RESERVE BANK
OF NEW ZEALAND
TE PŪTEA MATUA

Definitions and guidelines for the Managed Funds Survey

Please contact the Reserve Bank Statistics Unit (statsunit@rbnz.govt.nz) to discuss these definitions if you are in any doubt about their meaning or if following them will produce an internal inconsistency with your available financial data. Phone contact details are available in the "Cover" tab of the Managed Funds Survey template. Please also ensure your contact information is the latest available.

Purpose of collection

Financial data will be collected quarterly from large funds and large investment managers, and annually from others.

The aim is to provide data on:

- The size of the managed funds industry;
- Foreign assets and liabilities for use in the compilation of New Zealand's Balance of Payments/International Investment Position (BOP, IIP)
- Money market funds, the pension fund sector, non-money market funds, and insurance sector for inclusion in New Zealand's System of National Accounts (SNA);
- The level of household savings (including individuals, family trusts, and estates) in the managed funds industry.

Financial data should be reported:

- At market value, where applicable
- As millions to one decimal point, i.e. to the nearest one hundred thousand New Zealand dollars (NZ$). For example $1,234,567.89 is reported as 1.2
- Foreign currency amounts need to be converted into NZ$ at the midpoint of the appropriate buy and sell rates that apply at the end of the reference period. If required, selected exchange rate information is available on the Reserve Bank of New Zealand website – see Table B1.

We welcome your feedback regarding the content of this document. It remains a "living" document and will be updated periodically.

Last updated October 2018

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Common definitions for the Managed Funds Survey

This survey collects balance sheet data on the **pooled investment funds** for which your reporting group has the prime responsibility for managing and for reporting on to investors i.e. it collects data on your company group's 'own' funds. A pooled investment fund pools money from investors, and purchases assets on behalf of the investors as a group. These would be funds for which you appoint the trustee.

The survey also collects selected data for **Individually Managed Funds (IMP)**, where client's funds are **not** pooled but investments are individually managed.

Pooled investment fund types:

- **Life office funds** include funds used to back policy holders' claims on life office companies offering life insurance and related annuities, as well as statutory funds.

- **KiwiSaver funds** include all KiwiSaver schemes that are registered with the Financial Markets Authority (FMA).

- **Registered superannuation funds** include all other (non-KiwiSaver) superannuation schemes that are registered with the FMA.

- **Retail unit trusts and Group Investment Funds (GIFs)** include only financial investment funds i.e. funds whose assets are predominantly financial assets. Funds whose assets are predominantly direct holdings of property and infrastructure should not be included. However, funds that are predominantly holding shares or equity in property companies, rather than holding property directly, should be included. Retail unit trusts and GIFs are the legal owner of the assets and issue units to the general public within New Zealand; and invest the pooled monies. They must have registered a prospectus with the New Zealand Companies Office, and some are listed on NZX. Please **exclude**:

  - Cash management trusts (there is a separate category for these)
  - Wholesale trusts (there is a separate category for these)

- **Cash management trusts** are unit trusts which are governed by a trust deed. These unit trusts can be either open or closed to the general public, and generally confine their investments (as authorised by the trust deed) to financial securities available through the short term money market. Cash management trusts issue units in the trust that are redeemable by the unit holder on demand. In this survey, cash management trusts includes all trusts, both open to the general public and those that are not.

- **Wholesale trusts** are restricted entry financial trusts, and are not open to the general public. These trusts are an investment vehicle enabling institutional investors to pool their monies to invest in one or more underlying investments. Wholesale trusts are the legal owner of the assets, and investors own units in the wholesale trust. Please **exclude**:

- Cash management trusts are money market funds (MMF) that typically invest in money market instruments with a maturity of less than one year only. Wholesale trusts, however, are classified as non-money-market funds (non-MMF) that typically invest in a wider range of instruments.

Individually managed funds (IMP)

The values reported in this section are for individually managed portfolios or funds. These funds are **not pooled.**

- **Other fund managers or investment funds** include funds received from other fund managers and investment funds who manage New Zealand resident funds. It excludes registered superannuation schemes, private wealth clients and other IMP (as defined below). Please list each manager and the total value of the funds managed, as well as selecting “Yes” under the “IMP” column in the tab "External clients".

- **Private wealth clients** include funds received from high wealth households that are managed individually.

- **Other IMP** includes funds received from registered charitable trusts, businesses, central and local government and sources not elsewhere included (n.e.i.). It is important to exclude private wealth clients (households) and funds received from other fund managers to ensure the aggregation process is accurate.

IMP should **exclude** the amounts that your group is managing under mandate in your own pooled investment funds. These amounts will be picked up in this survey via your balance sheet data for pooled investment funds.

Treatment of funds received and placed with other fund managers or investment funds

Funds received from and placed with other fund managers or investment funds need to be reported in the “External clients” tab. This tab forms part of the initial validation process. How you report these funds in the survey questions is important as it will impact on the aggregation process we have put in place for the survey. We want to ensure there is no double counting of funds. The reporting of externally sourced and placed funds is different for pooled and for individually managed funds. The following outlines the treatment of funds received and placed for this survey:

Funds you have received from other fund managers or investment funds

If these funds are being managed in your **pooled investment** products, then record the values in the pooled fund type and by the appropriate financial instrument category. If, for example, the funds are being managed in your wholesale trust, please report the values in the "Wholesale trust" column in tab 1. In tab 3, which looks at the source of funds in your wholesale trusts, please report the values in the column called "Other pooled investment funds (external clients from outside your group)".

