



15 December 2016

For the attention of:

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

By email

Dear Sirs

**Consultation submission:  
The Dashboard Approach to Quarterly Disclosure**

We welcome the opportunity to submit on the Consultation paper on the above, dated September 2016.

We have considered the various options proposed in the document and agree the Disclosure Dashboard is the best of the proposed options for improving market discipline through better accessibility of bank financial information and comparing the results between financial institutions. We recognise the current disclosure processes have little connection with the investing public as they remain technically focussed and difficult to assess by experienced investors let alone the average depositor. We believe the proposed Dashboard offers an opportunity to reduce internal governance costs at the margin, through leveraging data already provided to RBNZ, but we assess that to be a secondary consideration to helping kiwis better understand the financial health of the institutions into which they invest their savings.

While we consider the Disclosure Dashboard the best of the proposed options, we believe there are key issues which will have to be addressed in order to ensure that option satisfies the requirements of various regulatory stakeholders as well as the investing public.

- Firstly the proposed timeframes for publishing the Dashboard will need to satisfy internal governance requirements as well as the needs of all relevant regulators including the requirements of both the NZ and Australian stock exchanges that the publishing of any market sensitive information does not confer any advantage to specific groups of investors. Banks carefully orchestrate the publishing of financial information to ensure those requirements are currently met. Aligning publishing of the Dashboard with the current 2 month timeframes for the existing off quarter and half year Disclosure Statements would seem to align with internal assurance and external reporting requirements.
- Comparability of the information between the banks may be difficult to achieve given 4 banks have been accredited under the advanced internal ratings basis while the rest apply differing capital and risk weight treatments under the standardised approach. We believe the RBNZ will

need to provide additional guidance to the public on how to interpret the different ratios and this may be assisted by grouping the banks into appropriate peer bands. In addition, banks do adopt differing accounting policies treatments and interpretations. Aiming for greater consistency remains a worthwhile goal but may be difficult to achieve in practice. Some further workshops will be required to ensure that effective comparability is possible.

- Kiwibank supports the use of the proposed measures and ratios which are generally considered core to understanding bank financial performance. While the suggested measures and ratios proposed are supported we question the proposed use of the liquidity mismatch ratios. These are quite detailed technical liquidity measures which can be volatile between reporting periods. Applying the underlying objective of the Dashboard aiding investor understanding, we believe using the Core Funding Ratio would be a superior liquidity measure. In the same way we believe some workshops with the institutions will be necessary to agree the final series of measures and ratios to ensure they are the most appropriate to meet the Dashboard objectives and they are calculated in the same way so as to support comparability.
- We have commented individually on the questions raised in the submission document. Again some issues requiring further discussion or clarification have been highlighted.

If you have any further questions regarding the feedback provided in this response, please feel free to contact either myself or David Ward.

Yours faithfully

Graeme Watt  
**Chief Financial Officer**  
**Kiwibank Ltd**

Cc Malcolm Bruce, Chief Risk Officer  
David Ward, Senior Manager Financial Accounting

