

Financial Markets Conduct Act – Roll in Phase 1 March 2014

Phase 1 of the Financial Markets Conduct Act 2013 will come into force on 1 April 2014.

Commerce Minister Craig Foss announced on 27 February 2014 that Cabinet has approved regulations for Phase 1 of the Financial Markets Conduct Act 2013 as part of the Government's financial market overhaul. This includes the approval of regulations for crowd funding and peer-to-peer lending. And on 4 March 2014 Cabinet announced an exemption with respect to employee share schemes.

The new crowd funding platform will provide an avenue for start-up companies to raise up to \$2m of new capital from the public without the need for a prospectus or an investment statement.

The employee share scheme exemption will cut compliance costs with its reduced disclosure requirements, and is likely to be particularly attractive to start-up businesses wishing to attract and retain staff in the early stages of its business development.

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This note gives a general overview of the topics covered and is not intended to be relied upon as legal advice.

Under the new purchase exemption employers will need to provide employees with:

- a warning statement about the nature of employee share purchase schemes and the implications of the exemption
- basic information about the scheme, such as its terms and conditions
- access to the employer's most recent annual report and financial statements.

Phase 2 of the Financial Markets Conduct Act, which includes provisions relating to the disclosure requirements for the offer of securities, is expected to be in force by the end of 2014.

If you would like to discuss the above or need help with respect to a proposed offer of securities, please contact us.