For the purposes of this survey you are asked to report the country and maturity breakdowns for these funds. The external fund manager or investment fund that has placed funds with you is not required to report the details for country and maturity breakdowns. This avoids double counting in all questions in tab 7, and questions 1.5, 1.6 and 9.1.

If funds received from other fund managers or other investment funds are **not pooled** but managed individually by you, please report the values in the column "Other fund managers or investment funds" under "Individually Managed Portfolios (IMP)" in tab 1. If, however, the funds are received from a registered superannuation scheme, please report the values in the separate column called "Other IMP". As noted above, you are asked to report the country and maturity breakdowns.

In addition to the treatment above, and to help ensure there is no double counting of funds as part of the validation process, please <u>**also**</u> report:

- Funds received from other fund managers or investment funds in the separate column called **"Funds received from: Other funds managers or investment funds".**
- Funds received from a registered superannuation scheme in the separate column called **"Funds received from: Registered superannuation schemes".**

Special treatment of funds received from Government Superannuation Fund (GSF), and National Provident Fund (NPF) and New Zealand Superannuation Fund (NZSF):

1) Report funds received from GSF and NPF in the external clients tab under Section B - "Funds received from registered superannuation schemes". Mark if you are managing these funds in a pooled or individual manner.

Report these funds in tab 1 under the column "funds received from: registered superannuation schemes", and under the same column heading in any other relevant tabs.

2) Do not report funds received from NZSF in the external clients tab.

Then, report funds from all three entities as normal in tab 1 and in the rest of the survey - i.e. if the funds received from these entities are pooled, report them in the appropriate columns that these funds invest in. If you manage these funds individually, report these funds under the individually managed portfolios - "Other IMP" heading. More detail on how these are to be reported in the survey is visually presented in appendix 1.

Funds you placed with other fund managers

Your balance sheet data for pooled investment funds should **include** the amounts you have placed with other external investment managers. How the funds are recorded in your survey depends on how they are being managed for you by the external manager.

If your funds are being managed by an external fund manager in their own **pooled investment products**, please record the total values being managed externally **by fund type** (as you know the fund type source of the funds you have provided to the external manager) in question 1.1, “Units in trusts”, based on the external trust where these funds are invested, for example retail unit trusts (row 52), cash management trusts (row 55) or wholesale trusts (row 58). The identification of these values helps avoid double counting during the aggregate process.

As noted above, for the purposes of this survey it is the **responsibility** of the external manager to report the country and maturity breakdowns. You are not required to report these values in Tab 7 or questions 1.5, 1.6 or 9.1.

If these funds are **not** managed by an external fund manager in their own pooled investment products but **managed individually** by the external manager, please report the assets and liabilities for these investments in the appropriate fund type (i.e. the source of the funds you have placed with the external fund manager) and by the appropriate financial instrument categories, along with the amounts that you are managing directly. While it is the **responsibility** of the external manager to report the country and maturity breakdowns, please report the values in the rows “Funds placed with other managers (IMP only)” in the appropriate asset categories in tab 7 questions and for questions 1.5, 1.6 or 9.1. The identification of these values helps in the validation process and helps avoid possible double counting.

More detail on how these are to be reported in the survey is visually presented in appendix 1.

Treatment of funds placed in your internal trusts

If you invest in another of your own products (retail unit trusts, cash management trusts or wholesale trusts), record the values in tab 1 in the appropriate "internal" trust category row, and in the appropriate pooled fund type category column in question 1.1. If you invest in your own wholesale trust product, in tab 3 please report the values in the appropriate fund type under the column headed “Own pooled investment funds” (i.e. the source of the funds you have placed with your internal manager) and by the appropriate financial instrument category. If you invest in an external trust, record the value in the appropriate "external" trust category as noted above.

More detail on how these are to be reported in the survey is visually presented in appendix 1.

Internal investment in internal trusts:

If you invest a wholesale fund (fund A) into another wholesale fund (fund B),

1) Report the assets that fund B holds in the wholesale trusts column in tab 1.

2) On tab 3, report the same assets that fund B holds under the column heading that Fund A's funds come from. I.e. either an internal retail fund or from other clients.

3) On tab 4 report the source of the funds of those investing in fund A, under the same column as used in tab 3.

Example 1:

If your retail unit trust product invests in an internal wholesale fund (fund A), which then invests a portion or all of those funds in another internal wholesale fund (fund B):

1) Report in tab 1 the amount of unit trust funds investing in units in internal wholesale trusts in , the ‘wholesale trusts by: internal’ row and the retail unit trusts/GIFs column.

2) Report in tab 1 those funds invested in assets by fund A and B in the wholesale trusts column (if fund A invests all of those funds in fund B you would only report the assets that fund B invests in).

3) Report in tab 3 the value of the assets reported from (2) in the retail unit trusts/GIFs column.

4) In tab 4, report the value from (1) in the retail unit trusts/GIFs column for the appropriate investor sector(s).

Example 2:

If external clients invest in an internal wholesale fund (fund A), which then invests in another internal wholesale fund (fund B):

1) Report those funds invested in assets by fund A and B in tab 1, wholesale trusts column (if fund A invests all of those funds in fund B you would only report the assets that fund B invests in).

2) Report the value of the assets reported from (1) in the ‘other pooled investment funds (external clients from outside your group)’ column in tab 3.

3) In tab 4, report the value from (1) under the appropriate investor sector in the column ‘external clients from outside your group’.

There is no need to report in the "external clients" tab for the above example unless the funds are received from other fund managers or investment funds.

Residency

For questions 1, 2, 3, 5, 7, 8 and 9, the split between resident and non-resident is referring to the **issuer** of the security, equity or loan counterparty.

