

Submission template

Enabling KiwiSaver investment in private assets

This is the submission template for the discussion document, *Enabling KiwiSaver investment in private assets*. The Ministry of Business, Innovation and Employment (MBIE) seeks written submissions on the issues raised in the discussion document by **5pm on 14 February 2025**.

Please make your submission as follows:

1. Fill out your name, organisation and contact details in the table: “Your name and organisation”.
2. Fill out your responses to the consultation document questions in the table, “Responses to discussion document questions”. There are two sets of questions: teal-coloured for industry, and purple for the public, including KiwiSaver members. There is one final question (blue) for everyone. Your submission may respond to any or all of the questions in the discussion document, as appropriate.
3. When sending your submission:
 - a. Delete this page of instructions.
 - b. Please clearly indicate in template if you do not wish for your name, or any other personal information, to be disclosed in any summary of submissions or external disclosures.
 - c. Note that submissions are subject to the Official Information Act 1982 and may, therefore, be released in part or full. The Privacy Act 2020 also applies.
 - d. Note that, except for material that may be defamatory, MBIE intends to upload PDF copies of submissions received to MBIE’s website. MBIE will consider you to have consented to uploading by making a submission, unless you clearly specify otherwise in your submission. If your submission contains any confidential information:
 - i. Please state this in the template, and set out clearly which parts you consider should be withheld and the grounds under the Official Information Act 1982 that you believe apply. MBIE will take such objections into account and will consult with submitters when responding to requests under the Official Information Act 1982.
 - ii. Indicate this on the front of your submission (e.g. the first page header may state “In Confidence”). Any confidential information should be clearly marked within the text of your submission (preferably as Microsoft Word comments).
4. Please send your submission (or any further questions):
 - as a Microsoft Word document to financialmarkets@mbie.govt.nz (preferred), or
 - by mailing your submission to:

*Financial Markets Policy
Business, Resources and Markets
Ministry of Business, Innovation & Employment
PO Box 1473
Wellington 6140
New Zealand*

Submission on discussion document: Enabling KiwiSaver investment in private assets

Your name and organisation

Name	Privacy of natural
Date	13/2/2025
Organisation (if applicable)	Privacy of natural persons
Contact details	Privacy of natural

Privacy and publication of responses

[To tick a box below, double click on check boxes, then select 'checked'.]

☐ The Privacy Act 2020 applies to submissions. Please check this box if you do not wish your name or other personal information to be included in any information about submissions that MBIE may publish.

☒ MBIE intends to upload submissions received to MBIE's website at www.mbie.govt.nz. If you do not want your submission to be placed on our website, please check the box and provide an explanation in the box below.

MBIE is more than welcome to provide our name/business on the website, however please **do not** place our answers on MBIE's website because it contain personal views that we do not wish to be publicly available.

Please check if your submission contains confidential information

☒ I would like my submission (or identified parts of my submission) to be kept confidential, and **have stated below** my reasons and grounds under the Official Information Act that I believe apply, for consideration by MBIE.

I would like my submission (or identified parts of my submission) to be kept confidential because it contains personal views. Please do not publish our answers to the questions. You are more than happy to write that we submitted our thoughts on this, so mention our name – but please do not showcase our actual submission/answers.

Responses to discussion document questions

Please enter your responses in the space provided below each question.

Liquidity management tools – questions for KiwiSaver providers or other industry	
1	For KiwiSaver managers: Please describe your current practice around investing in private assets, including levels of exposure you have to these types of assets, how you invest in these assets, and your management of liquidity risk.
2	Do you think that the current legislative framework for KiwiSaver effectively allows for the use of liquidity risk management tools that may impact transfer or withdrawal times (e.g. suspending redemptions or side-pocketing)? No - there is uncertainty around the regulatory scope for these tools, and KiwiSaver providers believe that legislative changes would be required to explicitly permit their use.
3	For KiwiSaver managers: If you cannot use these tools, can you please explain the reasons for this and the impacts in terms of: a. your ability to increase investment in private assets b. risks associated with your current allocation of private assets.
4	Please provide any other comments on the availability of liquidity management tools. While fund managers with significant exposure to private capital are confident in their liquidity management practices, they remain apprehensive about regulatory action due to unclear guidelines.
5	Do you support the proposed approach? Why/why not? We support the proposed approach in principle but with important provisos. While enabling KiwiSaver providers to use liquidity management tools can facilitate greater investment in private assets, there are concerns around investor protection, transparency, and the potential for misuse. A heavy reliance on technical disclosures is unlikely to be effective in safeguarding investors, particularly those with lower financial literacy. Instead, clear and accessible information should be prominently displayed on platforms and investment documentation, ensuring investors understand that withdrawals may be delayed in certain circumstances.
6	If redemption gates were allowed, would you consider developing new products more focussed on private assets?
7	Will you face implementation costs if this change is made? If yes how much will they be and will they be one-off or ongoing?
8	Do you have any comments on the detailed design considerations noted above?

