

From: [keith.muir](#)
To: [Stocktake](#)
Subject: Open Bank Resolution- dashboard proposal
Date: Tuesday, 6 December 2016 7:09:59 p.m.

Sir,

I wish to make a very brief submission on this proposal, as an interested but non-professional member of the public.

1: I welcome any move that will enable depositors to make better informed decisions as to where to place their savings.

2: As a general observation, my own wholly unscientific research—simply asking people I know, including bank staff—indicates a very low awareness of the existence of OBR, never mind its provisions.

3: The information you propose to include in the Dashboard looks about right to me; too much information risks confusion rather than enlightenment.

4: The exercise will be pointless, unless accompanied by a widespread and sustained campaign of public awareness and education. Anything less risks creating uncertainty in the public mind and thus potentially, a destabilization of the system. For example, if one of the dashboard metrics were to change negatively from one reporting period to the next—say the Capital Ratio—then without widespread public understanding of the relevance of the change, if any, the possibility exists that the bank in question would suffer substantial withdrawals, 'a run on the bank'. History has shown us all too often just how damaging to public confidence in the whole system that could be.

5: In my view, an essential part of any awareness campaign, must be to make it absolutely clear that OBR exists as an alternative to a deposit guarantee scheme; in other words, there would be no government bailout of a failed bank despite the example of South Canterbury Finance. I think many still believe that deposits are covered by an explicit or implicit government guarantee. If people are not convinced that they will not be bailed out, then why should they exercise care in their choice of a home for their savings? I think that this is a crucial part of the exercise.

6: It will also, I believe, be essential to explain why NZ is alone among developed economies in not having a deposit guarantee scheme, particularly in light of the scheme operated in Australia covering the four banks with whom most Kiwis deal. I think you will find considerable unease, particularly from older people who well remember the finance company failures, that they could face the loss of some percentage of their deposits—a haircut—when their Australian family and friends would not.

The fact that this move is being considered now, constitutes a tacit admission that more

should have been done prior to the implementation of OBR to inform the public of what it would entail. In the absence of a bank funded deposit guarantee scheme, which is what I believe should be put in place, the proposal to implement a dashboard with limited but clear information, is to be welcomed. I will support it but being cautious, will continue to split my own term deposits among several banks.

Yours,

Keith L Muir.

A solid black rectangular box used to redact the signature of Keith L Muir.