- **Non-residents** include persons, companies and other entities that are ordinarily domiciled or have a principal centre of economic interest in a country other than New Zealand. The primary centre of economic interest recognises that some multinationals may have a presence in NZ but their principal centre of interest is actually offshore. An overseas parent of a New Zealand registered company, for example, is regarded as a non-resident company.

  Assets with non-residents include investments that are placed with a counterparty (borrower or issuer) that is domiciled overseas. The market (domestic or overseas) in which the asset is bought, or the debt is issued or borrowed, and the currencies in which they are denominated, may not necessarily reflect the residency of the counterparty. For example, holdings of Kauri bonds should be recorded as assets with non-residents as the counterparty issuer is always a foreign company or institution.

- **Residents** include persons, companies and other entities that are ordinarily domiciled or have a principal centre of economic interest in New Zealand. Where a company maintains a branch or office in another country in order to engage in business over a period of time (one year or more), even without creating a legal company for the purpose, the branch or office is considered an activity in its own right and **resident** in the country in which it is located and not part of the parent company.

  A subsidiary or a branch of an overseas company registered in New Zealand is regarded as a New Zealand company. Borrowing in the form of a loan, denominated in a foreign currency, with a local bank will be regarded as a resident liability. Also, purchases in the Australian share market of shares in a New Zealand domiciled company is to be regarded as a resident asset for the purposes of this survey.

  Often a branch may issue debt securities in the local market that it operates in. If the debt issued is recorded on the balance sheet of the branch, then a resident buying the debt security needs to treat it as an investment in a resident asset. Where the branch is merely acting as an issuing agent for its parent company (debt is on the parent's balance sheet) then a resident buying the security should treat as an investment in a non-resident asset.

- **Trade in financial derivatives with a branch of an overseas bank.** There are two different trades:

  1. If the branch is simply acting as an **agent** for its overseas parent i.e. the parent entity records the trade on to its balance sheet, then the counterparty is the overseas parent bank.

2. If however, the branch records the trade on its balance sheet then the counterparty to the contract is the resident branch. The branch may subsequently enter into an equal and offsetting contract with its non-resident parent, which would be a separate contract.

Residency is an area where there can be issues in precision. A list of NZ equities, and exceptions, is available to assist with consistent treatment.

For question 4, however, the split between resident and non-resident is referring to the **residency status** of the **'owner or investor'**.

Institutional sectors

The System of National Accounts (SNA) requires that each economic entity be allocated to a particular institutional sector. An economic entity can only be in one sector. This survey aligns with this concept.

Pooled investment funds are included in the financial business sector, or financial sector for short. Investment funds are allocated to subsectors of the financial sector on the basis of what type of funds they are:

- Life office funds are in the insurance subsector.
- KiwiSaver and other superannuation funds are in the pension fund subsector.
- Cash management trusts are in the money market investment funds subsector.
- Retail unit trusts and GIFs, and wholesale trusts, are in the non-money market investment funds subsector.

(Note: they are not allocated on the basis of the sector that their fund manager belongs to.)

This survey seeks information on New Zealand issued assets by the sector of the **issuer**. The following are the main sectors:

Non-financial businesses consist of resident business enterprises that produce goods and non-financial services to sell at competitive market prices that are sufficient to generate a profit or surplus in the long term. These units operate in markets where purchasers are free to buy, or not, depending on the price offered, so a sale only occurs when there is a mutually beneficial exchange.

The major non-financial business subsectors are:

- **Corporate businesses**: Examples of the types of entities classified as corporate business enterprises include:
  - registered private companies
  - publically listed companies
  - branches of non-resident corporate business enterprises
  - head offices with mainly non-financial business enterprises as subsidiaries
  - state-owned enterprises (SOEs)
  - market-orientated council controlled organisations.

- **Non-corporate businesses:** These include sole proprietorships, small partnerships, and unincorporated businesses owned by the household sector.

Financial businesses consist of resident financial institutions that mainly pursue financial services. The major subsectors are:

- **Reserve Bank of New Zealand**

- **Registered banks** include all resident financial corporations that are registered under the Reserve Bank of New Zealand Act 1989 to operate as banks. They have liabilities in the form of deposits or deposit substitutes.
  http://www.rbnz.govt.nz/regulation-and-supervision/banks/register

- **Other depository institutions** include significant deposit acceptors or significant issuers of other comparable forms of liquid assets. This subsector consists of all approved depository institutions other than those categorised as registered banks. It includes some deposit taking organisations, as defined by the Reserve Bank of New Zealand, building societies and credit unions.
  http://www.rbnz.govt.nz/regulation-and-supervision/non-bank-deposit-takers/register

- **Other financial institutions** include other financial institutions not included in 'Registered banks' or 'Other depository institutions'. Other financial institutions provide mainly financial services, including financial intermediation, financial risk management, liquidity transformation, and various supporting activities. These include:

  - Insurance corporations
  - Other financial intermediaries
  - Financial auxiliaries (entities that service financial markets but do not own the financial assets or incur the liabilities they handle)
  - Captive financial institutions (entities that do not provide financial services to the market but only to a restricted range of clients)

- **Other financial investment funds** include investment funds that pool investor's funds for investment in financial or non-financial assets. These include:

  - Money market investment funds
  - Non-money market investment funds
  - Pension funds

Central government sector includes organisational units of central government responsible for functions such as taxation, law and order, defence, and those responsible for advancing the economic and social well-being of the country in other ways. Major subsectors are:

- government departments
- offices of parliament
- Crown entities including Accident Compensation Corporation (ACC), the Earthquake Commission (EQC) and the New Zealand Superannuation Fund (NZSF).
- Debt Management Office, a division of The Treasury
- non-profit institutions that serve groups of government organisations (eg New Zealand School Trustees Association).

