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Australian Fund Collapse Raises Alarm, But NZ's KiwiSaver Protections Offer Reassurance

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As Australian investors reel from the collapse of the First Guardian Master fund, which may result in losses of up to A$450 million, New Zealanders with KiwiSaver accounts can take some comfort in knowing their savings are protected under a different and arguably stronger regulatory framework.

The First Guardian fund, which entered liquidation earlier this year, has drawn scrutiny following allegations that co-director David Anderson siphoned investor funds into his personal bank account. The scandal has exposed vulnerabilities in Australia's superannuation system and underscored the importance of firm regulatory structures, something New Zealand's financial sector claims to manage more effectively.

David Callanan, general manager of corporate trustee services at Public Trust, one of the official supervisors of KiwiSaver, explained that the likelihood of a similar incident happening in New Zealand is significantly lower. The key difference, he said, lies in how KiwiSaver schemes are structured and supervised.

Each KiwiSaver provider is required to work with a licensed supervisor who either directly holds custody of investors' funds or appoints an independent custodian to do so. This legal separation ensures that fund managers cannot directly access or misuse investor money.

"I think we've got a more effective regulatory regime," Callanan stated. "It's set up well to protect KiwiSaver members and investors."

Supervisors such as Public Trust are legally tasked with ensuring that KiwiSaver providers act in the best interests of their members. If misconduct or mismanagement is suspected, supervisors are empowered to step in, replace fund managers, and assume operational control. This oversight helps to prevent reckless practices or fraud from going unchecked.

By contrast, Australia's system relies on hundreds of different responsible entities, which makes it more difficult to maintain consistency and enforce accountability across the board. "In Australia, there are hundreds of responsible entities who play that role," Callanan said. "That makes it much harder to keep a clear standard."

New Zealand also benefits from legal safeguards under the Financial Markets Conduct Act (FMCA), which prohibits fund managers from holding investor assets themselves. Instead, independent custodians safeguard all funds, limiting opportunities for abuse. This is in stark contrast to the alleged misappropriation of assets in the First Guardian case.

The Financial Markets Authority (FMA), which licenses supervisors and fund managers, enforces strict rules around conflicts of interest. For example, if a fund manager wants to engage in a related-party transaction, it must undergo a formal review with the supervisor to ensure transparency and accountability.

That said, KiwiSaver is not without risk. Poor investment decisions, market volatility, and inadequate diversification can still impact returns. But as Callanan emphasized, the system is structured to prevent collapse due to internal mismanagement.

"There's always the possibility that someone makes a silly financial decision," he said. "My advice would be to avoid a situation where you have all your eggs in one basket."

Most KiwiSaver schemes offer diversified portfolios, reducing exposure to any single asset or market sector. This, combined with strong regulation, gives investors a reasonable level of protection, especially compared to jurisdictions where regulatory gaps remain.

John Horner, director of markets, investors, and reporting at the FMA, also highlighted that Managed Investment Scheme (MIS) managers and their supervisors are legally required to act with diligence and integrity. If a manager fails or becomes insolvent, the supervisor can immediately step in to ensure the fund continues operating and that investor capital remains protected.

While no system is perfect, New Zealand's KiwiSaver model appears well-positioned to avoid the kind of mismanagement that has shaken investor confidence in Australia. For now, KiwiSaver members have reason to remain cautiously optimistic and to continue demanding the transparency and accountability that safeguard their financial futures.