

Disclosure and accessibility: challenges and opportunities

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Disclosure and Accessibility: Challenges and Opportunities

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Contents

- Disclosure benefits for financial stability
- Improving disclosure by financial institutions
- Reaching wider audiences – improving access to our communications
- Limits to disclosure





Disclosure at the heart of market discipline

- RBNZ's prudential framework emphasises importance of disclosure, for:
 - Registered banks
 - Insurers
 - Non-bank deposit-takers (NBDTs)
- Disclosure underpins 'market discipline' – one of three 'prudential pillars'
 - Affects pricing, risk profile and behaviour of financial institutions
 - Well-informed market a precondition of an efficient allocation of society's resources



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Why is disclosure important?

- Managers have better firm-specific information than directors, shareholders and other stakeholders:
 - Weak incentives to produce and disseminate information
 - Without mandated requirements, public information may not meet needs of market participants and be of dubious quality/integrity
- Importance of disclosure and transparency illustrated by:
 - Financial and accounting scandals in US in early 2000s
 - NZ finance company failures 2006-2010
 - GFC and complexity of instruments



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Characteristics of good disclosure

- Accessible
- Reliable and timely
- Comprehensive and meaningful
- Comparable
- Consistent over time





Next for our Dashboard

- Continue to promote and build awareness
- Inclusion of other non-financial metrics
- Stress test results?
- Develop new features to meet user needs:
 - Public API's for flexible and efficient use of data
 - Print / share image feature
- Consider other disclosure dashboards (e.g. insurance and non-banks)

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Financial Stability Report in pictures

New Zealand's financial system is sound and efficient

The biggest risks to New Zealand's financial system have not changed materially in the past six months. The financial system is resilient, but the culture and conduct of financial firms must support public confidence.



Household debt levels are high but are rising less quickly than before



The Reserve Bank's LVR restrictions on new mortgage lending are unchanged



Some dairy farms need to reduce their debt levels



New Zealand banks have reduced their exposure to international risks



The conduct of financial institutions must support public confidence in the financial system



The Reserve Bank has launched the Bank Financial Strength Dashboard

Challenges in transparency



- Paradox of transparency -- *“The more open ... that the Bank becomes, the more it risks jeopardizing the certainty that is valued by stakeholders”*
 - Stress tests and institutional viability?
- Increasing demands for disclosure of prudential interventions
 - Competing market framework of continuous disclosure
 - Accountability of regulator
- Protecting prudential engagement / interventions crucial to:
 - Maintain access to information
 - Retain trust of regulated entities

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Conclusion



- Enhanced transparency and disclosure a feature of financial stability framework
- Opportunities in new channels, new tools and broader audiences
- Greater transparency is usually, but not always, better

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