

RESERVE BANK COVER SHEET

REPORT NUMBER	4886
DATE	29 July 2013
SUBJECT	Revised Timeline on Loan to Value Restrictions
AUTHORISED BY	Graeme Wheeler, Governor
PREPARED BY	Bernard Hodgetts, Macro Financial Department, ddi: s9(2)(a)
ACTION SOUGHT	Minister's information
SECURITY CLEARANCE	Confidential

Recommendations:

It is recommended that you note the attached.

Please sign both copies of this memo, and phone s9(2)(a) Reserve Bank of New Zealand, on s9(2)(a) to arrange collection of the RBNZ copy.

NOTED:

Hon Bill English
Minister of Finance

Date 29 July 2013

To: Minister of Finance

Revised Timeline on Loan to Value Restrictions

1. We have been reviewing the timing of announcements around LVR restrictions given the need to allow sufficient time to incorporate the feedback from the consultation into the technical design of LVR restrictions and our recent discussions with you. This note provides a revised timeline to that set out in the memorandum of 17 July.
2. The revised timeline now has an LVR speed limit becoming effective from 1 October 2013 rather than 1 September as previously advised. Implementing restrictions a month later would provide extra time to ensure the technical details of LVR restrictions (as reflected in the Banking Supervision Handbook, BS19) are sufficiently robust. It would also provide banks with additional time to pre-position systems and processes in advance of a speed limit becoming effective.
3. The following table provides the updated timeline.

26 July	A copy of the draft summary of submissions has been provided to your office.
31 July	Briefing material provided to you and the Prime Minister summarising the Reserve Bank's intended LVR Policy approach.
9 August	Draft copy of Banking Supervision Handbook provided to your office.
13 August	Summary of submissions and BS19 published.
16 August	Draft of Regulatory Impact Assessment of high LVR speed limits provided to your office by this date.
20 August	Announcement of High LVR speed limits (to take effect 1 October). Regulatory Impact Assessment published.
20 September	Reserve Bank issues conditions of registration to banks
1 October	High LVR speed limits take effect

4. The two critical release dates on the timeline are 1) the public release of the summary of submissions on the LVR consultation and the Banking Supervision Handbook Chapter – BS19 (13 August); and 2) the public announcement that an LVR speed limit is to be introduced (20 August).
5. We would expect to accompany the release of the summary of submissions and BS19 with a brief release highlighting the key technical changes that have been made to the framework in light of the consultation. This includes a mechanism to enable the banks to accommodate the backlog of loan pre-approvals that would otherwise see some banks breaching the speed limit within the first few months of operation.
6. We will announce the decision to make LVR restrictions effective through an on the record speech and accompanying media release. The speech will put the macro-prudential policy approach within a broad context of challenges that the Reserve Bank is seeking to address. The media release would discuss the macro-prudential rationale for introducing an LVR speed limit, the nature of the speed limit, exemptions and other operational features. We would also expect to accompany any media release with guidance on how the speed limits would affect a typical borrower.
7. While we are still working through the technical details of LVR restrictions for the purposes of the Banking Supervision Handbook, we would expect to provide you with a briefing note later this week confirming the main details of our intended approach to the LVR speed limit.

Graeme Wheeler
Governor

Copies to: Gabriel Makhoulf, Secretary, The Treasury
Cameron Burrows, Economic Advisor, Office of Hon Bill English