



COVERSHEET

Minister	Hon Michael Wood	Portfolio	Immigration
Title of Cabinet paper	Investor migrants policy settings	Date to be published	7 October 2022

List of documents that have been proactively released

Date	Title	Author
May 2022	<i>Investor migrants policy settings</i>	<i>Office of the Minister of Immigration</i>
9 May 2022	<i>CAB-22-MIN-0162.01 Minute</i>	<i>Cabinet Office</i>
10 December 2021	<i>2122-2175 Potential enhancements to the Active Investor Plus visa</i>	<i>Ministry of Business, Innovation and Employment</i>
16 December 2021	<i>2122-1943 Active Investor Plus visa: potential design changes</i>	<i>Ministry of Business, Innovation and Employment</i>
4 March 2022	<i>2122-2596 Investor migrant attraction and aftercare services</i>	<i>Ministry of Business, Innovation and Employment</i>
18 March 2022	<i>2122-2969 Investor migrants policy settings – draft Cabinet paper for Ministerial consultation</i>	<i>Ministry of Business, Innovation and Employment</i>

Information redacted

YES / NO

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reason of constitutional conventions and privacy of natural persons.



BRIEFING

Investor migrants policy settings – draft Cabinet paper for Ministerial consultation

Date:	18 March 2022	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2122-2969

Action sought		
	Action sought	Deadline
Hon Stuart Nash Minister for Economic and Regional Development	Agree to consult your Ministerial colleagues on the draft Cabinet paper attached at Annex One	31 March 2022
Hon Kris Faafoi Minister of Immigration		

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Kirsty Hutchison	Manager, Immigration (Border and Funding) Policy	Privacy of natural persons	
Landon McMillan	Manager, Investment Policy		

The following departments/agencies have been consulted
MBIE (Immigration New Zealand), New Zealand Trade and Enterprise, Callaghan Innovation, New Zealand Growth Capital Partners, The Treasury, Inland Revenue Department

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments



BRIEFING

Investor migrants policy settings – draft Cabinet paper for Ministerial consultation

Date:	18 March 2022	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2122-2969

Purpose

To provide you with a draft Cabinet paper for Ministerial consultation regarding revised settings for the Active Investor Plus visa. This briefing seeks a series of decisions from you on revised settings for the new visa, which we propose you summarise in the Cabinet paper.

Executive summary

Background

In December 2021, we provided you with advice on revising the settings for the Active Investor Plus visa, after testing the proposal with New Zealand Trade and Enterprise (NZTE), New Zealand Growth Capital Partners (NZGCP) and Callaghan Innovation [MBIE briefing 2122-1943 refers].

This included revising the minimum investment threshold down to \$15 million from \$25 million and adjusting the weighting system so that the most active investors qualify by investing \$5 million. We also proposed distinguishing between direct and indirect investment and assigning a greater weighting to direct forms of investment where the investor holds assets directly, rather than investing through an investment vehicle such as a fund.

Officials have subsequently developed the revised proposal further and engaged with a wide array of stakeholders, including licenced immigration advisors, investment experts, business groups, the Productivity Commission and Philanthropy New Zealand. Stakeholders are broadly supportive of the visa's objective but have suggested a number of additional opportunities that we could consider, as well as risks, which we detail throughout this paper.

Proposals to enhance the targeting of active investment

We consider that the settings for the Active Investor Plus visa should be enhanced so that the visa more effectively targets the type of investor we want to attract. We recommend:

- Incentivising direct investment over indirect investment through the weighting system
- Improve flexibility for the investor by allowing investors to invest over a three-year investment period (and maintain their investments up to the end of a fourth year)
- Requiring investor migrants to spend at least 117 days in New Zealand over the four-year investment period, and
- Limiting the scope for passive investment.

Enhancing the weighting system and investment categories

We propose the following framework for the weighting system and investment categories:

Investment category	Weighting	Potential Criteria
Indirect investments		
Listed equities (i.e. NZX) (max 50%)	1x	NZ equity listed on an NZ regulated market (e.g. NZX)
Philanthropy (max 50%)	1x	Acceptable charity, e.g. those listed on Philanthropy New Zealand's new platform ¹
Seed, VC, PE funds of private sector product (including alternative listed equities)	2x	Acceptable funds, e.g those funds that that NZGCP invest in, or those funds otherwise approved ²
Direct investments		
Direct investment	3x	Acceptable direct investment, e.g. into businesses which: <ul style="list-style-type: none"> • are on NZTE Live Deals platform or are listed as an NZTE investment customer with a capital raise as an objective, or • have also received capital from an approved fund (as defined by the list on NZTE, Callaghan or NZGCP's website)

To enable immigration instructions to be drafted, clear rules will be developed so that these investment categories are interpreted by all parties in line with the policy intent. We recommend you seek delegated authority from Cabinet to make further decisions on the technical details of the scheme, e.g. to clarify the rules that should apply where investment assets might not fall neatly into one or other category.

Involving Crown entities in implementing the visa

We recommend utilising the expertise of Government investment functions (NZTE, Callaghan Innovation and NZGCP) to drive a better connection between investor visa settings and the government's economic strategy. This could include identifying acceptable investments and working directly with investor migrants to source investment opportunities.