Note: State-owned enterprises (SOEs) are included in “Corporate businesses”.

Local government consists of territorial authorities and regional councils, as well as other non-market units and non-profit institutions they control. They are responsible for functions such as town planning, providing local infrastructure, libraries, museums, and sports grounds.

Note: Market-orientated council controlled organisations are included in “Corporate businesses”.

Household sector includes individuals, family trusts and estates.

Non-profit institutions serving households (NPISH) includes organisations that provide goods or services to their members, or to other households, without charge or at prices that are not economically significant. The two main kinds of organisations included are:

- community and social groups, such as trade unions, professional or learned societies, consumers’ associations, political parties, churches or religious societies, and social, cultural, recreational, and sports clubs;
- philanthropic organisations, such as charities, and relief and aid organisations, financed by voluntary transfers in cash or in kind from other institutional units.

In addition to the main sectors listed above, this survey also seeks information on New Zealand issued assets by the sector of the **issuer** for a few specific business types:

- **Investment companies** are companies whose main purpose is to invest in the shares of other companies. Investors usually purchase shares (not units) in the Investment company. They may be listed on the NZX or unlisted. Those quoted on the NZX are called Listed Investment Companies (LICs).

- **Property and infrastructure trusts** are a type of retail public (offer) unit trust. They issue units to the general public within New Zealand and invest the pooled monies primarily in real property. They must have registered a prospectus.

- **Other trusts** (if any) include unit trusts which are not included in any of the above unit trust categories.

Assets definitions

Cash and deposits

These include ‘cash at bank’, transferable deposits directly useable for making payments and fixed term deposits. Amounts are redeemable or withdrawable (with or without penalty) and are usually held with registered banks or other deposit taking institutions.

- Include deposits held with registered banks or other deposit taking institutions.
- Do not include loans and advances, debt securities, or securities purchased under agreement to resell.

Loans

Loans (or receivables) are financial assets for the creditor with fixed or determinable payments that are not quoted in an active market (see paragraph 9 of NZ IAS 39).

Loans are financial assets that (1) are created when a creditor lends funds directly to a debtor, and (2) are evidenced by non-negotiable documents.

This category includes all loans and advances - except accounts receivable, which are treated as a separate category of financial assets - extended to various sectors by financial corporations, governments, and by other sectors.

Loans are borrowings which are not evidenced by the issue of debt securities. Placements are customers' account balances with entities not regarded as deposit taking institutions.

Include:

- Overdrafts
- Secured and unsecured borrowings
- Financial lease agreements
- Account balances with institutions which do not qualify as deposit taking institutions - see deposit taking institutions in the "Institutional sectors" section of this document.
- Money placed with corporate treasuries.
- Securities purchased under agreement to resell.

Do not include:

- Bills of exchange, Certificate of deposit (CDs) or negotiable certificate of deposit (NCDs), commercial paper and promissory notes - these are categorised as Short-term debt securities.
- Bonds, debentures, medium term notes (MTNs), transferable certificates of deposit (TCDs), floating-rate notes (FRNs) - these are categorised as Long-term debt securities.
- Account balances with financial intermediaries deemed to be deposit taking institutions, such as banks - these are categorised as deposits.

Debt securities

Debt securities are negotiable instruments serving as evidence of a debt. They can be bought or sold between two parties and have basic terms defined such as notional amount (amount borrowed), interest rate and maturity/renewal date.

a) Short Term (ST) debt securities

- Include debt securities that have an original term to maturity of 1 year or less.
- Instruments that are short-term debt securities include:
    - Bills of exchange
    - Certificate of deposit (CDs) or negotiable certificate of deposit (NCDs)
    - Commercial paper
    - Euronotes

  - Treasury bills

- Do not include debt securities which have an original term to maturity of more than one year.
- Do not include loans and advances, or securities purchased under agreement to resell.

b) Long Term (LT) debt securities

- Include debt securities that have an original term to maturity of greater than 1 year.
- Instruments that are long-term debt securities include:
  - Asset backed securities or mortgage backed bonds/securities
  - Bonds (government bonds, local body bonds, corporate bonds, zero-coupon securities, discounted securities, Eurokiwi, Kauri bonds, currency linked bonds or convertible notes)
  - Collateralised securities
  - Debentures
  - Euro-medium term notes
  - Floating-rate notes (FRNs)
  - Medium term notes (MTNs),
  - Preferred stock

- Do not include debt securities that have an original term to maturity of 1 year or less.
- Do not include loans and advances, securities purchased under agreement to resell, or derivatives.

Shares

Shares are referred to as equity and represent ownership of part of a company. In this survey shares are categorised as listed shares and unlisted shares. Listed shares are those that are listed on an exchange, while unlisted shares represent private ownership in a company or equity in a subsidiary or related company. **Shares in foreign-companies (even though they may be trading in the NZX) should be included as non-resident shares.**

Listed shares comprise shares in companies quoted on an official stock exchange i.e. New Zealand Stock Exchange (NZX) or Australian Stock Exchange (ASX), etc.

Include:

- Listed ordinary shares
- Listed participating preference shares (a special type where the holder has an entitlement to a share in the residual value on dissolution of the issuing company)
- Shares borrowed or purchased under repurchase agreements

Do not include:

- Equity derivatives, such as exchange traded options (include as Derivatives in a net asset position)
- Units in listed trusts (include as Units in trusts)
- Shares lent or sold under repurchase agreements

Unlisted shares are not available for purchase or sale through a stock exchange.

