



**National Council of
Women of New Zealand**

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Wahine O Aotearoa

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**Submission to the Ministry of Economic Development
on the Review of the Securities Regulations 1983**

The National Council of Women of New Zealand (NCWNZ) is an umbrella organisation representing 46 nationally organised societies. It has 35 branches spread throughout the country to which women from some 150 societies are affiliated.

This submission has been prepared by members of the Economics Standing Committee coming from the perspective of women as investors. The proposal that financial statements be required to be prepared in accordance with the Financial Reporting Act is strongly approved. The Institute of Chartered Accountants gives a great deal of thought to developing Generally Accepted Accounting Practice (GAAP) and it would be unfortunate if the Security Regulations were not amended to reflect these. We are also in favour of removing duplication of definitions and the removal of obsolete references.

SPECIFIC PROPOSALS

Regulation 2(1) Definitions

a; b,) We agree with the proposal to revoke the majority of definitions and replace them with clearer definitions with reference to GAAP. It is good that the term "accounting period" will be defined.

We are concerned that "Intangible Assets" need reviewing. Where an existing business is being publicly floated such things as Goodwill must be taken into account before the current owners will agree to the float and other intangibles must also be considered.

- c) We agree that the term "immediate relative" must be redefined and extended in light of the social standards pertaining today.
- d) As the Discussion Paper implies a "qualified audit report" under the Accounting Standards has a specific meaning which should not be confused with the same phrase in the Regulations having a different meaning.
If it is considered that there may be fundamental uncertainties in the accounts these should be the subject of a separate report – not necessarily the responsibility of the auditor. It would certainly be important for investors to be aware if there was a going concern uncertainty and they should be warned accordingly. This may be the responsibility of an investment adviser rather than that of an auditor whose duties are prescribed under Accounting Standards.
- e) **Rate of Return.** In any prospectus it must be made clear that any rate of return will be indicative only. Returns "in kind" or other benefits, such as a "free" weeks stay at a motel complex, should be detailed along with any tax implications as should the method of calculating any likely monetary return, eg guaranteed percentage of net profit; rate before or after imputation (if any); length of time which is estimated to be needed to reach maximum profitability.
Any proposals for return of capital should be set out separately.



- f) **Life Insurance Business.** We believe consideration should be given to a new definition of Life Insurance business which would encompass all companies in this bracket. There should be a level at which companies dealing incidentally in the Life business should be expected to conform to all Life Business regulations, ie when the “Life” component of the business reaches, say, 20% of the total gross returns or net income whichever may be considered easier to calculate.
- i) **Realised gains and losses.** We believe that these should be distinguished from unrealised gains and losses. The fall in the value of the NZ dollar at present would have an unnecessarily dramatic effect on any balance sheet or investment return and while it should certainly be recorded it should be shown as “abnormal” rather than as part of the ordinary accounts.

Regulation 2(2)

We agree that associate ownership should be shown. Investors need to know with whom they are dealing.

Regulation 2(3)

As with the previous regulation we agree that it is important that all relevant ownerships should be given. GAAP is not wide enough of itself.

Regulation 5(2)

Valuations. We definitely agree that any relationship between the valuer and the issuer must be shown as well as the name of the valuer and the date and method of the valuation.

Regulation 7A(4). Cross Referencing.

We consider that this would be most helpful especially for the non-expert investors.

Regulation 7B New regulation under “Investment Statements” setting out that nothing in this Part of the Regulations limits the provisions of Part II of the Regulations, which relate to the content of advertisements.

We agree with this proposal.

Regulation 9 We agree with the proposal to amend this regulation to provide that an advertisement must not be inconsistent with any registered prospectus, disclosure statement or investment statement relating to the same offer.

Regulation 11 We agree with the proposal to amend this regulation so that some of the requirements in Clause 10 of Schedule 3D relating to investment statements are included which will assist an investor in clarifying the nature of the guarantee.

Regulation 12

We agree with the proposed amendment to 12(1) (c) but do not favour the complete revocation of Regulation 12. If this was to be done Regulation 8 would need considerable rewriting to cover some of the points noted in 12.

Regulation 14

Again it would be necessary to rewrite Regulation 8 to clarify points mentioned in this regulation.



Regulation 17(2)

While we believe it is desirable for directors to sign all documentation we appreciate the problems which may arise when a director is unavailable. We would accept signature by an agent authorised by the director provided that the director remained personally liable for the consequences.

Regulation 17(6) Liability of Publishers etc.

We agree with the proposal to retain liability on publishers, broadcasters and exhibitors where they have actual knowledge that the advertisement does not comply with the law. This should be a tenet of the law generally and not entirely restricted to Securities Regulations. Their liability should not be limited to pointing out illegalities if these are not altered before the advertisement is published.

We congratulate the authors of this discussion document on a well-thought out and reasoned paper and look forward to seeing the results at a later date. We also thank you for the opportunity to comment on these matters.

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National President

Peg Hutchison
Convener, Economics Standing Committee