

Submission

to the

Reserve Bank of New Zealand

on the

Exposure Draft for BS11: the Outsourcing Policy for Registered Banks

26 May 2017

About NZBA

1. NZBA works on behalf of the New Zealand banking industry in conjunction with its member banks. NZBA develops and promotes policy outcomes that contribute to a strong and stable banking system that benefits New Zealanders and the New Zealand economy.
2. The following fifteen registered banks in New Zealand are members of NZBA:
 - ANZ Bank New Zealand Limited
 - ASB Bank Limited
 - Bank of China (NZ) Limited
 - Bank of New Zealand
 - Bank of Tokyo-Mitsubishi, UFJ
 - Citibank, N.A.
 - The Co-operative Bank Limited
 - Heartland Bank Limited
 - The Hongkong and Shanghai Banking Corporation Limited
 - Industrial and Commercial Bank of China (New Zealand) Limited
 - JPMorgan Chase Bank, N.A.
 - Kiwibank Limited
 - Rabobank New Zealand Limited
 - SBS Bank
 - TSB Bank Limited
 - Westpac New Zealand Limited.

Background

3. NZBA welcomes the opportunity to provide feedback to the Reserve Bank of New Zealand (**RBNZ**) on the Exposure draft for BS11: the Outsourcing Policy for Registered Banks (**Exposure Draft**), and commends the work that has gone into developing it.
4. If you would like to discuss any aspect of the submission further, please contact:

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Application of the policy

5. Section 3.1 of the Exposure Draft outlines the application of the policy, noting that it will apply to Large Banks – being locally incorporated banks with liabilities, net amounts owed to related parties, of \$10 billion or more. It is the understanding of NZBA and its members that RBNZ does not intend to lower this threshold, and accordingly that the policy will not apply to other banks. We understand this also reflects and preserves the intent of the current policy.

6. Some of our members are concerned that paragraph (2) of section 3.1 may not align with this intention and could be interpreted differently. This could result in a lack of certainty with one interpretation being that the paragraph gives RBNZ the right to impose the policy on any bank irrespective of the threshold.
7. NZBA and its members submit that the section would benefit from more certainty in the drafting to remove any possible ambiguity.