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12 January 2018

Jeremy Richardson and Ashley Tomlinson
Prudential Supervision Department
Reserve Bank of New Zealand
PO Box 2498
Wellington 6140

Email: stocktake@rbnz.govt.nz

Dear Jeremy and Ashley,

Follow-up Consultation: Updates to registered bank disclosure statements arising from Stocktake

ASB Bank Limited ("ASB") welcomes the opportunity to submit to the RBNZ on the follow-up consultation document, "*Updates to registered bank disclosure statements arising from Stocktake*".

This submission answers the specific questions posed in the consultation document and sets out ASB's views on the proposals. We are broadly supportive of the RBNZ's proposals but believe the additional information to be included should not be subject to an audit given its content.

We have seen the submission of the New Zealand Bankers' Association on the Consultation Document, and support the points made therein.

If you have any queries in relation to this submission, please do not hesitate to contact me.

Yours sincerely

S9 (2) (a) Privacy

Jonny Le Leu
Regulatory Affairs Manager
ASB Bank Limited

S9 (2) (a) Privacy

Specific Questions

- 1. Do you have any comments on the proposed drafting changes to the Orders in Council to implement these disclosure changes for both locally-incorporated banks and overseas branches?**

We support the proposed drafting changes to the Orders in Council.

- 2. Do you have any comments either on the nature of the proposed disclosure of regulatory liquidity ratios, or on the drafting changes to the local Order in Council to implement the proposed new disclosure?**

In our view, there is a significant risk that the average user of financial statements will not have sufficient context to interpret these ratios in a meaningful way. Further, ASB understands that banks do not currently apply consistent calculation methodologies for liquidity ratios meaning that they are not comparable.

If liquidity ratios are included within the local Order in Council, we recommend that the calculation of such ratios is clarified to ensure consistency between banks. The proposed Order in Council notes that average ratios should be calculated using the ratio at the close of each business day. ASB believes that average ratios should be calculated using the ratio at the close of each calendar day.

Under the current proposals, the inclusion of regulatory liquidity ratios and concentrated credit exposures would be subject to an audit by a bank's external auditor. Our view is that this is not appropriate given that these measures are regulatory in nature and are not defined in New Zealand GAAP. We would consider it more appropriate if these metrics were subject to review by the auditor. This would be consistent with the treatment of the capital adequacy disclosures in Schedules 9 and 11.

- 3. Do you have any comments on the proposed changes to the disclosure of concentrated credit exposures, whether on the content of the changes or in the way the changes are drafted in the local Order in Council?**

The use of CET1 as a denominator for concentrated credit exposures results in a discrepancy in measurement basis between Schedules 13 and 14. This inconsistency could result in misinterpretation by users.

The proposed Dashboard content includes disclosure of the top 5 lending exposures as a percentage of equity which the OICs do not. If these exposures are included within the Disclosure Statement this would introduce a further inconsistency in measurement between disclosures.

ASB suggest the RBNZ align the measures used as a basis for determining all credit exposure metrics. Further, ASB consider that this information should be subject to external auditor review, rather than audit, as discussed above.

- 4. Do you have any comments on the proposed drafting changes to remove the references to FIRB and QRRE?**

We support the removal of these references from the Orders in Council, and the Capital Adequacy Framework (Internal models based approach).

5. Do you have any comments on the proposed drafting changes to the branch Order in Council to implement these disclosure changes for branches only?

We support the proposed drafting changes to the Orders in Council.