

Financial Markets MBIE –

While the Financial Markets team does not consider that the proposed transaction is likely to reach the threshold for having a negative impact on New Zealand, we note that the proposed transaction will impact the makeup of both the general KiwiSaver market as well as the default KiwiSaver provider market in New Zealand. We set out more detail on this below.

Background on KiwiSaver default providers

People who do not choose a KiwiSaver fund when they start work and are not already a KiwiSaver member are automatically enrolled in a 'default fund'. The Government chooses the providers of these default funds periodically (generally every 7 years) on advice from the Treasury and MBIE.

In 2021, 6 providers were appointed as default providers (down from 9 providers previously) through an MBIE led appointment process. The Target, Kiwi Wealth, was one of the 6 providers appointed in 2021.

[s 9(2)(b)(ii)]

KiwiSaver market

Market concentration and competition among KiwiSaver providers has been improving since the scheme began, despite a fair amount of merger and acquisition activity. As of June 2022, 23 KiwiSaver providers were operating vs. 15 in 2009. This increase in provider competition has been partly driven by the entrance of small and often niche providers that have obtained some market share previously held by large banks.

The market share currently held by default providers is also at its lowest level since the scheme began at 32.5% vs 79.5% in 2009.^[1]

Default providers at June 2022 <i>Third round of default providers – notched back down to six providers</i>	% market share total assets under management of provider (and change vs 2016)
BNZ	5.1%
Booster	3.9%
Kiwi Wealth	7.7%
Simplicity (2021 new default)	3% (n/a did not exist in 2016)
SmartShares (SuperLife) (2021 new default)	2% (n/a did not exist in 2016)
Westpac	10.7%
Total default market share	32.5% ^[2]

Impact of the proposed transaction on KiwiSaver market

Based on current Morningstar KiwiSaver data, if the transaction proceeds, the combined Kiwi Wealth/Fisher Funds entity could hold approximately ~16% market share based on June 2022 proportions (after taking into account Fisher Funds recent purchase of the Aon KiwiSaver scheme). This represents 7.7% from Kiwi Wealth, 0.8% from Aon and 7.8% from Fisher Funds and could raise Fisher Fund's market share slightly above that of second largest provider ASB. Fisher Funds'

^[1] [KiwiSaver Reports \(morningstar.com.au\)](https://www.morningstar.com.au/KiwiSaver-Reports)

^[2] [KiwiSaver survey-2022Q2.pdf \(morningstar.com.au\)](https://www.morningstar.com.au/KiwiSaver-survey-2022Q2.pdf)

market share rank would likely increase from 4 out of 23 in June 2022 to 2 out of 21 post transaction.

The transaction would also increase the total default market share (based on June 2022 market share proportions) at about 41%. This would still be lower than historically but higher than June 2022. Fisher Funds would also become the largest default provider by a reasonable amount.

While the transaction proceeding would increase KiwiSaver provider concentration and default KiwiSaver provider concentration to some extent, competition in the market is unlikely to materially change given the large number (20) of other providers that would still be operating.

Released under the Official Information Act 1982