

Submission

to the

Financial Markets Authority

on the

Consultation: *Proposed class exemption for entities incorporated in foreign jurisdictions from New Zealand climate reporting duties*

24 October 2025



About NZBA

1. The New Zealand Banking Association – Te Rangapū Pēke (**NZBA**) is the voice of the banking industry. We work with our member banks on non-competitive issues to tell the industry's story and develop and promote policy outcomes that deliver for New Zealanders.
2. The following sixteen registered banks in New Zealand are members of NZBA and support this submission:
 - ANZ Bank New Zealand Limited
 - ASB Bank Limited
 - Bank of China (NZ) Limited
 - Bank of New Zealand
 - China Construction Bank (New Zealand) Limited
 - Citibank N.A.
 - The Co-operative Bank Limited
 - Heartland Bank Limited
 - The Hongkong and Shanghai Banking Corporation Limited
 - Industrial and Commercial Bank of China (New Zealand) Limited
 - KB Kookmin Bank Auckland Branch
 - Kiwibank Limited
 - Rabobank New Zealand Limited
 - SBS Bank
 - TSB Bank Limited
 - Westpac New Zealand Limited

Contact details

3. If you would like to discuss any aspect of this submission, please contact:

Antony Buick-Constable
Deputy Chief Executive & General Counsel
antony.buick-constable@nzba.org.nz

Sam Schuyt
Policy Director & Legal Counsel
sam.schuyt@nzba.org.nz



Introduction

4. NZBA welcomes the opportunity to provide feedback to the Financial Markets Authority (**FMA**) on the Consultation: *Proposed class exemption for entities incorporated in foreign jurisdictions from New Zealand climate reporting duties* (**Consultation**). NZBA commends the work that has gone into developing the Consultation.
5. We support the proposal for a class exemption for entities incorporated in foreign jurisdictions from New Zealand climate reporting duties where the foreign entity is, at a group level, compliant with climate reporting comparable to that required by Part 7A of the Financial Markets Conduct Act 2013 (**FMC Act**).
6. We consider that the proposed exemption should be extended to entities reporting under the State of California climate-related disclosure laws (once effective), and entities from or subject to regulation by European Union member states who have transposed the Corporate Sustainability Reporting Directive (**CSRD**). This feedback, along with our other comments, is set out below in response to the questions posed in the Consultation.
7. We request that, if the FMA does proceed with the class exemption, we are engaged as part of the consultation process on the details and draft wording of the exemption notice.
8. We are happy to discuss should the FMA have any questions on our submission.

Question 1: Do you agree with the problem statement on page 6, including why the status quo does not work effectively for overseas CREs? If you disagree, please let us know why.

9. NZBA agrees with the problem statement, including why the status quo does not work effectively for overseas climate reporting entities (**CREs**).
10. Overseas CREs face increased compliance costs from meeting multiple standards / requirements. We agree that the international group context needs to be considered for overseas CREs as climate impacts are not constrained by jurisdictional boundaries, and take a whole-of-organisation approach to address.
11. We also note that the external cost and internal resource required to obtain individual exemptions is significant.



Question 2: Please explain the impact of the status quo on the following stakeholders. Where appropriate, provide details of the costs (including compliance costs) and any benefits.

Overseas banks

12. For overseas banks who prepare climate reporting for their New Zealand businesses or New Zealand branch only, there is considerable extra work to prepare and verify the additional report, as well as costs associated with assurance and any external compliance review the CRE obtains.
13. In practice, the reports are often highly duplicative of reporting prepared in relation to the whole group, either voluntarily or under overseas regimes – or in the case of dual registered banks, reporting prepared by its New Zealand subsidiary bank. This reflects that New Zealand branches typically follow the governance structures, risk management approach and strategy of the broader group.
14. The unnecessary and significant compliance costs to overseas banks of producing either duplicative, or relatively small climate-related disclosures in New Zealand is disproportionate when primary users have alternative disclosures available to them which are more meaningful.
15. Primary users of overseas banks generally engage with their NZ branches to leverage their international banking capabilities and expertise to support their global operations and international banking needs. To the extent that climate-related disclosures and information are relevant to decisions by these primary users, it is our view that overseas banks' home jurisdiction (or other FMA-approved jurisdiction) and ultimate headquartered jurisdiction climate-related disclosures would be more relevant. This enables primary users to have a fair and transparent – and overall, more meaningful – understanding compared to the disclosures of one entity in an overall group.
16. This is reflected by the experience of our overseas bank members, who have observed very few primary users access their New Zealand branch reports. We consider this illustrates that information about branches on a stand-alone basis may not be useful to many stakeholders.
17. Further, the proposed exemption supports the way in which business is managed for foreign CREs, who typically manage their businesses globally using a portfolio approach. Overseas banks' climate-related disclosures cover the activities of their New Zealand branches, and comply with globally accepted climate reporting frameworks, and as such:
 - 17.1. already meet the purpose of climate statements for their New Zealand businesses; and



- 17.2. provide more meaningful insights into their global climate footprint for internationally-oriented clients than climate statements for their New Zealand businesses – for example, using global climate statements can simplify cross-border comparability.

