

11 February 2025

By email: [REDACTED]

Dear [REDACTED]

Your request under the Official Information Act (1982) (CAS-145616)

I refer to your OIA request dated 10 January 2025 for the following information:

I am writing to request information under OIA to help me better understand the FMA's guidance to KiwiSaver providers on restrictions or limitations around custom user allocation of portfolios (i.e. where the employee/contributor, instead of a fund manager, can set their own % to specific funds, assets, or ETFs), as it relates to cryptoassets.

Specifically I would like to request:

- 1. High-level documents, analysis, or policies related to the restriction, regulation, or limitation of custom user allocation in KiwiSaver portfolios*
- 2. Key advice, guidance, or correspondence provided by the FMA to KiwiSaver providers regarding portfolio allocations to cryptoassets (e.g., Bitcoin, cryptocurrencies) after January 1, 2019*

We have searched our records and can confirm the following.

The FMA has not produced any high-level documents, analysis or policies related to the restriction, regulation or limitation of custom user allocation in KiwiSaver portfolios.

The FMA has responded to queries from members and / or KiwiSaver providers from 1 January 2019. Section 16(1)(e) of the OIA provides that information requested by any person may be made available by giving an excerpt or summary. A summary of the queries and the FMA's responses are provided below.

Individual/ Member queries:

1. Member is seeking information on the most efficient process to engage with FMA to understand why KiwiSaver investors are limited to only investing 10% of their funds into crypto currencies, and what steps if any are being done to re-evaluate this low percentage of overall funds given the likelihood of Bitcoin and Ethereum ETFs being launched in the US.

2. Member would like to request dispensation to invest more than 10% of their KiwiSaver balance in crypto fund. They advised that if unable to do so, they will withdraw it to purchase their first home.

FMA response:

FMA advised that the investment strategy for a fund in a KiwiSaver scheme (Scheme) is set by the Scheme Manager. This includes the proportion and types of investments that can be held by the fund.

The FMA advised the investor to contact their respective KiwiSaver provider directly for more information about how this is managed for their investment.

KiwiSaver provider query:

A KiwiSaver provider planned to increase its limits on their crypto currency fund to allow investors to allocate a maximum of 20% of their KiwiSaver to their crypto currency fund (currently 10%) and sought the FMA's advice.

FMA response:

The KiwiSaver provider can choose the percentage and allocations they make to crypto as part of their scheme.

In response to the KiwiSaver provider, the FMA requested that they provide a detailed analysis of the value proposition for investors, how the changes align with their members' best interests and to have a conversation with their supervisor first, on the details of this proposal.

The KiwiSaver provider was also advised to consider the below points as a guide, when increasing their investment into crypto:

- Assess the impact of a higher crypto allocation on portfolio diversification and risk for the average KiwiSaver investor, in different market conditions.
- Consider how investors currently engage with their crypto fund within their KiwiSaver portfolios, and what steps will be taken to ensure they understand the implications and risks associated with increased crypto exposure?
- What specific factors justify increasing the maximum crypto allocation from 10% to 20%? i.e., What substantive changes in the investment landscape since the 10% limit was set now, support an increased allocation.
- Liquidity risk management associated with a higher allocation to crypto assets.
- Consider additional safeguards and measures required to manage the inherent volatility and risks that come with the increased allocation to crypto assets.

- Review the management and custody of the crypto exposure and any changes envisaged going forward.
- Conduct risk-return analysis or modelling/research to support this proposal.

You have the right to seek an investigation and review by the Ombudsman of this decision. Information about how to make a complaint is available at www.ombudsman.parliament.nz or freephone 0800 802 602.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'Ariarna Hakaraia', with a stylized flourish at the end.

Ariarna Hakaraia
Manager, Internal Governance