Bank of New Zealand

Response to the Reserve Bank of New Zealand Consultation Paper:

A framework for identifying domestic systemically important banks

5 June 2019
1.0 INTRODUCTION

1.1 This submission has been prepared by Bank of New Zealand (‘BNZ’) in response to the Reserve Bank of New Zealand (‘RBNZ’) consultation paper “A framework for identifying domestic systemically important banks” released in April 2019.

1.2 BNZ welcomes this opportunity to provide feedback on this consultation.

2.0 SUBMISSIONS

2.1 BNZ submits that the framework for identifying domestically systemically important banks (“D-SIBs”), while taking into account international best practice as recommended by the Basel Committee, should be designed for New Zealand.

2.2 As noted in the consultation paper, RBNZ has already identified thresholds for systemic importance in other prudential standards, in particular:

- a NZD 15 billion external liabilities threshold for local incorporation in BS1;
- a NZD 10 billion net liabilities threshold for the application of the Outsourcing Policy in BS11; and
- a NZD 1 billion retail deposits threshold beyond which locally-incorporated banks are required to pre-position for Open Bank Resolution (“OBR”).

2.3 BNZ submits that if RBNZ considers that a bank should come within these policies in order to enable RBNZ to have the full range of supervision, distress management and resolution options then that indicates that the bank is of domestic systemic importance in the local context. Further, given capital ratios, OBR and Outsourcing Policy are all linked to crisis and failure management, BNZ considers that, as a principle, a bank should be designated a D-SIB if it meets any of these policy thresholds.

3.0 CONCLUSION

3.1 BNZ appreciates the opportunity to provide this submission. BNZ is available to discuss any of the issues raised.

3.2 Should RBNZ have any questions in relation to this submission, please contact:

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