Listed issuers

18. For listed issuers who do not rely on any existing FMA exemptions, ensuring group-level climate reporting complies with New Zealand Climate Standards (**NZCS**) in addition to applicable overseas standards adds a significant level of additional complexity, and therefore a large amount of additional staff time to draft and review the report. There are also additional costs associated with ensuring assurance of greenhouse gas (**GHG**) emissions meets New Zealand requirements (in addition to applicable overseas standards) and any external compliance review the reporting entity obtains.
19. Where the report complies with other standards that require a similar or higher standard of disclosure (such as ISSB S2 or AASB S2), we consider complying with NZCS as well is unlikely to provide any material benefit to primary users because it is unlikely to result in any additional disclosures that are material to those primary users.

Question 3: Is a class exemption from Part 7A of the FMC Act required or are there other interventions we could consider? Please give reasons for your view.

20. We consider the proposed class exemption is the best way to address this challenge. As noted in the Consultation, a class exemption would give certainty to the market and be efficient and appropriate in terms of use of resources.
21. While individual exemptions or more targeted class exemptions could achieve a similar outcome, this is a less efficient use of both the FMA's and reporting entities' time, reduces certainty, and increases the risk of different treatment of entities in similar positions.
22. Alignment of standards would, to some extent, reduce the burden for foreign listed issuers. However, this would not be as effective because:
 - 22.1. It would not address the issue for overseas incorporated registered banks and licenced insurers, whose obligation is to prepare climate statements for their New Zealand businesses.
 - 22.2. Until there is significantly more international convergence of standards, it is unlikely we could substantially fully align with most relevant jurisdictions.
 - 22.3. Even if standards are aligned, differences in regulatory interpretation or guidance can still create additional inefficient impost on reporting entities.



- 22.4. This approach is unlikely to remove all of the duplication (for example, in relation to assurance requirements as noted above).

Question 4: Do you agree with the proposed scope and conditions of the exemption? If you disagree, please let us know why.

23. We agree with the proposed scope that foreign CREs incorporated in approved jurisdictions would be exempt from Part 7A of the FMC Act, although note that the scope has not been fully determined. As noted above, we submit that further engagement should be carried out in respect of the draft wording of the exemption once FMA's work has progressed to this stage.

Question 5: Do you agree with the criteria for approving foreign jurisdictions and climate reporting standards? If you disagree, please let us know why.

24. We generally agree with the criteria, which are broadly consistent with the FMA's approach to financial reporting exemptions.
25. However, in relation to some of the specific proposals, we submit that:

The entity must comply with its home jurisdiction CRD regime:

- 25.1. For our members whose home jurisdiction is the US, we note that there are currently no US climate reporting regulations at the federal level. However, those members can publish compliant, consolidated group climate disclosure statements in satisfaction of applicable local climate disclosure laws that apply to subsidiaries (for example, incoming California climate disclosure laws specifically permit consolidated parent level reporting). These members can also publish group level climate disclosure reports as part of their obligations under the EU CSRD when the CSRD is transposed under relevant EU country legislation.
- 25.2. Accordingly, we submit that the scope of compliance with "home" jurisdiction be expanded to include compliance through Group level reporting with the climate reporting laws and regulations of any FMA approved jurisdiction to be set out in the schedule.
- 25.3. Additionally, we submit that in relying on a parent's reporting under an approved jurisdiction, entities should be able to rely on an ultimate parent entity, where that entity is reporting group level information under a similar climate reporting regime. This should be permitted even where the entity might have a different home jurisdiction or different reporting obligations. For example, a bank branch that has an intermediate, regional parent as well as an ultimate, 'group' parent should be permitted to rely on the latter.



The entity must lodge climate statements within 4 months of its balance date

- 25.4. We consider the lodgement period should be aligned with the reporting deadline of the underlying approved jurisdiction for which compliance is being substituted. We note the reporting deadline for sustainability statements under the CSRD being transposed by EU member states is approximately four months. California climate-related risk reporting for FY2024 is due by 1 January 2026, and the deadline within 2026 for FY2025 GHG reporting is still to be determined by the California Air Resources Board

The relevant overseas regulator will be a signatory to the IOSCO MOU, or signatory to a bilateral agreement with the FMA

- 25.5. The requirement for the overseas regulator to be a signatory to IOSCO or have a bilateral agreement with the FMA should either be removed or exempted for overseas banks.
- 25.6. There will be instances for overseas banks where the home regulator may not meet these criteria, but the home regulator / home jurisdiction regulatory environment has been reviewed as part of the bank's registration process in New Zealand and should be regarded / taken into consideration for consistency.
- 25.7. One example of an environmental regulator which might be relevant as part of the home jurisdiction regulatory environment for some banks is the California Air Resources Board, which is responsible for implementation and supervision of the State of California's robust draft CRD regime that is expected to come into effect in 2026.

