



14 February 2025

Ministry of Business, Innovation, and Employment (MBIE)
15 Stout Street
Wellington
6011

By email: financialmarkets@mbie.govt.nz

Enabling KiwiSaver investment in private assets

ASB welcomes this work to consider possible regulatory changes to enable KiwiSaver providers to increase investment in private assets. There are currently barriers that the industry experiences in this space, which ASB is keen to overcome for the benefit of our customers and the New Zealand economy.

ASB is actively considering potential opportunities to invest in private assets, provided we believe we can:

- achieve the best risk adjusted returns for our customers within an appropriate asset allocation;
- satisfy redemption requests (given current KiwiSaver portability requirements) and maintain member equity; and
- comply with portfolio investment entities (PIEs) tax eligibility rules.

Our attached feedback reflects these issues. We are very happy to meet the MBIE review team to discuss further once MBIE has had the opportunity to review our submission.

Ngā mihi,

John Smith
Head of Asset Management
ASB Bank Limited



Your name and organisation

Name	Privacy of natural person
Date	14/02/2025
Organisation (if applicable)	ASB Bank Limited
Contact details	Privacy of natural person

Privacy and publication of responses

☒ 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.

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.

We ask that the response to question 17 be kept confidential due to the risk of prejudice to a commercial position.

Responses to discussion document questions

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.
	We currently don't invest in private assets, but we are actively considering potential opportunities.
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)?
	We don't believe the KiwiSaver Act allows ASB to suspend redemptions. Our trust deeds allow redemptions to be delayed but they don't have provisioning for side pockets.
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.
	Our inability to use these tools doesn't impact our stance on investing in private assets. If we were to invest in private assets, we'd invest to a level where we believed we can: • satisfy redemption requests and maintain member equity (given current KiwiSaver portability requirements), • comply with PIE tax eligibility rules; and • achieve the best risk adjusted returns for our customers.
4	Please provide any other comments on the availability of liquidity management tools.
5	Do you support the proposed approach? Why/why not?
	Based on the discussion document we would need further information before concluding on this point.
6	If redemption gates were allowed, would you consider developing new products more focussed on private assets?

	A lack of redemption gates is not a barrier for ASB in investing in private assets. Our customers have an expectation they can withdraw when they need to, and we want to be able to meet this expectation. The use of redemption gates could undermine confidence in KiwiSaver as investors are unlikely to understand if they can't withdraw their funds when transferring, in hardship, seeking a first home deposit or are over 65 and making retirement withdrawals. Investors have historically seen side pockets used as a contingency for when assets are performing poorly so may assume private assets are performing poorly when they are in fact just less liquid. There is also a risk that this perception is wrongly applied to all assets in a fund too.
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?
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.
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.

	Yes. It is important investors have visible information on Funds' use of private assets (Private Debt & Private Equity), that can easily be compared across Providers.
	How do think the categories should be described?
14	We generally support option 2 where private equity and private debt are separately categorised. Additionally, we think a balance of disclosure is needed, too many categories could make disclosure difficult and cause confusion for customers.
	Please provide any other comments on the lack of private asset categories.
15	
	Which option do you think is best and why?
16	Refer to 14.
	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?
17	Commercial Information
	Please provide any further comments on this issue of including private assets in asset categories.
18	
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	
Valuation requirements – questions for KiwiSaver providers or other industry	
	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:
20	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.
	No, our current trust deed valuation provisions are not challenging to apply to private assets.
21	Please provide any other comments on the valuation methodologies in governing documents.

	Do you agree that this is an issue that needs addressing?
22	There is an issue that needs addressing. While our governing documents don't prescribe challenging methodologies, nevertheless the valuation of direct assets is challenging (i.e. quarterly, delayed valuations are the norm) and methodologies used by managers could differ (i.e. discounted cashflows, market approach).
	Do you have views on how it should be addressed?
23	We consider industry guidelines should be established in NZ following appropriate consultation with fund managers, valuers, auditors and regulators, that all providers can then apply when valuing private assets.
	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?
24	Valuation of private assets adds additional ongoing expense as it generally requires the use of expert third parties rather than listed market data.
	Please provide any further comments on this issue of valuation requirements.
25	
Total Expense Ratio—questions for KiwiSaver providers or other industry	
	Do you currently outsource fund management for private assets?
26	We are not currently invested in private assets. It is likely that we would outsource fund management.
	Do you see any issues with the current TER calculation and if so, what are they?
27	No. All management and administration costs charged to investors should be reportable in the TER.
	Does the current TER calculation impact your decision to invest in private assets, or to utilise third-party fund management?
28	
	Are there any other issues you would like to draw attention to on the TER?
29	It would be useful to have guidance from the FMA as to how to treat categories of expenses associated with private assets (i.e initial due diligence costs, carried interest).
Total Expense Ratio—questions for the public	
	Do you look at KiwiSaver scheme fees when deciding which KiwiSaver scheme to put your money with?
30	
	What do you think should be included in any figure that is called "KiwiSaver scheme fees"?

31	
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.
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). The PIE tax regime may be restrictive for investing in private assets. This is because a PIE loses its PIE status if more than 10% of the market value of its investments, are held in companies where it has a voting or market value interest of greater than 20% (HM13). The investment type and income type provisions in HM11 and HM12 respectively, may also restrict investment into some private asset structures. These provisions restrict the ability for PIEs to invest directly in assets (as opposed to via a company or debt arrangement), as they require at least 90% of the value of a PIE's investments to be an interest in land, a financial arrangement, an excepted financial arrangement, or a right or option in relation to former. At least 90% of income must also be derived from these investment types. We do not want to put our KiwiSaver Funds' PIE status at risk (eg through movements in the values of these or other assets after purchase), so would only invest at levels well below these thresholds.
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.