9	Please provide any further comments on this issue of liquidity management tools.
Liquidity management tools—questions for the public	
10	Do you support more investment by KiwiSaver funds into private assets? Why / why not? Yes – this is great to move the needle on sustainability, local economy and much more in Aotearoa.
11	Do you support the use of liquidity management tools like ‘side pockets’, if they may have an impact on the availability of your KiwiSaver funds? Please explain. The use of liquidity management tools like ‘side pockets’ can be beneficial in managing illiquid or distressed assets, ensuring that redemptions do not disadvantage remaining investors. However, in the context of KiwiSaver, transparency, fairness, and accessibility are critical. While some exposure to illiquid assets can enhance diversification and returns, side pockets should be used cautiously to avoid restricting access to members' funds unexpectedly. If introduced, clear rules and safeguards would be necessary to ensure they are applied only when essential and with full disclosure, balancing liquidity management with investor protection.
12	Please provide any further comments on the proposed approach.
Private asset categories – questions for KiwiSaver providers or other industry	
13	Do you consider that the current asset classes in the Financial Markets Conduct Regulations 2014 are problematic as they relate to private assets? If yes, please explain.
14	How do think the categories should be described?
15	Please provide any other comments on the lack of private asset categories.
16	Which option do you think is best and why?
17	Will you face implementation costs if this change is made, if yes how much will they be and will they be one-off or ongoing?

18	Please provide any further comments on this issue of including private assets in asset categories.
Private asset categories—question for the public	
	Do you think it would be useful to have better visibility over how much KiwiSaver funds are investing into private assets?
19	Absolutely. We also need some clear fund labelling rules from a sustainability perspective to help managed private assets in line with sustainability goals, similar to EU SFDR (art. 7, 8, 9).
Valuation requirements – questions for KiwiSaver providers or other industry	
20	For KiwiSaver managers: Do your governing document(s) include a valuation methodology which is challenging to apply to valuing private asset? If you do, can you please explain the impact in terms of: a. the extent to which your governing documents require amendments to allow for the inclusion and pricings of private assets within your funds. b. whether you have tried to amend the valuation provisions in the past or not, and why. Include examples of where the supervisor has or has not approved a valuation methodology.
21	Please provide any other comments on the valuation methodologies in governing documents.
22	Do you agree that this is an issue that needs addressing?
23	Do you have views on how it should be addressed?
24	Will you face implementation costs if this change is made, if yes how much will they be and will they be one-off or ongoing?
25	Please provide any further comments on this issue of valuation requirements.
Total Expense Ratio—questions for KiwiSaver providers or other industry	
26	Do you currently outsource fund management for private assets?
27	Do you see any issues with the current TER calculation and if so, what are they?

28	Does the current TER calculation impact your decision to invest in private assets, or to utilise third-party fund management?
29	Are there any other issues you would like to draw attention to on the TER?
Total Expense Ratio—questions for the public	
30	Do you look at KiwiSaver scheme fees when deciding which KiwiSaver scheme to put your money with?
	Yes
31	What do you think should be included in any figure that is called “KiwiSaver scheme fees”?
	A KiwiSaver scheme fee figure should comprehensively capture all costs associated with managing a fund. This includes management fees, administration fees, underlying investment costs (including fees for external fund managers), performance fees, and any additional charges that impact investor returns. Transparency is key to ensuring members can make informed decisions about the true cost of their KiwiSaver scheme.
32	Please share any thoughts you have around the TER (total expense ratio) and its function to inform the public of the expenses involved in KiwiSaver management.
	The Total Expense Ratio (TER) is a useful metric for providing a clear picture of the costs associated with managing a KiwiSaver fund. It helps investors compare schemes on a like-for-like basis, offering transparency on all direct and indirect costs. A well-structured TER should include all operational expenses, ensuring that KiwiSaver members understand the full impact of fees on their long-term savings. However, it is crucial that the TER is standardized across providers to allow for meaningful comparisons.
Final comments—question for KiwiSaver providers or other industry	
33	Please provide any further comment on barriers to KiwiSaver investment in private assets that you see (including any comments in relation to issues identified in paragraph 18b-f).
Final comments—question for all respondents	
34	Please use this question to provide any further information you would like that has not been covered in the other questions.
	There should be ESG considerations, and NZ legislation has a lot to do on providing structures that support transparent, fair and honest decision-making for the general public based off of KiwiSaver scheme fees.