

Chief Executive Office

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4 December 2015

Grant Spencer
Deputy Governor
Reserve Bank of New Zealand
PO Box 2498
Wellington 6140

Dear Grant,

Please find attached BNZ's submission on the Reserve Bank's Consultation Paper: "Review of the outsourcing policy for registered banks".

The policy review is a major piece of reform and I would like to express my appreciation of the opportunity to meet with you last month and the confirmation that the Reserve Bank would work through this in a consultative manner to ensure the revised policy is fit for purpose, rather than being constrained by an aggressive timeline.

The high degree of cooperation, integration and harmonisation between New Zealand and Australian banks has evolved over a number of decades and underpins strong and resilient financial systems in both jurisdictions. It is critical that the Reserve Bank's outsourcing policy review is undertaken in this context and that the strengths and benefits derived from this close integration are not lost to New Zealand. Australian parent banks provide access to advanced capabilities and resources that are unlikely to be within the reach of standalone New Zealand banks – this includes both financial support as well as information technology services, data security, and infrastructure. The benefits of good regulation and close parent/subsidiary integration and support have been particularly evident through periods of stress, including the global financial crisis.

The degree of government and regulatory harmonisation and cooperation in both jurisdictions is evidenced in the trans-Tasman cooperation provisions in the legislation governing the regulators on both sides of the Tasman. I note that the legislatures on both sides of the Tasman were able to implement those cooperation provisions effectively and efficiently in 2006. To the extent that the Reserve Bank may have unresolved concerns about the comprehensiveness or robustness of the trans-Tasman cooperation legislation, particularly in relation to the ongoing provision of services, BNZ is committed to working with the Reserve Bank in promoting legislative change. As a starting point in that process, BNZ's submission includes draft amendments that have been prepared by a leading New Zealand law firm. BNZ considers this to be such an important first stage of the policy review that we would like to propose the establishment of a working group consisting of regulators, government and industry representatives on both sides of the Tasman to progress the amendments. I would appreciate the opportunity to discuss this with you further once you have had a chance to review our submission.

[REDACTED]

[REDACTED]

There will be some systems and process changes that BNZ can implement more quickly to help try and achieve the Reserve Bank's desired outcomes - we would commit to doing those on a more accelerated timeframe under a plan to be agreed with the Reserve Bank. [REDACTED]

[REDACTED]

[REDACTED] BNZ estimates that undertaking out of cycle repatriation would be [REDACTED]. The effort required to complete such an exercise would have a very material impact on our ability to innovate and accommodate other legislative and regulatory requirements that government and regulators may want to implement during that period.

I look forward to further engagement with the Reserve Bank on the development of this policy.

Yours sincerely,

[REDACTED]

Anthony Healy
Managing Director & CEO

- Cc: Toby Fiennes, RBNZ
- Cc: Cavan O'Connor-Close, RBNZ
- Cc: Andy Wood, RBNZ
- Cc: Victoria Learmouth, RBNZ
- Cc: Stuart Irvine, RBNZ
- Cc: David Bullock, BNZ
- Cc: Peter Whitelaw, BNZ