NZTE will play an active role in operationalising the visa. NZTE will be the steward of the system that determines what is an acceptable investment, as this aligns with their expertise and function. We propose that NZTE publishes a list of acceptable investment classes, funds, platforms and products.

In order to ensure that we do not crowd out the private sector and are responsive to market innovations in financial products, this list would be updated regularly. NZTE would have regular engagement with selected private stakeholders and update the list of acceptable investments over time.

We propose that NZTE develop the list based on the following criteria:

- investments are into New Zealand entities that clearly contribute to the Government's economic strategy (by being high growth potential firms or contributing to positive social and economic impacts)

¹ Or another organisation's website, so long as it is approved by Philanthropy New Zealand.

² It is proposed that NZTE will be the steward of the system that determine acceptable investments

- proper verification is conducted to ensure that the business is legitimate (note, this is not a test of its financial health and growth potential, which is for the investor to ascertain), and
- investments do not prejudice New Zealand’s reputation as a responsible member of the world community.

We propose that final decisions on whether to add a class of investments, a fund or a product to the list would sit with the Minister for Research, Science and Innovation, the Minister for Economic and Regional Development and the Minister of Immigration.

NZTE’s engagement with stakeholders could also be used as a way to disseminate information and/or raise awareness of any private initiatives.

You have choices on whether to further limit the scope for passive investment

As currently proposed, a high-net-worth individual could qualify for the investor visa by investing \$15 million in listed equities. In this regard the visa would provide access to New Zealand residence with almost no requirement on the investor to participate in New Zealand’s business and investment ecosystem. Although equities are riskier than bonds, they are more liquid than the other investment categories in the table above, which also makes it easier for an investor to divest their shareholding once they have met the conditions of the resident visa.

There is a policy choice as to whether to further limit the scope for passive investment by:

- setting a cap on listed equities (we propose a minimum cap of 50%), and
- increasing the cap on philanthropy from 40% to 50%.

To recognise the realities of active investment, we see value in adding elements to support flexibility

A significant barrier to investing actively under current settings is that investments must be made before a resident visa is granted and maintained over the three-year investment period. This has incentivised investments in passive, low-risk investments that require less time for due diligence, and are less likely to fluctuate in price or be sold offshore³. Higher-risk and more impactful investments tend to be made outside the visa process, so that investors do not compromise their visa.

We propose that the resident visa is granted with conditions that last for four years. To provide flexibility, investors would be able to make their investments over three years, rather than in advance of the resident visa being granted.

The flow of requirements and checks would look as follows:

Year	Requirement	Check
0	Transfer all nominated funds to NZ (could be bonds) as a holding investment	INZ
1	Check-in with NZTE ⁴	NZTE
1.5	50% of total (i.e. \$7.5m, or weighted equivalent)	INZ
3	100% of total (i.e. \$15m, or weighted equivalent)	INZ

³ Investors are concerned that this might result in the valuation of their investments dropping below the minimum qualifying threshold, or if an asset sold abroad the investment will no longer qualify.

⁴ This would be a low stakes check-in with NZTE, focusing more on ensuring the investor’s aftercare needs are met, rather than whether they are meeting immigration requirements.

4	100% of total (i.e. \$15m, or weighted equivalent) is maintained	INZ
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Time spent in New Zealand

Cabinet agreed in August 2021 that under the Active Investor Plus visa, an investor would need to spend at least 88 days in New Zealand over the three year investment period [DEV-21-MIN-0162]. With the extension of the resident visa conditions period from three years to four, we propose increasing the time spent in New Zealand requirement to 117 days over the four years.

We recommend maintaining the English language requirement at IELTS level 5.0

Stakeholders expressed that the English language requirement Cabinet agreed to in August 2021 (IELTS level 5.0 or equivalent) should be either removed or reduced, as IELTS level 5.0 could exclude much of the Asian and European markets.

We consider that IELTS 5.0 aligns with the overall objective of the Active Investor Plus, which is to see investors making active contributions to the economy by being directly involved in New Zealand investment ecosystems. This would be difficult to achieve without having the ability to speak English at the equivalent of IELTS 5.0.

Timing, reputation and closing the existing investor visa categories

Officials' view is that the existing categories should close after an announcement following Cabinet's decisions on the final design settings for the Active Investor Plus visa. This would ensure that enough detail on the new visa can be communicated to prospective investors. Some degree of lag between the existing visa categories closing and the Active Investor Plus visa is workable, as the market will need time to adjust to the new settings.

Next steps

We have attached a draft Cabinet paper for Ministerial consultation at Annex One, which reflects your decisions in December 2021 [MBIE briefing 2122-1943 refers] and the proposed enhancements to target active investors outlined above.

The Cabinet paper focuses on the high level enhancements to the previously agreed approach, and seeks a delegation to firm up the technical details required to finalise immigration instructions (some of which are discussed in this briefing). We consider it important that you seek this delegation so that we can clarify technical details as we move into the phase of drafting immigration instructions.

We suggest that the paper goes out for Ministerial consultation and is lodged on 7 April 2022, for consideration at the Cabinet Economic Development Committee on 13 April and Cabinet on 19 April.