Units in trusts

Units in trusts are securities which are similar to equity but represent ownership of part of a trust rather than a company.

Derivatives in a net asset position

A derivative is a financial instrument linked to a specific 'underlying' financial instrument, indicator or commodity, through which specific financial risks can be traded in their own right. The relevant accounting definition of a derivative is in paragraph 9 of NZ IAS 39.

Derivatives are instruments that derive their value from an underlying asset, an index or reference rate.

Derivatives in a net asset position are contracts where the market value of the closing position is positive at the reporting date.

Derivative contracts can either be binding on both parties (as with a currency swap) or subject to the exercise by one party of a right contained in the contract (as with options).

Include:

- Options including call and put options; exchange traded and over-the-counter options; interest rate, bullion, commodity and equity options; warrants and swaptions
- Interest-rate swaps
- Cross currency interest rate swaps
- Currency swaps
- Futures (e.g. bank bill, bond)
- Forward rate agreements
- Forward foreign-exchange contracts
- Employee stock options

Other financial assets

All financial assets not already classified in one of the other instruments noted above. Include:

- Accounts receivable or trade creditors

Do not include:

- Net positions in derivatives (there are separate categories for derivatives)

Non-financial assets

Non-financial assets in this survey include all economic assets other than financial assets which do not represent claims on other units but are stores of value and provide benefits in the form of property income.

Non-financial assets include:

- Forestry
- Farming
- Direct property
- Infrastructure
- Physical commodities

Liabilities definitions

Loans

Loans (or receivables) are financial liabilities for the debtor with fixed or determinable payments that are not quoted in an active market (see paragraph 9 of NZ IAS 39).

Loans are financial liabilities that (1) are created when a creditor lends funds directly to a debtor, and (2) are evidenced by non-negotiable documents.

This category includes all loans and advances - except accounts receivable/payable, which are treated as a separate category of financial liabilities - extended to various sectors by financial corporations, governments, and, in some countries, by other sectors.

Loans are borrowings which are not evidenced by the issue of debt securities. Placements are customers' account balances with entities not regarded as deposit taking institutions.

Include:

- Overdrafts
- Secured and unsecured borrowings
- Financial lease agreements
- Account balances with institutions which do not qualify as deposit taking institutions - see deposit taking institutions in the types of counterparties and business units section of this document.
- Securities purchased under agreement to resell.

Do not include:

- Bills of exchange, Certificate of deposit (CDs) or negotiable certificate of deposit (NCDs), commercial paper and promissory notes - these are categorised as Short-term debt securities.
- Bonds, debentures, medium term notes (MTNs), transferable certificates of deposit (TCDs), floating-rate notes (FRNs) - these are categorised as Long-term debt securities.

- Account balances with financial intermediaries deemed to be deposit taking institutions, such as banks - these are categorised as deposits.

Debt securities

Debt securities are negotiable instruments serving as evidence of a debt. They can be bought or sold between two parties and have basic terms defined such as notional amount (amount borrowed), interest rate and maturity/renewal date.

a) Short Term (ST) debt securities

- Include debt securities that have an original term to maturity of 1 year or less.
- Do not include debt securities which have an original term to maturity of more than one year.
- Do not include loans and advances, debt securities, or securities purchased under agreement to resell.

b) Long Term (LT) debt securities

- Include debt securities that have an original term to maturity of greater than 1 year.

- Do not include debt securities that have an original term to maturity of 1 year or less.
- Do not include loans and advances, debt securities or securities purchased under agreement to resell, or derivatives).

Derivatives in a net liability position

A derivative is a financial instrument linked to a specific 'underlying' financial instrument, indicator or commodity, through which specific financial risks can be traded in their own right. The relevant accounting definition of a derivative is in paragraph 9 of NZ IAS 39.

Derivatives are instruments that derive their value from an underlying asset, an index or reference rate.

Derivatives in a net liability position are contracts where the market value of the closing position is negative at the reporting date.

Derivative contracts can either be binding on both parties (as with a currency swap) or subject to the exercise by one party of a right contained in the contract (as with options).

Include:

- Options including call and put options; exchange traded and over-the-counter options; interest rate, bullion, commodity and equity options; warrants and swaptions
- Interest-rate swaps
- Cross currency interest rate swaps
- Currency swaps
- Futures (e.g. bank bill, bond)
- Forward rate agreements

- Forward foreign-exchange contracts
- Employee stock options

Other financial liabilities

Include all financial liabilities not already classified in one of the other instrument types noted above.

Include:

- Accounts payable

Do not include:

- Net positions in derivatives (there are separate categories for derivatives)

Valuation

In this survey the following validation rules apply:

Equities (list and unlisted shares and units in trusts)

These should be reported on the last sale price (cost of sale less brokerage) basis.

Debt securities

For debt securities that are readily tradable, the outstanding value of stocks should be reported on the basis of current market prices. For debt securities that are not readily tradable, then the following methods of valuation can be used:

- yield to maturity method (discounted net present value)
- issue price plus amortisation of discount
- other mark-to-market methods

Non-negotiable financial instruments

These instruments are to be valued at nominal values. Nominal value is the amount outstanding.

Valuation of non-financial assets

Non-financial asset such as physical property is to be valued at their market price.

Investors' equity

For the purposes of this survey, investors' equity includes the amount of investors' funds or members' funds (net assets available for benefits) that your reporting group has prime responsibility for managing and reporting on to investors.

