

Financial Markets Conduct (KiwiSaver Confirmation Information) Methodology Notice 2017

Pursuant to section 568 of the Financial Markets Conduct Act 2013, the Financial Markets Authority, having complied with the requirements set out in sections 568 and 569 of that Act, gives the following notice.

Contents

	Page
1 Title	1
2 Commencement	1
3 Revocation	1
4 Interpretation	1
5 Application	2
6 Calculation of approximate total sum of fees	2

Notice

1 Title

This notice is the Financial Markets Conduct (KiwiSaver Confirmation Information) Methodology Notice 2017.

2 Commencement

This notice comes into force on 28 July 2017.

3 Revocation

This notice is revoked on the close of 27 July 2022.

4 Interpretation

(1) In this notice, unless the context otherwise requires,—

Act means the Financial Markets Conduct Act 2013

cents per unit amount means the amount specified in clause 6(3)

Regulations means the Financial Markets Conduct Regulations 2014

total annual fund charge amount means the amount specified in clause 6(2)

unit, in relation to fund, means an undivided part or share in the beneficial interest in the relevant fund

valuation period has the meaning given to that term in clause 1(3) of Schedule 4 of the Regulations.

- (2) Any term or expression that is defined in the Act or the Regulations (including in regulation 70 and clauses 1 and 2 of Schedule 4 to the Regulations) and used, but not defined, in this notice has the same meaning as in the Act or the Regulations.

5 Application

- (1) This notice applies to:—
- (a) confirmation information for KiwiSaver schemes, prepared for the purposes of regulation 70(2)(c) of the Regulations, setting out the approximate total sum of the fees charged to a scheme participant (A) for an accounting period; and
 - (b) accounting periods of a KiwiSaver scheme that commence on or after the commencement date of this notice.
- (2) Despite subclause (1), this notice does not apply if the manager of the KiwiSaver scheme is able to calculate the actual total sum of the fees that have been charged to A for the accounting period.

6 Calculation of approximate total sum of fees

Calculating amount

- (1) The approximate total sum of the fees charged to a scheme participant (A) for an accounting period must be calculated by using the following formula:

$$a = b + c + d - e$$

where—

- a is the approximate total sum of the fees charged to A for the accounting period
- b is, at the discretion of the manager, either the total annual fund charge amount or the cents per unit amount
- c is A's individual action fees (as defined in clause 2(1) of Schedule 4 of the Regulations) for the accounting period
- d is A's other charges (as defined in clause 2(1) of Schedule 4 of the Regulations) for the accounting period
- e is any credits or discounts provided to A in respect of the fees for the accounting period.

Meaning of total annual fund charge amount

- (2) The **total annual fund charge amount** is the total of the amounts calculated using the following formula for each fund in the managed investment scheme for which A is a scheme participant during the accounting period:

$$f \times (g \div h)$$

where, for the accounting period—

- f in relation to a fund, is A's average balance, being the average calculated from either A's daily, weekly or monthly balance;
- g is fund charges; and
- h is average net asset value.

Meaning of cents per unit amount

- (3) The **cents per unit amount** is the total of the amounts calculated using the formula below for:
- (a) each valuation period in the accounting period; and
 - (b) each fund in the managed investment scheme for which A is a scheme participant during the accounting period,

$$i \times (j \div k)$$

where, for the valuation period—

- i is the number of units attributable to A in respect of the fund;
- j is fund charges; and
- k is the total number of units in that fund.

Dated at Auckland this 18th day of July 2017.



Nick Kynoch
General Counsel
Financial Markets Authority

Statement of reasons

This notice comes into force on 28 July 2017 and applies to accounting periods of KiwiSaver schemes that commence on or after the commencement date of this notice. The notice sets out a methodology which managers of KiwiSaver schemes must comply with when calculating the approximate total sum of the fees paid by each of their scheme participants. This information (which must be expressed as a dollar amount) must be included in the confirmation information that KiwiSaver providers are required to provide to each scheme participant each year pursuant to the Financial Markets Conduct Act 2013 (**Act**).

The Financial Markets Authority, having complied with the requirements set out in sections 568 and 569 of the Act, considers that it is appropriate to issue this notice because—

- the notice promotes and facilitates the development of fair, efficient and transparent financial markets, as all managers of KiwiSaver schemes are obliged to calculate the total fees paid by scheme participants in the prescribed manner, ensuring fairness and transparency for investors;
- the notice provides for accurate information to be provided to scheme participants to assist them to make decisions relating to the managed investment products, by prescribing a minimum standard of accuracy that managers of KiwiSaver schemes must comply with when calculating the total fees paid by scheme participants;
- allowing managers of KiwiSaver schemes the choice between two methods of calculation means that providers can choose the method that best suits their existing processes, and therefore avoid unnecessary compliance costs.