In December 2021, we advised that the Active Investor Plus visa would go live in mid-2022 [MBIE briefing 2122-1943 refers]. Officials are currently working on advice for Reconnecting New Zealand Ministers on the competing priorities for resource across the immigration portfolio. This advice will inform the Active Investor Plus visa's go live date.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

Background

- a **Note** that we provided you with advice in December 2021 on revising the settings for the Active Investor Plus visa, including reducing the minimum investment threshold from \$25 million to \$15 million and further enhancements to target active investment (e.g. by creating a new investment category for direct investment) [MBIE briefing 2122-1943 refers]

Noted

- b **Note** that you agreed to officials engaging with selected expert stakeholders to test these proposals and directed officials to develop a draft Cabinet paper to seek final policy decisions on the Active Investor Plus visa's settings

Noted

Enhancing the weighting system and investment categories

- c **Note** that the most active type of investor is one who invests directly in firms, as this generally requires greater involvement in the selection and management of the firm

Noted

- d **Note** that we define direct investments as those where the investor participates directly in a capital raise of a company, or a share issue, and is subsequently listed as an equity shareholder in the capital tables

Noted

- e **Note** that direct investment also tends to be riskier and more time consuming, and investments tend to be concentrated in fewer assets, but that direct investment is more likely to lead to investors bringing their skills to bear in helping to grow the business

Noted

- f **Agree** to the following framework for the investment categories and weighting system:

Investment category	Weighting
<i>Indirect investments</i>	
Listed equities	1x
Philanthropy	1x
Seed, VC, PE funds (including alternative listed equities)	2x
<i>Direct investments</i>	
Direct investment	3x

Agree / Disagree / Discuss

Involving Crown entities in implementing the visa

- g **Note** that we recommend utilising the expertise of Government investment functions (NZTE, Callaghan Innovation and NZGCP) to drive a better connection between investor visa settings and the government's economic strategy

Noted

- h **Note** that NZTE will be the steward of the system that determines what is an acceptable investment, as this aligns with their expertise and statutory function to integrate potential investors and businesses with key institutions and markets in New Zealand

Noted

- i **Agree** to the following criteria for determining whether an investment class, fund, platform or product should be added to the list of acceptable investments:
- a. investments are into New Zealand entities that clearly contribute to the Government's economic strategy (by being high growth potential firms or contributing to emissions reduction)
 - b. proper verification is conducted to ensure that the business is legitimate (note, this is not a test of its financial health and growth potential, which is for the investor to ascertain)
 - c. Investments do not prejudice New Zealand's reputation as a responsible member of the world community.

Agree / Disagree / Discuss

- j **Agree** to propose that Cabinet delegates decision-making on investment classes, funds, platforms and products to be added to the list of acceptable investments to the Minister for Research, Science and Innovation, the Minister for Economic and Regional Development and the Minister of Immigration

Agree / Disagree / Discuss

Listed equities and philanthropy

- k **Indicate** your preference for limiting investment in listed equities:

	Agree	Disagree	Discuss
Option 1 [MBIE preferred]: 50 per cent cap			
Option 2: 75 per cent cap			
Option 3: No cap			

Agree / Disagree / Discuss

- l **Note** that if you choose to cap listed equities at 50 per cent, the cap on philanthropy would also need to increase to 50% to enable an investor to invest solely in investments that carry a 1x weighting

Noted

- m **Agree** to increase the cap for philanthropy from 40 per cent to 50 per cent

Agree / Disagree / Discuss

Adding elements to support flexibility

- n **Agree** that investors should be able to invest throughout a three-year investment period (and maintain their investments up to the end of a fourth year), with a flow of requirements and checks as follows:

Year	Requirement	Check
0	Transfer all nominated funds to NZ (could be bonds) as a holding investment	INZ
1	Check-in with NZTE	NZTE

1.5	50% of total (i.e. \$7.5m, or weighted equivalent)	INZ
3	100% of total (i.e. \$15m, or weighted equivalent)	INZ
4	100% of total (i.e. \$15m, or weighted equivalent) is maintained	INZ

Agree / Disagree / Discuss

- o **Agree** that once an investment is made, the value of the investment at the time of investing will be treated as the value that qualifies towards the threshold, to remove any uncertainty around potential fluctuations around valuation

Agree / Disagree / Discuss

- p **Agree** that legally binding commitments made to funds, but not yet drawn upon, will be treated as qualifying investments

Agree / Disagree / Discuss

- q **Agree** that investments (excluding listed equities) that are liquidated within the 4 years, will need to be reinvested by the end of the following period, but only up to the lowest of the amount that was invested initially, or the amount that was realised (which could be zero if the company went insolvent)

Agree / Disagree / Discuss

Time spent in New Zealand

- r **Note** that Cabinet agreed in August 2021 that under the Active Investor Plus visa, an investor would need to spend at least 88 days in New Zealand over the three year investment period [DEV-21-MIN-0162]

Noted

- s **Agree** to increase the time spent in New Zealand requirement to 117 days over four years

Agree / Disagree / Discuss

English language

- t **Note** that stakeholders consider that the English language requirement Cabinet agreed to in August 2021 (IELTS level 5.0 or equivalent) should be either removed or reduced, as IELTS level 5.0 could exclude much of the Asian and European markets, however we consider that IELTS 5.0 aligns with the overall objective of the Active Investor Plus

