

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	Kristin Brandon Head of Policy
Date	14 February 2025
Organisation (if applicable)	NZX Limited
Contact details	Email: kristin.brandon@nzx.com DDI: 04 495 5054 M: 027 5 776 994

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.

I do not want my submission placed on MBIE's website because... *[Insert text]*

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...
[Insert text]

Responses to discussion document questions

About NZX Limited

NZX Limited (**NZX**) is a licensed market operator under the Financial Markets Conduct Act 2013 (**FMC Act**), and New Zealand's Exchange. NZX has 201 unique issuers with securities quoted on our markets, with a total market capitalisation of approximately \$235 billion.

Smartshares Limited (**Smart**) is a wholly owned subsidiary of NZX. Smart is a manager of several registered managed investment schemes, including the SuperLife KiwiSaver Scheme and QuayStreet KiwiSaver scheme. Smart is providing its own submission in response to the consultation proposals, and NZX endorses Smart's submission.

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.
	N/A
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)?
	N/A
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.
	N/A
4	Please provide any other comments on the availability of liquidity management tools.
	N/A
5	Do you support the proposed approach? Why/why not?

	NZX supports the proposals that would better facilitate the use of liquidity management tools (LMT) such as side-pocketing and redemption gates, to enable further investment in private and less-liquid assets. NZX supports KiwiSaver members having access to a greater range of investible product which can be used to better tailor their investment to their risk profile. Enabling investment in private assets will provide broader benefits by growing the base of companies that may wish to access the public markets in the longer term. The fiduciary obligations that apply to managers of KiwiSaver schemes and the obligations that exist under section 143 of the FMC Act will require managers to utilise LMT in a manner that is in the best interest of scheme members, and treats members equitably. We agree that appropriate disclosure would need to be provided to KiwiSaver members as to the availability of these tools, so that members understand the consequences for their ability to access their savings.
6	If redemption gates were allowed, would you consider developing new products more focussed on private assets? N/A
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? N/A
8	Do you have any comments on the detailed design considerations noted above? N/A
9	Please provide any further comments on this issue of liquidity management tools. We understand that the managed funds industry has interpreted that FMA's Liquidity Risk Management Guide (April 2024) as preventing investment in private or less liquid assets. We suggest that further updates could usefully be made to the Guide to reflect that where managers have appropriate systems and controls to manage liquidity that they are able to investment in these types of assets, consistent with the views expressed by the FMA to the September Financial Services Council in September 2024. We also suggest that the Guide clarifies that public (listed) assets should be regarded as liquid, consistent with the approach taken in the Consultation Paper.
Liquidity management tools—questions for the public	
10	Do you support more investment by KiwiSaver funds into private assets? Why / why not? N/A
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.

	N/A
	Please provide any further comments on the proposed approach.
12	N/A
Private asset categories – questions for KiwiSaver providers or other industry	
	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.
13	NZX agrees that it would be beneficial to further differentiate the asset class categories to accommodate private assets, which would enable better disclosure for investors and other stakeholders.
	How do think the categories should be described?
14	We support categories that would enable easy identification of the listed or unlisted status of the assets, along with the domicile of those assets.
	Please provide any other comments on the lack of private asset categories.
15	N/A
	Which option do you think is best and why?
16	N/A
	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	N/A
	Please provide any further comments on this issue of including private assets in asset categories.
18	N/A
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	N/A
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.
	N/A
21	Please provide any other comments on the valuation methodologies in governing documents.
	N/A
22	Do you agree that this is an issue that needs addressing?
	N/A
23	Do you have views on how it should be addressed?
	N/A
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?
	N/A
25	Please provide any further comments on this issue of valuation requirements.
	N/A
Total Expense Ratio—questions for KiwiSaver providers or other industry	
26	Do you currently outsource fund management for private assets?
	N/A
27	Do you see any issues with the current TER calculation and if so, what are they?
	N/A
28	Does the current TER calculation impact your decision to invest in private assets, or to utilise third-party fund management?
	N/A
29	Are there any other issues you would like to draw attention to on the TER?
30	N/A
Total Expense Ratio—questions for the public	

31	Do you look at KiwiSaver scheme fees when deciding which KiwiSaver scheme to put your money with?
	N/A
32	What do you think should be included in any figure that is called “KiwiSaver scheme fees”?
	N/A
33	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.
	N/A
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).
	N/A
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.
	N/A