



6 June 2018

Ashley Tomlinson
Prudential Supervision Department
Reserve Bank of New Zealand
PO Box 2498
WELLINGTON 6140

By email: part4consultation@rbnz.govt.nz

**Reserve Bank of New Zealand Consultation Paper: Authorisations for the use
of restricted words by overseas banks**

Thank you for the opportunity to provide comments on the consultation paper about use of restricted words by overseas banks (the consultation paper).

The Australian Financial Markets Association (AFMA) is a member-driven and policy-focused industry body that represents participants in Australia's financial markets and providers of wholesale banking services. AFMA's membership reflects the spectrum of industry participants including banks (both foreign and domestic), stockbrokers, dealers, market makers, market infrastructure providers and treasury corporations.

AFMA promotes the conditions that enable financial markets to enhance Australia's economic performance by:

- Advocating policies and regulation that support development of the financial markets and user confidence in them;
- Encouraging responsible conduct and efficient markets through industry codes, conventions, guides and preparing and maintaining standard documentation; and
- Promoting high professional standards through education and accreditation programs.

Approximately one third of AFMA's members are regulated as authorised deposit-taking institutions (ADIs) by the Australian Prudential Regulation Authority. Some of those ADIs currently conduct certain limited business activity in New Zealand under non-objection letters issued by the Reserve Bank of New Zealand (RBNZ).

In principle, AFMA supports the need for a formal public register of authorised overseas banks conducting activities in New Zealand. AFMA also supports the objectives regarding clarity for consumers.

However it is our understanding that the non-objection letters currently issued by RBNZ often cover very specific and minor activities, therefore justifying the exemption from registration for a number of entities. We recommend that obligations for and related to authorisation should continue to be managed proportionately according to an entity's level of activity in New Zealand.

We make the following comments in response to the questions in the consultation paper.

Question 1: Do you agree with the proposal to publish a register of authorised banks? Do you agree with the proposal to publish individual notices of authorisation?

Yes. A publicly available register will assist anyone doing business in the New Zealand market to validate, to some degree, the credentials of a counterparty. It has been noted that from time to time, customers do inquire about an entity's authorisation to conduct activity in New Zealand and it would be helpful if this information is publicly available.

Question 2: Do you think the template asks for the right information for the Reserve Bank to consider authorisation applications? Are there redundant questions or questions missing?

Generally the template asks for the right information for the RBNZ to consider authorisation applications. It is suggested that further clarification around the requirements in question 7 to describe 'nature and scale', and whether the descriptions extend beyond current requirements for a non-objection letter, would be helpful.

Question 3: Do you agree with the proposal for annual reporting requirements by authorised banks? Is the proposed content of this reporting appropriate?

It is understood that the RBNZ wishes to obtain more detailed information regarding businesses conducting activity in New Zealand and proposes to impose annual reporting requirements on authorised banks. As this proposal places an additional level of compliance burden on authorised banks, it is suggested that the information to be reported should be referable to the activity in New Zealand, such as the number of New Zealand customers, income/revenue per authorised activity and details of any claims. The reporting can become more onerous when it is necessary to report matters such as descriptions of material changes in business activities and descriptions of all types of solicitation undertaken.

Question 4: Do you agree with the general criteria the Reserve Bank is proposing to apply to overseas banks seeking authorisation? Are any of the criteria redundant? Do you think others should be applied?

Yes, we agree with the general criteria RBNZ proposes to apply.

It has been noted that the guidance does not appear to clearly articulate the thresholds that might be applied by RBNZ to determine which businesses will qualify for authorisation, and that more concrete indications of what these thresholds are may be helpful to business.

Additional criteria to consider is that entities require comfort that an authorisation as proposed under the consultation paper will not unnecessarily extend the regulatory reach of other New Zealand laws by imposing additional obligations on entities, such as taxation.

In addition, there is support for an authorisation for businesses which limit their activity in New Zealand to wholesale business only.

Please contact me on 612 9776 7997 or tlyons@afma.com.au if you have any questions about this submission.

Yours sincerely



Tracey Lyons
Head of Policy