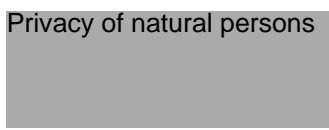
Noted

Next steps

u **Agree** to consult your Ministerial colleagues on the draft Cabinet paper attached at Annex One

Agree / Disagree / Discuss

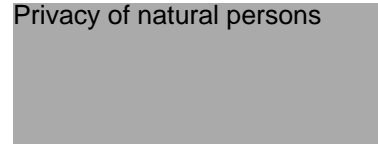
Privacy of natural persons



Kirsty Hutchison
Manager, Immigration (Border and Funding) Policy
Labour, Science and Enterprise, MBIE

18/03/2022

Privacy of natural persons



Landon McMillan
Manager, Investment Policy
Labour, Science and Enterprise, MBIE

18/03/2022

Hon Stuart Nash
Minister for Economic and Regional Development

..... / /

Hon Kris Faafoi
Minister of Immigration

..... / /

Background

Cabinet agreed in August 2021 to create the Active Investor Plus visa

1. In August 2021, Cabinet agreed to [DEV-21-MIN-0162]:
 - a. create a new Active Investor Plus visa category and associated border exception for experienced high-value investors;
 - b. create border exceptions to enable qualifying Investor 1 migrants and 50 individuals under the Global Impact Visa category to travel to and enter New Zealand; and
 - c. close the current Investor 1 category to new applicants and permanently close the Investor 2 category.
2. Cabinet agreed to the following settings for the Active Investor Plus visa:
 - a. A minimum investment amount of \$25 million, or weighted equivalent
 - b. Strengthened requirements around investment categories (with a focus on active asset types)
 - c. A weighting system that allocates:
 - i. a 3x weighting to investments in seed or start-up stage companies;
 - ii. a 2x weighting to private investment in a small New Zealand business (annual revenue less than \$50 million) or via a venture capital or private equity fund; and
 - iii. a 1x weighting to listed equities and philanthropy (with philanthropy capped at 40 per cent).
 - d. English language skills (the equivalent of an IELTS score of at least 5.0)
 - e. The required number of days an investor would have to spend in New Zealand would remain the same as for Investor 1 (88 days over the three-year investment period).

You have agreed to revisit the settings for the Active Investor Plus visa

3. In December 2021, we provided you with advice on revising the settings for the Active Investor Plus visa, after testing the proposal with New Zealand Trade and Enterprise (NZTE), New Zealand Growth Capital Partners (NZGCP) and Callaghan Innovation [MBIE briefing 2122-1943 refers]. This included reducing the minimum investment threshold to \$15 million, but with a weighting system that allows the most active investors to only invest \$5 million. We also proposed recalibrating the weighting system and investment categories to distinguish between direct vs indirect investment, as opposed to the stage of a firm.
4. Officials have subsequently developed the revised proposal further and engaged with a number of stakeholders, including licenced immigration advisors, investment experts, business groups and Philanthropy New Zealand. Stakeholders are broadly supportive of the objective to attract investors who have a genuine desire to grow innovative New Zealand businesses and contribute their capital, knowledge and skills. A summary of the risks they have identified is provided at Annex Two.
5. We have attached a draft Cabinet paper for Ministerial consultation as Annex One, which reflects your decisions in December 2021 [MBIE briefing 2122-1943 refers] and/or the proposals recommended in this briefing.

6. The Cabinet paper also includes a placeholder for joint Ministers' (Ministers of Finance, Trade and Export Growth, Economic and Regional Development, and Immigration) decisions on transferring investor migrant attraction and aftercare services from Immigration New Zealand to NZTE. MBIE briefing 2122-2596 is currently with Ministers for decision.

Framing our objectives

7. Our primary goal remains to attract skilled and experienced international investors to help build globally successful Kiwi businesses and fill gaps in capital and investor capability. The Active Investor Plus visa will see investors becoming active participants in New Zealand's investment ecosystems and making an impact as a condition of their investor visa.
8. We consider that this involves the following objectives:
 - a. *Incentivising active investment* by targeting visa eligibility criteria to active investments and addressing the barriers to investing more actively
 - b. *Balancing flexibility and system integrity* by recognising the realities of investment, without compromising the system's assurances of legality and legitimacy
 - c. *Competing with our international peers* by ensuring that the investor migrants we are targeting do not face capital requirements to come to New Zealand that are too far above those posed by the Australia equivalent visa, and
 - d. *Partnering with investment functions across government* by utilising the expertise of investment functions across Government.
9. Stakeholders have informed us that active investment does occur under current settings, but often after the investor has completed the three year investment period and gained permanent residence before they make more active investments. However, this can be difficult to monitor and verify, as investment information beyond what's necessary for a visa can be difficult to collect⁵.
10. The settings proposed in this paper will provide us with more visibility over investor migrants' activity over the three year investment period.

We recommend a range of enhancements to the Active Investor Plus visa so that it more effectively targets the type of investor we want to attract

11. We recommend enhancing the Active Investor Plus visa to:
 - incentivise direct investment over indirect investment through the weighting system
 - provide flexibility in the allowable time to invest, to promote active investment
 - involve Crown entities in implementing the visa, and
 - limit the scope for passive investment.

Reducing the minimum investment threshold and recalibrating the weighting system

⁵ There currently is no obligation for investor migrants to share information on investments outside of their qualifying period, or for investments additional to those they make for qualifying purposes.

