisation Guide</i>, testimonial templates and guidelines• guidance for investors on unsolicited offers• draft Code to Minister for approval• new designated settlement system• guide for QFEs updated• consultation on standard conditions for AFAs• recommended statutory management – two Hubbard trusts• recommended statutory management – two Hubbard companies• consultation on standard conditions for QFEs• recommended statutory management – Idea Services Limited and Timata Hou Limited• published cycle 12 financial reporting surveillance programme• consultation on standard conditions for QFEs' disclosure obligations• published <i>Standard Conditions for AFA Authorisation Guide</i>• Code of Conduct for AFAs coming into effect• warning – further unsolicited offer for Strategic Finance debentures• guidance note FAA exemptions• findings of cycle 13 financial reporting surveillance programme• charges laid – Hulfjich• Hanover investigation• published Code of Professional Conduct for AFAs• financial advisers regulatory regime in force• finance company investigations• warning: illegal share offer by INNL• consultation on class exemption review• requested freeze on Hotchin's assets• warning: INNL investment statement banned• findings of cycle 14 financial reporting surveillance programme• published <i>Standard Conditions for Qualifying Financial Entities</i>• spate of unsolicited offers in late December• action against Insured Group• published explanatory notes for QFE standard conditions• settlement with Nuplex• published notice for Christchurch advisers• published explanatory notes for AFA standard conditions• published cycle 13 financial reporting surveillance programme• granted first QFEs

- 7B
- warning: unsolicited offers from *Carrington Securities and Energy Securities LP*
 - updated guide for trans-Tasman mutual recognition of securities offerings
 - warning: further unsolicited offers
 - Whimp ordered to correct “low ball” offers
 - Whimp partnerships injuncted
 - published AML risk assessment for sector
 - issued notice about Whimp partnerships’ offers
 - warning: unsolicited offer for Warehouse shares
 - published cycle 14 financial reporting surveillance programme
 - published NZX oversight review.

Output 8

Anti-money laundering and countering financing of terrorism – monitoring market activity, inquiring into suspected breaches of anti-money laundering and countering financing of terrorism law and taking actions to enforce the law

Activities

This output includes the activities necessary for establishing the capability for implementing the regulatory regime arising from the AML and CFT Act and conducting sector risk assessments.

This is done by:

- developing the regulatory regime’s capability:
 - liaising with partner agencies (MoJ, DIA, RBNZ and New Zealand Police) to achieve an effective implementation of their components of AML/CFT
 - developing the capability (people, training, procedures and infrastructure) that reflects the supervision and education priorities
 - publishing industry guidance on the legislation, Commission’s role, and compliance expectations
- conducting sector risk assessments:
 - completing an initial sector risk assessment and using it to set benchmarks and future targets
 - carrying out an annual risk assessment survey
 - participating in National Coordination Committee and supervisors’ liaison meetings
- liaising with FATF (Financial Action Task Force) and other jurisdictions, especially Australia, to improve cooperation, administration and enforcement of AML/CFT law and promote international understanding and respect between the Securities Commission and these bodies.

Performance measures Anti-money laundering	Notes	Performance standards	
		2011 10 months actual	2011 12 months budget
Quantity			
Complete sector risk assessment to inform NZ Police National Risk Assessment		Sector risk assessment is completed	Assessment is completed
Provide assistance to MoJ to develop regulations to successfully implement law (as required)		The Commission provided assistance by: <ul style="list-style-type: none"> • responding to requests regarding various aspects of the proposed regulations • attending a number of work groups with MoJ and industry representatives on various aspects of the proposed regulations • making submissions to MoJ on the draft consultation document 	Provided (as required)
Quality			
Ongoing sector surveys show that outreach and education programmes raise sector awareness of the law and obligations, and provide guidance to help sector to raise compliance	8A	The delay in the gazetting of the regulations has postponed the start of the survey programme	Baseline sector awareness levels are determined
MoJ is satisfied with the quality of assistance given		MoJ is satisfied	MoJ is satisfied
Timeliness			
Sector risk assessment completed to inform NZ Police National Risk Assessment		This was completed on 29 March 2011	By 30 June 2011
Cost			
Expenditure allocated to anti-money laundering and countering the financing of terrorism work – \$000s (%)	8B	\$1,190 (9%)	\$3,110 (19%)

Notes – Supporting information

Quality

8A The process of developing the regulations has been delayed and is not expected to be gazetted until late June 2011.

The baseline sector awareness levels will be determined through the next sector risk assessment. As a result of the delays, the next sector risk assessment has not been undertaken this financial year.

Cost

8B Costs are below expectations because of lower than expected staff activity and associated operational costs for AML implementation due to the delay in the implementation of the regime.