Portfolio Investment Entities (PIEs)

Cash PIEs are at-call funds that offer investors the tax advantages of the PIE regime. PIE funds pay tax on the investment income based on the prescribed investor rate of their investors rather than the investors' income tax rate.

Term PIEs are term deposit funds and offer investors the same tax advantages as with cash PIEs.

Bank "captive" PIEs for the purpose of the managed funds survey are registered bank issued PIEs that can only be placed as deposits in the issuing bank - i.e. the manager has no discretion as to place the funds elsewhere.

Income and expenses

Capital gains or losses

- **Unrealised gains or losses** arise from the revaluation of assets and liabilities that are still on the balance sheet.
- **Realised gains or losses** arise from selling or otherwise liquidating of assets, and are recorded in the revenue (gains) or expense (losses) categories of the profit or loss accounts.

Settlement of derivatives

The net receipts or payments from settlements of derivatives during the reference period arising from:

- initiating, trading, and settling financial derivative contracts
- variation margin payments and receipts
- payments or receipts in relating to posting of collateral to cover financial derivative contract credit risk.
- Cash receipts and payments with your swap counterparties, including on termination and interim cash flows.

Other income

Includes management fee rebates and other income, not already reported in 'Gross annual/quarterly incomes', for investments in resident and non-resident issued assets.

Taxes paid to non-residents

Includes all tax payments made to government entities outside New Zealand.

Other expenses

Includes fees, commissions, brokerage and other transaction costs not already reported in 'Gross annual/quarterly expenses', for resident and non-resident borrowings. For life office schemes these expenses should include deductions made for the purposes of servicing life insurance policies.

Taxes paid to New Zealand government

Includes all tax payments made to the New Zealand government.

Deposits and withdrawals of pooled funds

Deposits

Deposits include the deposits that are made into investor's accounts during the reference period. In general these will equal the purchases of additional units in a fund.

Withdrawals

Withdrawals include withdrawals made by investors during the reference period. In general these will equal the redemptions of existing units in a fund.

KiwiSaver schemes

Deposits

Please identify separately transfers from overseas funds from either Australia or the UK. If source is unknown, please report in "Other". If the transfer of funds from NZ funds outside of your own group is from another KiwiSaver fund, please identify accordingly. If transfers are unknown, please report in "Other".

For other inflows, please separately identify if the inflows relate to regular KiwiSaver contributions from households or the government tax credit. If there are any other unknown inflows, not elsewhere included (n.e.i), please report as "New investment (n.e.i)".

Withdrawals

Please identify separately transfers to overseas funds in either Australia or the UK. If the transfer is to other countries, please report in "Other". If the transfer of funds is to another KiwiSaver fund outside of your own group, please identify accordingly. If transfers are unknown, please report in "Other".

Other withdrawals include regular KiwiSaver outflows or prescribed withdrawals. Regular withdrawals can include lump sum or agreed regular payments. KiwiSaver investors are eligible to withdraw their savings when they qualify for NZ Super (currently at the age of 65), as long as they have been a KiwiSaver member for a minimum of 5 years.

Other prescribed withdrawals refer to accessing funds earlier than the qualifying criteria above. A KiwiSaver investor may be able to withdraw all or part of their savings early if they are buying their first home, emigrating or suffering financial hardship or serious illness.

Significant financial hardship or serious illness includes:

- unable to meet minimum living expenses;
- unable to meet mortgage repayments on the home they live in, resulting in their mortgage provider enforcing the mortgage on the property;
- needing to modify their home to meet special needs because they or a dependent family member have a disability;
    - paying for medical treatment if they or a dependent family member:
    - becomes ill;
- have an injury, or require palliative care;
- suffer from a serious illness that permanently affects ability to work or poses a risk of death;
- Incur funeral costs if a dependent family member dies.

For more details, see: http://www.kiwisaver.govt.nz/already/get-money/early/

Non-resident issued investments by country of residence

Country of residence of the debtor/creditor

Residency of debtor or creditor is based on their predominant centre of economic interest (rather than nationality, currency of denomination, or legal definitions). All economic entities that have a location - dwelling, place of production, or other premises - within the economic territory of the reporting country from which they engage in business activity over a period of time (one year or more) in the reporting country should be considered residents of that country. Individuals have centres of economic interest in a reporting country when their principal residences are in the country

Basis of valuation and conversion of foreign currency into New Zealand dollars

For the market value of assets and liabilities held by your entity at the beginning of the reference period, the assets and liabilities are to be reported based on the original contracts and without regard to derivatives. Investment values are to be reported in New Zealand dollars.

Liabilities and assets denominated in foreign currency should be converted into New Zealand dollars at the midpoint of the appropriate buy and sell rates that apply at the end of the reference period. If required, selected exchange rate information is available on the Reserve Bank of New Zealand website – see Table B1. The value at the end of the preceding reference period should equal the value at the beginning of the current reference period.

Net transactions

Net transactions include increases or decreases in investment for assets/liabilities during the reference period. Increases should include purchase of shares, bonds, new units in unit trusts or re-investment of income etc. Decreases include the sale of shares, bonds etc. Note that purchases and sales are to be reported at their market prices.

Earnings from equity securities (shares and units in trusts) that are not formally distributed should be recorded as an increase in assets in "net transactions". **The reinvested earnings should exclude any realised or unrealised capital gain or loss**.

Any increase or decrease in asset values not arising from transactions should be recorded as exchange rate, price or other changes as appropriate.

Exchange rate variation

Exchange rate change refers to the impact on the value of assets and liabilities caused by changes in the exchange rate of the New Zealand dollar against other currencies in which the assets are denominated.