Reducing the minimum investment threshold

12. A \$15 million minimum investment threshold, with a weighting system that requires the most active type of investor to deploy \$5 million, captures both high-net-worth individuals with sufficient capital to meet the \$15 million threshold and those less wealthy investors with networks, skills and experience. For those we are particularly keen to attract, the capital amount required is broadly similar to Australia's Significant Investor Stream visa (which has a minimum investment threshold of NZD \$5.38 million)⁶.
13. We note, however, that care should be taken when comparing our investor visa settings with Australia's. In 2021, the Grattan Institute in Australia expressed scepticism of the value that Australia's investor visa programme brings to Australia's economy. This is because few investors are financing projects that would not otherwise occur, as there is little evidence that Australia struggles to attract foreign investment (in fact, since 2021 Australian has been a net exporter of equity capital)⁷.
14. The Institute also argued that investor visa holders provide limited fiscal benefits due to their age and lower incomes. They also tend to earn smaller incomes than those issued permanent visas via points tests or employer sponsorship and the investment requirements cease once an investor is granted permanent residence.
15. While parity with Australia on the quantum of capital required for the most active investor is important to remain competitive, we do not see it as necessary to achieve total parity with Australia's settings. To achieve the objective of the Active Investor Plus visa, we will need to ensure a direct connection between what the investor provides and what New Zealand's economy needs.

Recalibrating the weighting system and investment categories

16. You agreed in December that the weighting system and investment categories should be based on a distinction between the type of investment (direct vs indirect) as opposed to the stage of investment (private equity (PE), venture capital (VC), or seed) [MBIE briefing 2122-1943 refers]. This is a better proxy for the degree of "activeness" (the level of involvement in running and growing the business by bringing to bear not only their capital, but also their skills and networks, i.e. 'smart capital').
17. We consider direct investments to be those where the investor participates directly in a capital raise of a company, or a share issue, and is subsequently listed as an equity shareholder in the capital tables. This is in contrast with an indirect shareholding through a fund where the investor would sit alongside many other investors, often as a limited partner.
18. We propose the following framework for the weighting system and investment categories:

Investment category	Weighting	Potential Criteria
<i>Indirect investments</i>		

⁶ A summary of Australia's Significant Investor Stream is provided at Annex Three.

⁷ Grattan Institute (Australia), *Rethinking permanent skilled migration after the pandemic* (May 2021).

Listed equities (i.e. NZX) (max 50%)	1x	NZ equity listed on an NZ regulated market (e.g. NZX)
Philanthropy (max 50%)	1x	Acceptable charity, e.g. those listed on Philanthropy New Zealand's new platform ⁸
Seed, VC, PE funds (including alternative listed equities)	2x	Acceptable funds, e.g. those funds that that NZGCP invest in, or those funds otherwise approved ⁹
Direct investments		
Direct investment	3x	Acceptable direct investment, e.g. into a business which: <ul style="list-style-type: none"> • is on NZTE Live Deals • is listed as an NZTE investment customer with capital raise as an objective, or • has also received capital from an approved fund

19. An example of a qualifying fund might be any of the venture capital funds that have recently received co-investment from the Elevate 'fund of funds' administered by NZGCP on behalf of the Guardians of New Zealand Superfund (NZSF), which have been vetted by NZGCP. Other funds might include New Zealand-based private equity funds investing predominantly in New Zealand businesses and registered with the New Zealand Private Capital Association, and/or receiving institutional investment from NZSF or ACC, and/or where funds have given certain assurances to NZTE.
20. An example of a qualifying platform for direct investment might be the "LiveDeals" programme, which lists NZTE clients looking to raise capital, and where each of these firms has been vetted by NZTE. Other examples of Government programmes which investors could invest alongside might include Kānoa, New Zealand Green Investment Finance, the Sustainable Futures Fund, and various Callaghan Innovation programmes. An example of a platform for connecting investors with philanthropic entities is Philanthropy New Zealand's new matching platform Te Puna Taurite. Other acceptable direct investments may include any firm that has received investment from an acceptable fund.
21. To enable immigration instructions to be drafted, clear rules will be developed so that these investment categories are interpreted by all parties in line with the policy intent. We recommend you seek delegated authority from Cabinet to make further decisions on the technical details of the scheme, e.g. to clarify the rules that should apply where investment assets might not fall neatly into one or other category.

The Active Investor Plus visa will increase the involvement of investment functions across government

22. We consider that an effective investor visa should utilise the expertise of investment functions across government. To drive a better connection between investor visa settings and the government's economic strategy, we see value in the greater involvement of Crown entities, such as NZTE, Callaghan Innovation and New Zealand Growth Capital Partners.
23. This would allow the visa to be agile and react more readily to the needs of markets (particularly start-ups and SMEs), and responsibility for identifying acceptable investments would lie with those who have expertise in investment.

⁸ Or another organisation's website, so long as it is approved by Philanthropy New Zealand.

⁹ It is proposed that NZTE will be the steward of the system that determine acceptable investments.

