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**JOINT AUSTRALIAN OWNED LARGE BANK SUBMISSION: EXPOSURE DRAFT FOR BS11: THE  
OUTSOURCING POLICY FOR REGISTERED BANKS**

**Background**

We welcome the opportunity to submit on the *Consultation paper: Exposure draft for BS11: the Outsourcing Policy for Registered Banks*.

This is a joint submission made collectively by ANZ Bank New Zealand Limited, ASB Bank Limited, Bank of New Zealand, and Westpac New Zealand Limited being four of the five Large Banks currently in scope for the proposed revised BS11 outsourcing policy (i.e. locally incorporated banks whose liabilities exceed \$10 billion, net of amounts due to related parties), and which are subject to the requirements of the revised BS11 outsourcing policy in respect of separation plans and robust back-up arrangements for outsourcing arrangements with offshore related parties.

In the interests of achieving a clear and unambiguous policy, and in accordance with the stated preference of the Reserve Bank of New Zealand (**Reserve Bank**) to receive a single joint submission, none of the contributors to this submission has made an independent submission. We note that we have seen the submission of the New Zealand Bankers' Association and collectively endorse the points therein.

We very much appreciate the constructive engagement that we have had with the Reserve Bank during the Exposure Draft consultation period, including three multilateral workshops with representatives of the banks.

The focus of this engagement has been on ensuring there is a clear common understanding between the banks and the Reserve Bank of the policy intent behind the revised outsourcing policy, to allow an effective submission to be made on the Exposure Draft. A clear and unambiguous policy, which is

understood and applied consistently across all banks, external reviewers and the Reserve Bank's supervisors, is of paramount importance to the banks. This reflects that:

- the banks need to have confidence that the solutions they design for the significant work required during the policy transition period will meet the requirements of the Reserve Bank; and
- the application of the revised outsourcing policy to new and existing outsourcing arrangements, and the requirement to engage with the Reserve Bank in respect of certain new outsourcing arrangements, have the potential to significantly impact the day-to-day operations of the banks.

#### **Format of submission**

This submission comprises four parts.

Appendix A provides an explanation of the banks' proposed changes to the Exposure Draft. It sets out the banks' understanding of the policy intent, and reflects the points discussed with the Reserve Bank during the engagement process, together with:

- (i) minor changes to matters discussed at the workshops; and
- (ii) additional minor changes not covered at the workshops.

In particular, Appendix A:

- includes the decision trees and tables discussed with the Reserve Bank during the multilateral workshops, to clarify the overall operation of the outsourcing policy and how its different parts are intended to interrelate;
- records the banks' understanding of discussions with the Reserve Bank on points of ambiguity or uncertainty in the Exposure Draft; and
- explains how these are incorporated into proposed changes to the Exposure Draft.

Appendix B includes marked-up and clean versions of the banks' proposed revisions to the Exposure Draft, incorporating revisions necessary to give effect to the matters set out in Appendix A.

Appendices C and D are marked-up versions of the banks' proposed revisions to the Pre-Approved Functions and Services for the Purposes of BS11: Outsourcing Policy for Registered Banks draft document of March 2017 and the White List for the Purposes of BS11: Outsourcing Policy for Registered Banks draft document of March 2017.

The banks appreciate that the revisions proposed appear to be substantial, but consider that they reflect the outcome of the constructive engagement between the banks and the Reserve Bank in relation to the Exposure Draft. In proposing these changes, the banks are not seeking to alter the policy decisions which the Reserve Bank has made, but rather to ensure a clearly worded policy that facilitates certainty and consistency of application for all stakeholders.

Finally, we would welcome the opportunity to continue the constructive engagement with the Reserve Bank following this submission, with the aim of assisting the Reserve Bank achieve a clear and unambiguous final Outsourcing Policy. As part of this we would like to consult with you in respect of the Conditions of Registration in Appendix I of the Exposure Draft as we have not fully considered this yet in our proposal in Appendix A and B. We also propose that this engagement

(which could also include the implementation plan external reviewers envisaged in the policy), continue beyond the introduction of the revised policy to assist with its implementation.

Yours sincerely,



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