Price changes

Price changes include both realised and unrealised gains and/or losses that arise from interest rate movements, share price movements (listed companies) or re-valuations that occurred during the reference period.

Other changes

Other changes arise from causes other than exchange rate or market price effects. Other changes can include write offs or reclassification.

Gross income (dividends and interest) during the year/quarter

Income includes all formal distributions receivable from your investments or payable on your borrowing (i.e. cash, bonus shares, and interest accrued on tradable debt securities). Report these inclusive of withholding taxes.

Currency profile of assets and liabilities

Currency refers to the one in which the outstanding liabilities or assets are likely to be repaid. This may differ from the currency that the liabilities or assets were originally denominated in.

Foreign currency should be converted into New Zealand dollars at the midpoint of the appropriate buy and sell rates that apply at the end of the reference period.

Currency profile for financial derivatives

The currency of an outstanding net asset/liability position should reflect the currency that generates the net asset/liability position.

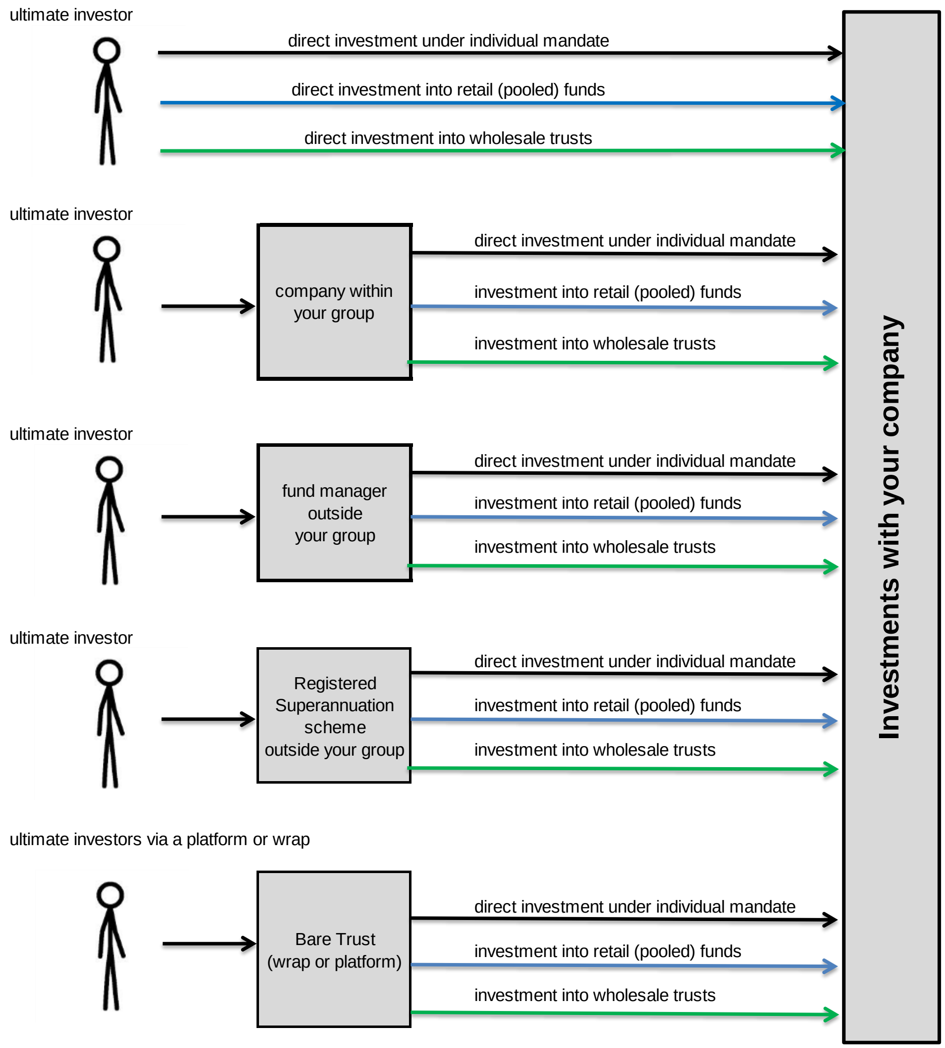
For example, in swapping US dollars for Japanese yen, if the market value (New Zealand dollar (NZD) equivalent) of your yen payables exceeds the market value of your US dollar receivables, then report a net yen liability position; i.e. record the NZD equivalent of the amount of yen that constitutes the net liability in the Japanese yen currency column.

Time to maturity of financial assets and liabilities

Time to maturity of financial liabilities or assets is the time remaining until an asset or liability is due to be fully repaid. Where financial liabilities and assets have optional maturity dates, report them under the shorter period. Do not treat interest review dates as maturity dates.

Appendix 1

A visual presentation of the treatment of funds from an ultimate investor, a company within your group, or a fund manager outside your group, for the purposes of the Managed Funds Survey



Record under **Individually Managed Portfolios** (IMP) in either Private wealth clients or Other IMP - **not** part of pooled funds.

Record in the appropriate **pooled fund type** category under retail funds.

Record in the **wholesale trust** column, then in Q3 record under "Other pooled funds (external clients from outside your group)".

Record as **IMP (Other IMP)** - **not** part of pooled funds.

If your own manager invests in another of your own group products (**retail unit trusts, cash management trusts or wholesale trusts**), record in the appropriate **"internal"** trust category row in Q1.1, for the pooled fund type the manager manages. If invested in your own group wholesale trust, record in the **wholesale trust** column, then "look through" your own pooled investments in Q3 allocating to the appropriate source. If manager invests in an external trust, then record in appropriate **"external"** trust category - see diagram below.