24. NZTE will play an active role in operationalising the visa. NZTE will be the steward of the system that determines what an acceptable investment is, as this aligns with their expertise and function. We propose that NZTE publishes a list of acceptable investment classes, funds, platforms and products in which investor migrants can invest.
25. In order to ensure that we do not crowd out the private sector and are responsive to market innovations in financial products, this list would be updated regularly. NZTE would have regular engagement with selected private stakeholders and, based on this advice, NZTE would recommend new additions to the list of acceptable investments. Acceptable investments should be based on the following criteria:
 - investments are into New Zealand entities that clearly contribute to the Government's economic strategy (by being high growth potential firms or contributing to positive social and economic impacts)
 - proper verification is conducted to ensure that the business is legitimate (note, this is not a test of its financial health and growth potential, which is for the investor to ascertain)
 - investments do not prejudice New Zealand's reputation as a responsible member of the world community.

The role of the private sector

26. Currently, the private sector is involved in:
 - attracting investor migrants (e.g. Licenced Immigration Advisors)
 - providing advice on investment opportunities and managing funds on behalf of clients (e.g. banks, law firms, philanthropy organisations and wealth managers including trust fund managers), and
 - linking up like-minded investors (e.g. the Migrant Investor and Entrepreneur Association and the Angel Association of New Zealand).
27. With increased involvement of Crown entities in the settings and operation of the visa settings, there may be a risk that the private sector perceives itself as being crowded out. We anticipate the private sector's involvement with investor migrants will remain significant. Having private advisors and firms work more closely with NZTE brings a number of benefits to the broader Investment Attraction Strategy and links this capital source more closely with Government projects and objectives.
28. There is scope within our proposals for the investor to partner with a private advisor or firm in securing unique deals with New Zealand firms. The private advisor or firm would simply need to work with NZTE to ensure the unique deal is in fact an acceptable investment.
29. There is also scope for the private sector to be more involved in future as the market adjusts to the new settings. For example, the private sector could identify impactful funds and platforms that could be added to the list of acceptable investments or indeed create new products that target investments towards qualifying assets¹⁰.
30. Lastly, immigration and financial advisors will continue to play a key role with investor migrants, for example by assisting with: applications for the visa; due diligence and transaction execution; and tax, structuring and other financial advice.

¹⁰ New products could include for example a retail fund with varied equity holdings in underlying NZ SMEs listed on an alternative stock exchange like Catalyst, or a fund of funds that invests in acceptable PE or VC funds on behalf of clients.

You have choices on the extent to which you want to include high-net worth individuals who prefer to invest passively

31. Depending on the extent to which you wish to place further incentives on investors to make active, as opposed to passive, investments, you have the following choices:
- Whether to impose a cap on listed equities (and what that cap should be)
 - Whether to increase the cap on philanthropy.

Listed equities

32. While there is some value in investor migrants investing in listed equities (particularly firms with smaller market capitalisation), we consider that this should be capped at a maximum percentage of an investor's total acceptable portfolio..
33. We see three options for limiting investment in listed equities:
- Option 1 [MBIE preferred]:** Cap of 50 per cent for listed equities – this is the most restrictive option, which requires investors to invest at least 50 per cent in more impactful investment types (philanthropy, early-stage funds and direct investment)
 - Option 2:** Cap of 75 per cent – this option provides greater optionality to investors and recognises that there is some value in listed equities investments, however it would likely drive down the incentive to invest in more active investments
 - Option 3:** No cap – this would allow an investor migrant to invest \$15 million completely into the share market, with no active engagement in the economy and limited impact

Philanthropic investments

34. Both Option 1 and Option 2 above would compel investors to invest in more impactful investments. For investors who wish to remain as passive investors, this could see a significant increase in philanthropy.
35. Philanthropic investments can be very impactful, particular in areas that are focused on improving wellbeing as opposed to obtaining a financial return. A Philanthropic “investment” represent a significant cost to the migrant (as none of the capital is returned) and benefit to the country.
36. If you choose to cap listed shares at 50 per cent, we recommend you increase the cap for philanthropy from 40 per cent to 50 per cent. This would mean that it is possible for a passive investor to invest \$15 million without having to invest in higher-risk funds or direct investment and still make an impact. Otherwise, it would be impossible to invest solely in investments that carry a 1x weighting, rendering the \$15 million threshold unattainable and difficult to communicate.

To promote active investment, we recommend flexibility on the allowable time to invest

37. To recognise the realities of active investment, we see value in increasing flexibility for the investor where possible. Investing in higher-risk investments is difficult and requires knowledge of New Zealand's business environment and markets.
38. Active investment also takes time. Officials estimate, based on anecdotal feedback from stakeholders, that it can often take two to five years for investor migrants to adjust to New Zealand's investment ecosystems and build up confidence to invest actively.

