

Asia Region Funds Passport: Fact sheet

28 April 2016

What is the ARFP?

The Asia Region Funds Passport will, once implemented, provide a multilaterally agreed framework to facilitate the cross border offering of high quality managed funds across participating economies in the Asia region.

<http://fundspassport.apec.org/>

What is the benefit to investors?

For Kiwi consumers, the Passport offers an increased range of investment options in high quality managed investment products in investments that they may not have previously had access to and increased competition in New Zealand managed funds markets.

To be a Passport fund, what size and scale of business is required?

The eligibility requirements for entry are relatively high and the intention of this is so that investors can take comfort that they are not being exposed to risky managers or products:

- a. US \$500 million Assets Under Management;
- b. At least US\$1 million additional capital (with further amounts depending on the size of the fund) ;
- c. Qualification requirements for officers;
- d. Track record requirements for operators; and
- e. Compliance with the investment diversification requirements and investment restrictions.

More information if asked by someone with some technical knowledge

A Passport Fund may only have simple, vanilla assets of the following kinds:

- a. Currency
- b. Deposits
- c. Depository receipts over gold
- d. Transferable securities (e.g. shares and bonds)
- e. Money market instruments

Additionally, Passport funds must be highly diversified.

It is also a requirement that Passport funds restrict the ability to charge performance fees.

What powers does the FMA have/who is responsible for Passport funds offered in New Zealand?

The FMA is responsible for regulating capital markets and financial services in New Zealand. It will be able to exercise all of its usual powers of enforcement and supervision in respect of foreign Passport Funds being offered in New Zealand.

Why is the FMA the signatory for New Zealand?

The Memorandum of Cooperation establishes an enduring relationship of cooperation between the regulators of the Passport Funds jurisdictions. The FMA is the most appropriate signatory to the document as it is the independent regulator of securities in New Zealand. However, the New

Zealand Government has also endorsed the initiative and has issued instructions to commence the process to pass legislation in order to support its implementation in New Zealand.

Are people taxed on these funds?

Taxation will depend on the nature of the fund and the jurisdiction.

Do we expect to see a lot of new funds quite shortly?

This is a new process and fund managers will need to develop products which meet the Passport tests. As such we expect to see new offers emerging over time.