## Kiwibank Responses to the RBNZ Dashboard approach to quarterly disclosure Consultation

Question	Content	Response
1	Do you have any comments on the proposed content of the Dashboard? Is there any additional information you would like to see in the Dashboard? What would be the benefits of this information?	<p>Whilst Kiwibank recognises the importance of liquidity metrics as measures of Banks' financial stability it is our opinion that this should be limited to the Core Funding Ratio on the dashboard (both summary and detailed). Liquidity mismatch ratios are highly volatile short term liquidity metrics with this volatility at different points in time likely to hinder comparability and potentially result in misinterpretation of individual banks stability.</p> <p>Asset quality by portfolio will be difficult to achieve given each bank has different business type/portfolio definitions. May assist peer analysis of key financial metrics, again subject to comparability.</p>
2	What would be the benefits and costs of including some sort of metric of large exposures in the Dashboard? Do you have any comments regarding the proposed metrics? Can you suggest another metric you think would better capture this information?	<p>Kiwibank recognises the ability to assess credit concentration is an important aspect of evaluating financial stability and that large exposure reporting may assist the RBNZ, and investors, in determining if the systematically important banks have similar or related large exposures.</p> <p>However there may be some issues each bank would need to consider around privacy and commercial sensitivity which ultimately restricts the ability to provide this information more transparently.</p>
3	Should LVR data be in the Dashboard?	We are comfortable with reporting LVR data in the Dashboard to the extent that this is consistent with current requirements i.e. to disclose a breakdown of outstanding residential mortgage lending by loan-to-valuation ratio.
4	What are the marginal costs to banks associated with providing the information we propose to include in the Dashboard? Please include only the marginal costs, beyond the costs associated with producing the proposed private prudential reports covering these items.	We would estimate that there would be additional reporting review of this data for 2-3 staff. this would equate to circa \$15k p.a.
5	Should we enable, or even require, qualitative explanations of any of the Dashboard figures, if material changes have taken place?	Submitters would need to be clear on what material changes are defined as. There may be some merit in providing some explanations and in certain instances this could provide valuable context.

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6	<p>Do you have any comments on the file types proposed for each type of user?</p> <p>Do you think a “database” approach would enhance accessibility of the information?</p> <p>Is there any other format that might enhance the accessibility of the data (for any profile of users)?</p>	No.
7	<p>What, beyond publication, should the Bank do to enhance understanding of the data it publishes? How valuable/what are the benefits of this work in terms of market discipline, or in other areas?</p>	<p>The Bank will need to consider or manage risks of comparability from some of the financial metrics (refer question 1). The RBNZ should consider providing some analysis or disclosure that some financial data will be prepared on a different accounting basis by different banks whilst a glossary of terms may support understanding.</p> <p>We anticipate there may some issues with respective banks listing rules and release of market sensitive data. Hence the RBNZ needs to assess or compare the market discipline benefits (over the existing regime) against possible market listing rule restrictions.</p>
8	<p>How much previous period data would you like to see in the Dashboard?</p>	<p>5 years would be ideal to support comparability over a sufficient period but we recognise space constraints may limit this in the Dashboard. However this should be available in the accompanying data tables.</p>
9	<p>Do you agree with our conclusion that all locally incorporated banks should be required to make disclosures on the Dashboard?</p>	Yes.
10	<p>Do you agree with the Dashboard being implemented through the Bank publishing information that is privately reported to it under sections 36 and 93? Do you consider that this will create adequate incentives to ensure the quality of the data?</p>	<p>It is Kiwibank’s view that the Dashboard will represent important published bank information with potentially sensitive financial metrics. Our Board and senior management would ensure robust governance processes leveraging existing strong internal review disciplines, attestations and signoff to minimise the risk of error. Hence, adherence to the banking conditions adds further incentive.</p>
11	<p>Do you have any comments on the options of the Reserve Bank transferring uploaded data across to the Dashboard, or the system automatically transferring uploaded data across to the Dashboard?</p>	<p>No comment on options. However we would expect strong RBNZ internal controls, processes and a sufficient level of senior management oversight in this process to avoid the risk of error, for example transferring one bank’s financial metrics onto another by error or lack of oversight.</p>