We propose a gradual progression framework in which investors can make their investments over a four-year period

39. A significant barrier to investing actively under current settings is that investments must be made before a resident visa is granted and maintained over the three-year investment period. This has incentivised investments in passive, low-risk investments that require less time for due diligence. Higher-risk and more impactful investments tend to be made outside the visa process, so that investors do not compromise their visa.
40. The Minister for Economic and Regional Development has indicated his preference that investors make 50 per cent of their investments in the first 18 months. This is to mitigate the increased risk that investors are settled in New Zealand by the final year, making deportation more difficult if they have not made their investments in time.
41. If the second 50 per cent of the required investments were only required by the end of the third year, however, and the total length of the visa was also three years, the investor migrant could apply to have the conditions of their resident visa lifted immediately after the third year, with the risk that they might opt to make 50 per cent of the required investments right at the end of the period (up to the last day). To mitigate this risk, we recommend building in an additional year during which investors must maintain all of their required investments.
42. We propose therefore that the resident visa is granted with conditions that last for four years but that investors have a full three years to make their investments, rather than the current visa settings where they are required to make the investments in advance of the resident visa being granted.
43. The gradual progression framework would involve checks at the end of the second and third year to ensure investors are making their investments and a final check at the end of the fourth year to ensure all investments have been maintained. The investor would be required to meet with NZTE after the first year as a check-in to make sure the investor's aftercare needs are being met.
44. The flow of requirements and checks would look as follows:

Year	Requirement	Check
0	Transfer all nominated funds to NZ (could be bonds) as a holding investment	INZ
1	Check-in with NZTE ¹¹	NZTE
1.5	50% of total (i.e. \$7.5m, or weighted equivalent)	INZ
3	100% of total (i.e. \$15m, or weighted equivalent)	INZ
4	100% of total (i.e. \$15m, or weighted equivalent) is maintained	INZ

45. A gradual progression framework will not only provide flexibility to the investor, it will also increase our visibility over their impact on the New Zealand economy, as it increases the likelihood that investors will make active investments over the course of the visa's investment period, rather than outside the visa process (as is currently the norm).

¹¹ This would be a low stakes check-in with NZTE, focusing more on ensuring the investor's aftercare needs are met, rather than whether they are meeting immigration requirements.

46. There is still a risk that an investor could be made liable for deportation towards the end of the investment period after having made a number of high impact investments if they still are unable to meet the required threshold¹².
47. We could mitigate this by providing further flexibility in the time period allowed for investors to make the qualifying investments; an application process for an extension to complete their investments, where mitigating circumstances are able to be described and verified. This can be considered further as we finalise immigration instructions.
48. We also propose that once an investment is made, we will treat the value of the investment at the time of investing as the value that qualifies towards the threshold, to remove any uncertainty around potential fluctuations around valuation. We also propose treating legally binding commitments made to funds, but not yet drawn upon, as qualifying investments.
49. Investments (excluding listed equities) that are liquidated within the 4 years, will need to be reinvested by the end of the following period, but only up to the lowest of the amount that was invested initially, or the amount that was realised (which could be zero if the underlying company becomes insolvent).

Time spent in New Zealand

50. Cabinet agreed in August 2021 that under the Active Investor Plus visa, an investor would need to spend at least 88 days in New Zealand over the three year investment period [DEV-21-MIN-0162]. With the extension of the resident visa conditions period from three years to four, we propose increasing the time spent in New Zealand requirement to 117 days over the four years.

We recommend maintaining the English language requirement at IELTS level 5.0

51. Stakeholders expressed that the English language requirement Cabinet agreed to in August 2021 (IELTS level 5.0 or equivalent) should be either removed or reduced, as IELTS level 5.0 could exclude much of the Asian and European markets¹³.
52. We consider that IELTS 5.0 aligns with the overall objective of the Active Investor Plus, which is to see investors making active contributions to the economy by being directly involved in New Zealand investment ecosystems. This would be difficult to achieve without having the ability to speak English at the equivalent of IELTS 5.0.

The Global Impact Visa border exception has been implemented, however the border exception for Investor 1 and Active Investor Plus visa holders is no longer needed

53. Cabinet decided in August to create border exceptions for:
 - Investor 1 migrants (who had been granted a resident visa, had been approved in principle, or had an application in process that is then approved in principle)
 - Active Investor Plus visa holders, and
 - up to 50 individuals under the Global Impact Visa programme.

¹² This could potentially be the result of domestic market conditions (e.g. there simply were not enough attractive deals at the time, or domestic products being offered, or insufficient funds raising capital).

¹³ Stakeholders also stated that many investor migrants tend to invest via an advisor or (trust) fund managers and that language was therefore less of a concern

54. The border exceptions for Active Investor Plus and Investor 1 migrants are no longer necessary, as offshore resident visa holders can now enter New Zealand once their resident visa is issued¹⁴. There remains an issue to resolve for those who applied for a resident visa between March 2020 and December 2021. The Minister of Immigration will be receiving advice on that issue shortly.
55. The Global Impact Visa border exception was implemented on 22 February. In addition, the Minister of Immigration extended the Global Impact Visa pilot from 31 December 2021 to 31 December 2022 in order to enable the border exception to be feasible and to enable other Fellows under the scheme to be granted Global Impact Visas once regular visa processing resumes under Step 5 of Reconnecting New Zealanders.

