

31 March 2022

By email: [REDACTED]

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Dear [REDACTED]

Official information request regarding synthetic instruments for Russian securities

I refer to your official information request dated 21 March 2022 for the following information:

1. “The nominal exposure (USD or NZD) via synthetic instruments (such as Total Return Swaps, Credit Default Swaps, Synthetic Equity Futures, or any other OTC instrument) on Russian Equity and Debt securities on:
 - i. 23 February 2022 and
 - ii. 1 March 2022
2. If the Guardians used synthetic instruments for Russian Securities (debt and equity) since 2014 the underlying reference portfolio/index used in these instruments.
3. If these synthetic instruments were/are used whether a default trigger results in cash settlement or in the delivery of physical instruments in the reference portfolio/index, if cash settled whether this is Local (RUB) or Foreign Currency.”

Our Response

1. The nominal exposure (USD or NZD) via synthetic instruments (such as Total Return Swaps, Credit Default Swaps, Synthetic Equity Futures, or any other OTC instrument) on Russian Equity and Debt securities on 23 February 2022 and 1 March 2022.

We have decided to refuse your request for this information under sections 9(2)(b)(ii) (commercial prejudice) and 9(2)(i) (enable commercial activities) of the OIA. This information is commercially sensitive to the NZ Super Fund and providing it would enable a reader to calculate the applicable derivative position of the Fund, thereby prejudicing the Fund’s commercial position and the Guardians’ ability to carry out our investment activities on the Fund’s behalf. We have considered whether the public interest in favour of disclosure outweighs our reasons for withholding this information and concluded that it does not, noting that the Fund invests on behalf of New Zealanders and it is the public interest that it is able to do so effectively.

We can advise, however, that exposure to Russian equities through derivatives was small on these dates at less than 10 basis points at the Fund level, and the Fund’s exposure to Russian securities via synthetic instruments was \$17 million NZD higher on 1 March than on 23 February 2022. Our exposure rose between these dates as we had short exposure that was closed out on 28 February 2022.

2. If the Guardians used synthetic instruments for Russian Securities (debt and equity) since 2014 the underlying reference portfolio/index used in these instruments.

The Guardians uses synthetic instruments (Equity Futures and Equity Swaps) to get exposure to the MSCI Emerging Market equity index which is a constituent of our reference portfolio. We do not obtain emerging markets debt exposure synthetically.

3. If these synthetic instruments were/are used whether a default trigger results in cash settlement or in the delivery of physical instruments in the reference portfolio/index, if cash settled whether this is Local (RUB) or Foreign Currency.

The equity swaps and futures used both reference the MSCI Emerging Market index. There are no default triggers and no physical delivery of stock versus these vanilla products.

General

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

Please note that it is our policy to proactively release our responses to official information requests where we consider the request to be a material one. Our response to your request will be published shortly at <https://www.nzsuperfund.nz/publications/disclosures/oia/>, with your personal information removed.

Yours sincerely

A handwritten signature in cursive script that reads "Catherine Etheredge".

Catherine Etheredge

Head of Communications