Revenue and expenses – for class of outputs

Vote Commerce

	2011 10 months actual \$000s	2011 12 months budget \$000s
Non-departmental output expense appropriation, Part 2.2:		
Performance of Securities Market Functions		
Crown revenue	4,876	6,501
Interest	190	100
Fees	402	250
Other revenue	138	60
	5,606	6,911
Expenditure	6,932	6,807
Operating surplus (deficit)	(1,326)	104
Financial Advisers and Financial Services Providers		
Crown revenue	4,921	6,561
ETITO funding	130	-
	5,051	6,561
Expenditure	5,289	6,818
ETITO expenditure	130	-
Expenditure	5,419	6,818
Operating surplus (deficit)	(368)	(257)
Regulation of Anti-Money Laundering and Countering Financing of Terrorism		
Crown revenue	2,441	3,255
Expenditure	1,190	3,110
Operating surplus	1,251	145
Total for Part 2.2	(443)	(8)
Non-departmental other expenses, Part 5.2:		
Securities Commission Litigation Fund		
Crown and interest revenue	1,615	1,370
Expenditure	1,556	1,370
Litigation surplus	59	-
Non-departmental capital expenditure, Part 6.2:		
Investment in Securities Commission		
Investment in Securities Commission	1,230	1,230
Capital expenditure	787	2,406

Cost allocation policy

For the purposes of the statement of service performance, direct costs are charged directly to outputs. Indirect costs are allocated on the basis of direct labour hours spent on each output.

Glossary

Desired regulatory result	Where the subject of our inquiries has failed to comply with the law, the desired regulatory result is the outcome that, in the circumstances of the case, best rectifies the breach, minimises any loss to investors and sends the appropriate regulatory message.
Functions	For the purposes of this report functions are the areas of work for which the Commission is funded from Vote Commerce. The Commission's statutory functions are set out in the Securities Act 1978.
Outcomes	The six specific outcomes for the New Zealand securities markets that the Commission contributes to by delivering the outputs for which it is funded.
Outputs	The eight services produced by the Securities Commission for third parties, excluding internal outputs.
Primary markets	Offers of new securities made to the public.
Secondary markets	Trading of securities.

Independent Auditor's Report

To the readers of the Securities Commission's financial statements and statement of service performance for the 10 months ended 30 April 2011

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

The Auditor-General is the auditor of the Securities Commission (the Commission). The Auditor-General has appointed me, Robert Cox, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the Commission on her behalf.

We have audited:

- the financial statements of the Commission on pages 31 to 55, that comprise the statement of financial position as at 30 April 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the 10 months ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Commission on pages 58 to 76.

Opinion

In our opinion:

- the financial statements of the Commission on pages 31 to 55 that are prepared on a dissolution basis:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Commission's:
 - > financial position as at 30 April 2011; and
 - > financial performance and cash flows for the 10 months ended on that date.
- the statement of service performance of the Commission on pages 58 to 76:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects, for each class of outputs for the 10 months ended 30 April 2011, the Commission's
 - > service performance compared with the forecasts in the statement of forecast service performance for the financial year; and
 - > actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Emphasis of matter - the financial statements are appropriately prepared on a dissolution basis

Without modifying our opinion, we considered the accounting policy on page 39 about the financial statements being prepared on a dissolution basis.

We consider the dissolution basis to be appropriate as the functions of the Commission were transferred to the Financial Markets Authority on 1 May 2011.

Our audit was completed on 29 September 2011. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Securities Commission, the Financial Markets Authority and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Commission's preparation of the financial statements and statement of service performance that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Securities Commission and the Financial Markets Authority;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Securities Commission and the Financial Markets Authority

The Securities Commission's financial statements and performance information for the 10 months ended 30 April 2011 have been completed by the Financial Markets Authority under authority from the Minister of Finance in accordance with section 45J of the Public Finance Act 1989. The Financial Markets Authority is responsible for completing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect the Commission's financial position, financial performance and cash flows; and
- fairly reflect its service performance.

Up until 30 April 2011, the Securities Commission was responsible for such internal control as it determined necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error. From 1 May 2011, the Financial Markets Authority is responsible for such internal control as it determined necessary to enable the completion of those financial statements and performance information.

The Financial Markets Authority's responsibilities arise from the Public Finance Act 1989 and the Crown Entities Act 2004.

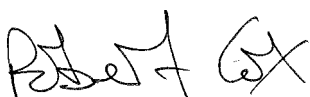
Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, and the Auditor-General being the auditor of the Financial Markets Authority, we have no relationship with or interests in the Securities Commission.



Robert Cox, Audit New Zealand
On behalf of the Auditor-General, Wellington, New Zealand

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE

This audit report relates to the financial statements and statement of service performance of the Securities Commission for the 10 months ended 30 April 2011 included on the Financial Markets Authority's website. The Members of the Financial Markets Authority are responsible for the maintenance and integrity of the Financial Markets Authority's website. We have not been engaged to report on the integrity of the Financial Markets Authority's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance as well as the related audit report dated 29 September 2011 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

SECURITIES COMMISSION

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