Minimum assurance requirements

- 25.8. Consideration of whether minimum assurance requirements are similar to those in New Zealand should be removed as a condition (assuming this refers to external assurance), given the still-developing practice of assurance and the live discussion in New Zealand around assurance timelines.
26. We would welcome clarification of which home jurisdictions in Table 1 of the Consultation the FMA has determined will be treated as approved foreign jurisdictions following the criteria (outside of Australia).

Question 6: Do you agree with our view that Australia's mandatory climate reporting regime and AASB S2 are broadly equivalent to New Zealand's settings? If you disagree, please let us know why.

27. We agree that Australia's mandatory climate reporting regime and AASB S2 are broadly equivalent to New Zealand's settings for the purposes of considering this



exemption, and consider that this exemption would be a positive step towards enabling trans-Tasman alignment.

28. We are supportive of initiatives that enhance the ease of doing business between Australia and New Zealand and this would align with the New Zealand and Australian Governments' Closer Economic Relations framework. This proposal is also consistent with the theme of other climate reporting initiatives, including MBIE's discussion paper on proposed changes to climate-related disclosures and XRB's request for feedback regarding the international harmonisation of climate reporting standards.
29. We submit that, similarly, TCFD- and ISSB-aligned disclosures are broadly equivalent to the New Zealand settings.

Question 7: Do you believe there are any other relevant jurisdictions that would currently meet our suggested criteria for inclusion in the proposed exemption notice? Please give reasons for your view.

30. We submit that the State of California climate-related disclosure laws (once effective), and European Union member states who have transposed the CSRD should be considered as FMA-approved jurisdictions.
31. We also consider the criteria should be revised as set out in our response to Question 5.

Question 8: Please explain the impact of the proposed exemption and conditions on the following stakeholders. Where appropriate, please provide details of the costs and any benefits.

32. As set out in response to Question 2, we consider the proposed exemption would significantly reduce compliance costs for foreign reporting entities, and only have a very limited impact on their primary users.

Question 9: Should it be a condition that a foreign CRE must file in New Zealand separate climate statements for its New Zealand business using an approved overseas standard, at the same time it must file its group climate reporting? If so, in what circumstances should this be required?

33. NZBA does not consider the exemption should have a condition requiring reporting entities to produce New Zealand business climate statements. Such a condition would be in opposition to the problem statement as framed in the Consultation.
34. We submit that such a condition would undermine any regulatory relief from the exemption. For many reporting entities, producing climate statements for their New Zealand business in accordance with foreign standards is likely to be as onerous, or more onerous, than not relying on the exemption and complying with the FMC Act.



- 35. We agree with the FMA's assessment that group level climate related disclosures will give New Zealand-based primary users a fair view on how the group considers and manages its climate-related risks and opportunities, including for its New Zealand business where material.
- 36. We note that, for listed issuers and banks, their New Zealand based shareholders and bondholders will often be engaging with the group as a whole (not specifically its New Zealand businesses), and therefore they are likely to want to understand the material risks and opportunities for the entire group, rather than information specific to the New Zealand business.
- 37. For many of the overseas banks that operate in New Zealand through branches, customers of their New Zealand branch will often also be either dealing with that bank in other jurisdictions (in which case, global information is likely to be more relevant to their decisions) or, for dual registered banks, also have a relationship with their New Zealand bank subsidiary (in which case, information about the Group's approach in New Zealand is available through that subsidiary bank's climate statements).

Question 10: The proposed relief overlaps with the existing foreign listed issuers CRD exemption. Do you believe the existing foreign listed issuers CRD exemption should remain as is, if this new exemption is granted?

- 38. If the FMA can get comfortable that the UK regime also meets the criteria (such that the UK and Jersey incorporated listed issuers can be brought into the new notice), we think it would make most sense to remove the existing class exemption.
- 39. This would cause no detriment to any existing listed issuers, as all of them would get similar or more extensive exemptions under the new notice. If the UK regime does not yet meet the equivalency criteria due to the stage of implementation, it would make sense to retain the existing class exemption for the UK and Jersey incorporated issuers until the UK regime is fully implemented.

Question 11: Are any additional conditions required if exemption relief is granted?

- 40. We do not consider any other conditions should be included.