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**FMA toughens approach to misuse of FSPR**

The Financial Markets Authority’s report on the Financial Service Providers Register (FSPR) sets out its work to prevent the misuse of the FSPR between 2014 and 2017.

The FMA says it will target New Zealand directors of FSPR businesses who encourage or facilitate abuse of the FSPR. All businesses on the FSPR must have a locally-based director. Directors are personally liable under the Companies Act for a company’s compliance with a number of obligations.

The FMA will use the full range of its enforcement tools against directors of firms who register under false pretences or in breach of the regulations. The FMA’s powers range from administrative orders and warnings to criminal charges.

Liam Mason, Director of Regulation at the FMA said: “In our experience, some local directors of businesses on the FSPR provide at most an administrative service with little or no real governance role in the company. This report sets out clearly our expectations of these directors, their responsibilities and scenarios where we could look to take further action.

The legal action brought by companies challenging deregistration from the FSPR clearly shows the value these businesses place on registration in terms of giving them credibility in the eyes of investors.”

Other details in the report include:

* 115 registrations on the FSPR have been reviewed, resulting in 69 firms being deregistered from the FSPR and 21 choosing to deregister voluntarily.
* Of 93 applications for registration on the FSPR referred to the FMA, just 19 were allowed to proceed
* 3 financial service providers (FSP) have brought legal action against the FMA following a decision to direct the Registrar to deregister the company from the FSPR. These cases have been resolved in the FMA’s favour.
* The Registrar of the FSPR reviewed 1956 FSP applications in the period covered, carrying out 142 onsite visits.
* The FMA has received a total of 1080 complaints against 296 businesses or individuals on the FSPR.

The FMA is also publishing online resources about the FSPR for consumers in Chinese, Malay and Arabic. The languages chosen reflect the regions or areas which represent the largest number of complaints to the FMA.

The FSPR was introduced in 2008 and became a legal requirement for businesses or individuals providing financial services in for from New Zealand in 2010. It is overseen by the Registrar of the FSPR, which is part of Companies Office.

In 2014, the Government granted the FMA the power to direct the Registrar of the FSPR to deregister businesses and individuals and prevent registration in the first place. This was in response to the abuse of the FSPR by businesses and individuals who targeted overseas investors and used New Zealand’s reputation to attract funds.

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