Question	Content	Response
12	Do you think that data should be posted on the Dashboard as soon as it is uploaded by individual banks, or that data on all banks should become available on the Dashboard at a set date at the end of each quarter?	<p>It is Kiwibank's view that all banks' data should be released on the same date. There may be a risk that some banks may need more time than others (for example listing rules on market sensitive data) which could be misinterpreted by users.</p> <p>Given the need to align board meetings and complete internal assurance we would advocate for a submission for 6-7 weeks with the RBNZ publishing the Dashboard at the end of two months (consistent with the current DS requirement)</p>
13	Do you have any comments on the proposed mechanism for banks to correct data on the Dashboard?	<p>Certainly there needs to be a mechanism to re-upload in the event of an error. However it would be useful to have guidance from the RBNZ as to thresholds to errors. Through any normal month end reporting process some items may be discovered after the closure of the general ledger that may alter the financial outputs. However, when these errors are minor, adjustments are rarely retro-respectively made. Internal assessment of material errors would need to align to the RBNZ's view also.</p>
14	Do you agree with the approach of using the definitions in statistical reporting on the Dashboard? If not, do you have a view on what approach should be taken to designing definitions for this purpose?	<p>We agree with the intent of ensuring consistency. However our view is that 100% consistency may not be obtainable. The key drivers will include:</p> <ol style="list-style-type: none"> <li>1) Different accounting policy adoption;</li> <li>2) Different interpretation of accounting policies (we would recommend the RBNZ seek independent feedback from several of the major accounting firms to validate this);</li> <li>3) Difference in timing of adopted IFRS changes e.g. early adoption of IFRS 9;</li> <li>4) Different capital adequacy methodology (BS2A standardised versus BS2B Internal Models Based);</li> </ol>
15	What mechanism for ensuring the quality of the data do you prefer, what are the compliance costs associated with each option, and what would be the implications of each option for how long after the end of each quarter the data could be published?	<p>Refer question 10 on ensuring data quality.</p> <p>Under both Option A and Option B we would advocate for a submission for 6-7 weeks with the RBNZ publishing the Dashboard at the end of two months (consistent with the current DS requirement) Additional compliance costs for both Option are estimated at \$15-\$20k p.a.</p>

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16	Do you agree with our approach to reconciling disclosure made in the Dashboard with full and half-year disclosure statements? Are there other aspects of this issue we should be considering?	<p>Publication dates of monthly versus full or half-year disclosure statements will extend by 4-8 weeks. Given the internal &amp; external Governance requirements on half year and full year reporting we cannot see how they can be the same as other reporting periods.</p> <p>While rare, it is possible that directors may determine that a material change is made to the financial statements at the half or full year end Board meeting.</p> <p>Aside from practical issues around re-stating data provided to the RBNZ, we'd suggest that directors may have some legal risk around disclosure requirements.</p>
17	Do you agree with the proposed content of the off-quarter DS under Option B?	Yes however this is caveated to the extent that the "Regulatory Liquidity ratios" referenced in the "Other Financial Data" section is limited to the Core Funding Ratio and not the liquidity mis-match ratios for reasons detailed in 1. Above.
18	Please give your views on what is a realistic publication deadline, both under the current proposal, and in the event that the s82 director sign-off requirement is removed at some point.	As indicated previously we advocate a 6-7 week submission timeline to satisfy internal assurance requirements. Removing the directors' sign-off requirement may reduce that by ~5 days.
19	Please provide any comments on the proposed approach to ensuring timely disclosure of breaches by locally-incorporated banks.	From our perspective the issue is not one of timely disclosure of breaches but the current lack of clarity of what is considered a minor error and what is considered sufficiently material that it is deemed a breach or potential breach. We advocate RBNZ clarifying that definition or providing a materiality threshold so Banks are clear on what constitutes a breach and the reporting timelines.
20	If the Basel change is confirmed, do you have any concerns about this updating happening only six-monthly? Otherwise, which of the three options for off-quarter updating do you prefer and why? Can you suggest any other mechanism to achieve sufficiently timely publication of terms of new capital issues?	<p>If the Basel change is confirmed, we have no concerns regarding the updating only occurring every six months. We agree with the RBNZ's stated rationales for this in the consultation document.</p> <p>Of the three alternative options, our preferred approach is the second option of timely publication of details of the issue on our website. We prefer this as it provides the most flexibility with respect to the information disclosed (which may not be achievable via option three – templating) and for public issues of capital instruments compliance could be achieved with the inclusion of the terms as part the announcement of the issue - avoiding the process burdens associated with option 1 – preparing a conditional disclosure statement.</p>
21	Please provide any comments on the proposed approach to ensuring timely disclosure of breaches by branches.	Refer to Q19