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11 July 2014

Investment Law Team
Ministry of Business, Innovation & Employment

By email: investment@mbie.govt.nz

Dear Sir/Madam

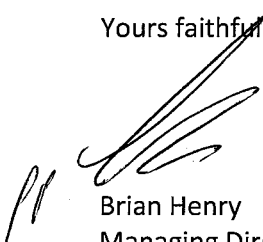
RE: SUBMISSION - APEC CONSULTATION PAPER: ARRANGEMENTS FOR AN ASIA REGION FUNDS PASSPORT

1. The negotiation of an Asia region funds passport is essential if New Zealand is to develop itself as a financial hub, enabling New Zealand based investment houses easier access to our neighbouring Asian markets.
2. For New Zealand to compete in the world market we have to provide specialist services, which can be used by local providers as part of a broader base portfolio allocation, in a one-to-one situation, once they have (in accordance with their local rules) assessed the needs of the local investor.
3. The requirement that any passport will only be for "highly diversified" investments is a cause for real concern. First, it stops specialist advice and specialist asset managers from being able to compete in the foreign markets. In our case we provide advice on US listed equities; US listed equities are in fact global corporations from all regional economies and is very competitive when considering competing services, available particularly from the United States.
4. If "highly diversified" means highly diversified within the asset class, i.e. equities, then this enables a specialist equities fund to provide its products into the markets. If however "highly diversified" means diversified against asset classes, i.e. equities, plus real estate, plus bonds plus etc, then this prohibits access from an area where New Zealand is open to excel and compete with international providers.
5. The definition of a benchmark fund is "*an index fund which has publically disclosed that it has an investment strategy of seeking to achieve returns which meet or exceed a particular index and the passport fund predominantly invests in the index constituents*".¹ The words at the end of the paragraph "*...and the passport fund predominantly invests in the index constituents*" is seen as confusing, as the benchmark fund does not predominantly invest in an index, and cannot do so if it intends to meet or exceed the particular index it defines.

¹ At p.28, [4] of the consultation paper.

6. We are a benchmark fund who invest solely in listed equities, and believe we are well within the definition of what is being negotiated, but believe the document can be clarified as per the statement below.
7. Under the heading "*Investment Restrictions*"² passport funds should expressly be allowed to hold listed equities in any recognised stock market, given that stock markets provide a proper regulatory frame work governing the investments, have a reliable method of valuation (for example the closing price of the market each day), and have a known liquidity. In saying this, we note the quote "*the reasoning behind this rule is that it is important for the passport to gain a reputation as a regulatory arrangement that provides for liquid investments that are readily able to be priced*".³ It may well be that transferable securities is considered a sufficient definition, and it is clearly the intention of the document as a whole that listed equities would be covered, but it is suggested for greater clarity it should be a specific identified asset that they are allowed to hold.
8. We have kept this submission tight and brief we appreciate this is a negotiation process; we are happy however to provide further expansion and any assistance requested in respect of the above. Please note I am an APEC member, document number 000046137.
9. A copy of our Investment Statement is enclosed.

Yours faithfully,



Brian Henry
Managing Director
AmanahNZ

² At p.23 of the consultation paper.

³ At p.23, [6] of the consultation paper.