The existing investor visa categories will be closed

56. Officials' view is that the existing categories should close after an announcement following Cabinet's decisions on the final design settings for the Active Investor Plus visa. This would ensure that enough detail on the new visa can be communicated to prospective investors.
57. Stakeholders have advised that the rapid processing of the existing applicants is usually viewed as being as important as the higher investment requirements, and word of mouth marketing in this cohort is often trusted more than media.
58. Investor 1 visa applications that have already been accepted prior to the date of closure will continue to be processed. We note that 316 Investor 1 applications had been received by 17 March 2022.
59. We will also permanently close the Investor 2 category, as Cabinet agreed in August. We do not propose any transitional provisions for the Investor 2 visa. This means that individuals who have not yet submitted an application will be unable to apply for the visa even though they had received an invitation to apply for a resident visa.
60. As at 17 March 2022, there were 493 Investor 2 applications on hand who will be able to receive a resident visa once their application is approved¹⁵.
61. To further mitigate the risk of investors losing interest, you may prefer to leave the existing categories open until closer to the time the Active Investor Plus visa is rolled out. This would likely, however, see more potential investors apply under the existing categories.
62. Some degree of lag between the existing visa categories closing and the Active Investor Plus visa is workable. Officials anticipate that there is likely to be a period where the market gets used to the new rules, markets them and advises prospective clients, before applications for the new investor visa begin to ramp up.

Next steps

63. We have attached a draft Cabinet paper for Ministerial consultation at Annex One, which reflects your decisions in December 2021 [MBIE briefing 2122-1943 refers] and stakeholder feedback.
64. The Cabinet paper focuses on the high-level enhancements to the previously agreed approach and seeks a delegation to finalise the technical details (some of which is discussed

¹⁴ Those wishing to travel to New Zealand on Specific Purpose Visa once their investor visa application is approved in principle will be eligible to apply for a Specific Purpose Visa from Step Five of the Reconnecting New Zealanders strategy (by October).

¹⁵ All applications on hand will need to be processed. There are limited options for reducing the queue outright, as once a resident visa application is made there is a legitimate expectation that it will be processed, and a decision will be made on the application

in this briefing). We consider it important that you seek this delegation so that we can tweak the policy as we move into the phase of drafting immigration instructions when unforeseen issues may arise.

65. Regulatory impact requirements are yet to be determined. MBIE officials are working with The Treasury and will complete any impact analysis in time for lodgement.
66. We suggest that the paper goes out for Ministerial consultation and is lodged on 7 April 2022, for consideration at the Cabinet Economic Development Committee on 13 April and Cabinet on 19 April.
67. In December 2021, we advised that the Active Investor Plus visa would go live in mid-2022 [MBIE briefing 2122-1943 refers]. Officials are currently working on advice for the Minister of Immigration on the competing priorities for resource across the immigration portfolio. This advice will inform the Active Investor Plus visa's go live date.

Annexes

Annex One: Draft Cabinet paper – Enhancing active investment from investor migrants

Annex Two: Summary of stakeholder feedback

Annex Three: Summary of Australia's Significant Investor Stream

Annex One: Draft Cabinet paper – Enhancing active investment from investor migrants

The final paper is available on MBIE's proactive release website

Annex Two: Summary of stakeholder feedback

Officials have consulted with select industry representatives and key players in New Zealand's investment ecosystems on the proposed visa settings, including licenced immigration advisors, investment experts, business groups and Philanthropy New Zealand. Stakeholders noted the following risks:

- There does not seem to be a problem to solve, as investor migrants do currently invest in active or growth types of investment
- Over-prescription in which investments qualify as acceptable risks limiting the pool of talent and risks an investor migrant's ability to innovate
- The Government could be seen as mandating high-risk investments and could be blamed for any consequential losses
- Growth capital markets (e.g. venture capital and seed funds) are currently quite shallow; therefore, there is a risk that investor migrants could flood the market or crowd out other sources of capital
- A higher capital requirement could make New Zealand less competitive in relation to our international peers
- An increased role for Crown entities, without a significant level of collaboration with the private sector, could reduce diversity in the investment opportunities presented to investor migrants.

We have taken these risks on board and will monitor them over time as the Active Investor Plus visa is rolled out.

Annex Three: Summary of Australia's Significant Investor Visa

We see Australia's Significant Investor Stream visa as our most direct competitor, given the similarities in what Australia and New Zealand have to offer investor migrants (lifestyle, 'bolthole', ease of doing business) and that Australian permanent residents can live and work in New Zealand without having to apply for a substantive visa.

Australia's Significant Investor Stream visa is a provisional visa that allows an investor to enter and remain in Australia for up to five years. If an investor meets the conditions of their provisional visa, they are able to apply for a permanent Significant Investor Stream visa (which is effectively permanent residence). Key conditions include:

- spending at least 40 days in Australia for each year in which the investor holds their provisional visa, and
- maintaining their 'complying investments' for the duration of their provisional visa.

Complying investments are set out in a Complying Investment Framework. As of 1 July 2021, to be eligible for a provisional Significant Investor Stream visa, an investor migrant must invest at least AUD \$5 million in the following proportions:

- At least AUD \$1 million in venture capital and growth private equity funds which invest in start-ups and small private companies
- At least AUD \$1.5 million in approved managed funds. The managed funds must invest in emerging companies listed on the Australian Stock Exchange
- A 'balancing investment' of at least AUD \$2.5 million in managed funds.

Managed funds can invest in a range of assets, including companies listed on the Australian Stock Exchange, Australian corporate bonds or notes, annuities and commercial real estate. Direct investment in residential real estate is prohibited and indirect investment in residential property through managed funds is strictly limited.

Officials understand that the market has adapted to the new Complying Investment Framework by creating funds that include investments in all of the required investments. We anticipate that the New Zealand market will react to the Active Investor Plus visa in a similar way.