If your own manager invests in your own group wholesale trusts, record in the appropriate "internal" trust category of row 57 in Q1.1 for the fund type the manager manages. Record the asset distribution in the **wholesale trust** column, then "look through" your own pooled investments in Q3 allocating to the appropriate source. External clients are captured separately in Q3 - see diagram below.

Record initially in "Other fund managers or investment funds" under "Funds received from:" column. Then record as **IMP (Other fund managers or investment funds) - not** part of pooled funds**.**

Record initially in "Other fund managers or investment funds" under "Funds received from:" column. Then record in the appropriate **pooled fund type** category under retail funds.

Record initially in "Other fund managers or investment funds" under "Funds received from:" column. Then record in the **wholesale trust** column. In Q3 record under "Other pooled funds (external clients from outside your group)".

Record initially in "Registered superannuation schemes" under "Funds received from:" column. Then record as **IMP (Other IMP) - not** part of pooled funds.

Record initially in "Registered superannuation schemes" under "Funds received from:" column. Then record in the appropriate **pooled fund type** category under retail funds.

Record initially in "Registered superannuation schemes" under "Funds received from:" column. Then record in the **wholesale trust** column. In Q3 record under "Other pooled funds (external clients from outside your group)".

Record initially in "Other fund managers or investment funds" under "Funds received from:" column. Then record as **IMP (Other IMP) - not** part of pooled funds.

Record initially in "Other fund managers or investment funds" under "Funds received from:" column. Then record in the appropriate **pooled fund type** category under retail funds

Record initially in "Other fund managers or investment funds" under "Funds received from:" column. Then record in the **wholesale trust** column. In Q3 record under "Other pooled investment funds (external clients from outside your group)".

Funds placed with another fund manager

Assumptions:

1 No longer Funds under management (FUM), therefore you need to report on your own balance sheet

2 When pass funds on: (a) if pooled by the external manager, you do not need to look through trust of fund manager outside your group, just report as "external trusts". Entity B will report breakdowns for country (Q7) and maturity analysis (Q1.5 and Q1.6).
(b) if an IMP, and funds are not pooled, report values in fund type and appropriate assets on your own balance sheet. We will net Entity B's values. Entity B will report Q7 and Q1.5 and Q1.6 breakdowns.

ultimate investor

Investments with your company (Entity A)

direct investment under individual mandate

Not pooled by Entity B. (If pooled, then report as below.)

fund manager outside your group

(Entity B)

Entity A reports values in fund type and by appropriate asset for both resident and non-resident issued assets as Entity A knows values given mandate. Entity B does **not** manage in own pooled funds.

Enitiy A reports the non-resident issued values placed with Entity B for Q7 in row "Funds placed with other managers (IMP only)"

Entity A reports the resident values placed with Entity B in Q1.5 by asset in column "Other fund managers"

Entity B reports these values in Q1.1 and Q1.2 in column K: IMP: Other fund managers or investment funds

Entity B identifies the values in K26 in question 4.1: Other financial investment funds

In aggregate we want to show Entity A's values as they are in the appropriate fund type balance sheet. We can net Entity B's values reported in Q1.1 and Q1.2 column K: "Other fund managers or investment funds. This avoids double counting Entity B's values in aggregate Q1.1 and Q1.2 as these will be reported by Entity A.

Aggregate values for Entity B will be reported Q7, Q1.5 and Q1.6 values. Entity A's values reported in Q7 and Q1.5 and 1.6 "Funds placed with other managers (IMP only)" will be netted.

direct investment into retail (pooled) funds

fund manager outside your group

(Entity B)

Entity A reports the values in Q1.1 row 52 or row 55 "External trusts" in the fund type, columns D to I.

Entity A does not report any values in Q7 or Q1.5 or Q1.6. These are reported by Entity B

Entity B reports the retail values in the fund type and by appropriate asset. It is assumed they are invested in retail unit trusts or a cash management trust - it identifies which in the values reported in G26 or H26 in Q4.1.

In aggregate we can avoid double counting by excluding the values reported by Entity A in Q1.1 row 52 and 55 "External trusts", using the values reported in aggregate for the appropriate fund type in Q1.1 and Q1.2 as Entity A's values wil be reported by Entity B.

Aggregate values for Entity B will be reported Q7, Q1.5 and Q1.6 values.

direct investment into wholesale trusts

fund manager outside your group

(Entity B)

Entity A reports the values in Q1.1 row 58 "External trusts". These values will be known in aggregate.

Entity A does not report any values in Q7 or Q1.5 or Q1.6. These are reported by Entity B

Entity B initially records values in "Other fund managers or investment funds" under "Funds received from:" column. Then records values in the wholesale trust column and in Q3.1 and Q3.2 in column: Other pooled investment funds (external clients from outside your group).

Entity B reports total values received from Entity A in Q4.1 cell I26

In aggregate we can avoid double counting by:

(a) Apportioning the values for Entity A in Q1.1 row 58, by fund type, using the aggregate values reported by Entity B in Q3.1 and Q3.2 column: "Other pooled investment funds (external clients from outside your group)" as weights. Then values reported by Entity A in Q1.1 row 58 can be netted.

(b) Net the aggregate values for Entity B reported in aggregate Q1.1 and Q1.2 "Wholesale trust" using the new series calculated in (a) as these will now be allocated as above.

(c) Aggregate values for Entity B will be reported Q7, Q1.5 and Q1.6 values.