9 June 2017

Dear Mr Ian Woolford


Rabobank appreciates the opportunity to provide feedback on the Issues Paper to the Reserve Bank of New Zealand.

Rabobank welcomes the review to ensure greater financial stability and market discipline across the full New Zealand banking sector, and will look to constructively engage in the consultation process and provide feedback. Although we consider that it may be appropriate to align the timing of this review with similar reviews currently being undertaken (e.g. Basel Committee on Banking Supervision) to ensure no significant divergence in New Zealand from the international standards.

Rabobank New Zealand itself already looks to self-impose high capital thresholds and minimal complexity to ensure greater financial stability, and currently has a capital ratio of 13.31% as at 31st March 2017 in accordance with the Capital Adequacy Framework (Standardised Approach) (BS2A).

Responses to questions in the Issues Paper are detailed in Appendix 1. If you have any further questions or wish to discuss please feel free to contact us.

Yours sincerely,

Carl Grant
Rabobank New Zealand Limited
APPENDIX 1: Responses to questions in the Issues Paper

**Question 1:** For each of the three sections (numerator, denominator, ratio), are there any important topics relating to capital adequacy that we have left out entirely?

The Issues Paper raises some new concerns to capital adequacy regarding concentration risk, although this is often already considered in stress testing in ICAAP models (Internal Capital Adequacy Assessment Process) which is not incorporated into the Issues Paper.

**Question 2:** For each of the three sections (numerator, denominator, ratio), have any important and relevant issues been omitted from the topics that have been discussed?

Not at this time.

**Question 3:** Do you have any information (e.g. empirical data) that is relevant to the issues discussed in the paper?

Not at this time

**Question 4:** Are there particular areas of the review that should be prioritised?

Further assessment of the variance between the 'Internal Risk Based' and 'Standardised' models would be valuable in assessing the level of divergence between capital measures even where the RBNZ has already introduced minimum Loss Given Default requirements.