

Relationship Charter.

The Reserve Bank aspires to build and maintain the best 'regulator/regulated' supervisory relationships possible, with all the different regulated entities. This Charter represents a mutual undertaking of how the parties will work together to achieve this aspiration. We will regularly measure our performance against the commitments set out in the Charter and share the lessons.



Reserve Bank of New Zealand Relationship Charter Performance Measurement 2021 Report of findings

Prepared for:

Reserve Bank of New Zealand
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Introduction

Background

The Reserve Bank aspires to build and maintain the best 'regulator/regulated' supervisory relationships possible with the entities it regulates. The Reserve Bank's Relationship Charter was established in 2018 for working effectively with banks and represents a mutual undertaking of how the parties will work together to achieve this aspiration.

The Charter commits the Reserve Bank and the financial sector to a mutual understanding of appropriate conduct and culture and is underpinned by the principle of 'te hunga tiaki' – the combined stewardship of an efficient system for the benefit of all.

Within the Charter is an understanding that the Reserve Bank will regularly measure performance against the mutual commitments set out within the Charter and share the lessons learnt. The Reserve Bank commissioned Buzz Channel to conduct the first formal performance measurement research among bank representatives in 2020, to evaluate how the Reserve Bank is performing on the charter commitments. The results of the 2020 evaluation research provided a baseline against which to compare results from subsequent evaluations.

In 2021 the Reserve Bank asked us to repeat the evaluation survey among bank representatives and this year also included insurance stakeholders in the research. This year's results provide a baseline for the insurance sector.

This report presents the results of the 2021 research among bank and insurer stakeholders who participated, with comparison against the baseline 2020 results for banks.

The overall aim of this research is to gather feedback from key stakeholders on how the Reserve Bank's Relationship Charter has worked for them. Please see Appendix 1 for the full Relationship Charter.

Feedback was obtained relating to the following key commitments in the Relationship Charter:

- **Behaviours**
 - Honest
 - Achievement focused
 - Diligent
 - Open-minded
 - Professional
- **Communication**
 - Clear
 - Targeted
 - Consistent
 - Timely

Methodology

Representatives from the senior management and boards of registered banks and insurance companies were invited to provide feedback through an online survey.

- 97 bank representatives completed the survey: 29 participants from large banks and 68 from small banks.
- 86 insurance company representatives completed the survey: 45 participants are designated insurers and 41 are portfolio-managed insurers.

See Appendix 2 for further information on the profile of participants.

The survey was open from 13 April to 2 May 2021.

Throughout the report findings are shown for banks and insurers as a whole and also the sub-groups. Significant differences compared to 2020 findings and across the bank and insurer groups are denoted with arrows and commented on where relevant:

↑↓ *Denotes results significantly different to 2020.*

▲▼ *Denotes results significantly different to others.*

The survey questions are in Appendix 3 of this report.

Summary

BANKS

Engagement

Bank stakeholders describe a significant increase in frequency of engagement with the Reserve Bank over the last 12 months, particularly in-person engagement, and from the open-ended feedback this is clearly appreciated and has strengthened the relationship.

Across all methods of engagement, participants within the large banks are engaging more frequently than participants within the small banks, particularly in person and over the phone.

Overall Relationship

Reserve Bank performance is rated significantly higher compared to 12 months ago, in terms of the overall relationship. 91% of bank participants gave a rating of 4 or 5 (out of 5) this year compared to 68% in 2020. Alongside this there has been a significant increase in participants having an opinion about the relationship this year, with a lower proportion giving a neutral rating. Generally, participants in small banks rate their overall relationship with the Reserve Bank higher than participants in the large banks.

Very few participants gave a low rating for their relationship with the Reserve Bank this year (2%).

Among stakeholders who provided suggestions on ways the relationship could be improved further the main themes include wanting increased understanding and flexibility, for the Reserve Bank to be conscious about change agendas/reporting and timeline expectations, to help banks manage demands/requirements. Working on building an even stronger partnership, and more openness and transparency was suggested by some bank participants as ways to improve the relationship.

Delivery of the Relationship Charter

Improvements are evident in the Reserve Bank's delivery of the charter and also in performance on specific aspects of the charter. Performance ratings on being professional, diligent and communicating in a consistent and timely way are all significantly higher this year.

Feedback about how the Reserve Bank delivers on the charter are largely positive across the board among bank stakeholders. Themes in the comments provided relate to good communication consistent with the charter commitments, and access to supportive, responsive staff.

INSURERS

Engagement

Insurer stakeholders indicate they are engaging with the Reserve Bank less frequently overall than bank stakeholders. The most frequent method of direct communication between insurers and the Reserve Bank is via email. In person and phone engagement is more frequent among designated insurers than portfolio-managed insurers.

Overall Relationship

Two thirds of insurer participants rated their relationship with the Reserve Bank highly (4 or 5 out of 5). Only 5% of insurers overall rated the relationship as poor, i.e., a 1 or 2 (out of 5), and these were more likely to be portfolio-managed than designated insurers.

To improve the relationship insurers are looking to build a stronger connection with the Reserve Bank through increased direct contact, sharing of information, and transparency when issues arise.

Delivery of the Relationship Charter

62% of insurer participants rate the Reserve Bank's delivery on the charter as 4 or 5 (out of 5), and 8% gave a low rating of 1 or 2. Generally insurer participants rate performance of the Reserve Bank living up to the charter lower than the bank participants and are more likely to not have a strong opinion about it, with 21% giving a neutral rating of 3.

There are no significant differences in overall rating between the designated and portfolio-managed insurers.

In the open-ended feedback provided, insurer stakeholders talked about experiencing good communication and collaboration in their interactions with the Reserve Bank.

PERFORMANCE OVER THE PAST 12 MONTHS

Participants talked about the Reserve Bank having good communication and engagement over the past 12 months. Many stakeholders gave compliments on how the Reserve Bank managed during the Covid-19 crisis and the data breach earlier this year.

Also mentioned was the role the Reserve Bank plays in the economy by building trust, and instilling confidence and stability in the financial sector.

CONCLUSION

The response to the 2021 survey is strong and positive, with feedback indicating significant improvements on key performance measures. It's clear that the Reserve Bank has been working much closer over the last year with both bank and insurer stakeholders and the more regular communication has been conducive to instilling a strong sense of collaboration between the Reserve Bank and stakeholders, particularly bank stakeholders. Stakeholders welcome the open communication and regular contact they have received over recent months and encourage the Reserve Bank to maintain and increase these interactions further to build even stronger partnerships.

Detailed findings

Methods and frequency of engagement with the Reserve Bank

BANKS

There has been a significant increase in frequency of in-person engagement with banks overall since 2020. In 2021 over half of bank participants reported having engaged in person with the Reserve Bank in the past month (53%), compared with only a third (34%) in 2020.

Frequency of phone and email communication between banks and the Reserve Bank has remained consistent compared with 2020, with just over half (56%) of bank participants having engaged with the Reserve Bank via email and 39% over the phone in the past month.

Over two thirds of bank participants overall have visited the Reserve Bank website in the past month (67%).

The majority of bank participants indicated they have read Reserve Bank news releases in the last month (79%), particularly those in the large banks (90%).

Over half of bank participants (54%) have attended a Reserve Bank speaking event or forum in the past 6 months.

Social media presence is low regardless of bank size, with 59% of participants within the large banks saying they have never followed the Reserve Bank's social media channels (LinkedIn, Twitter, Instagram, YouTube) and 63% of participants from small banks saying they have never done this.

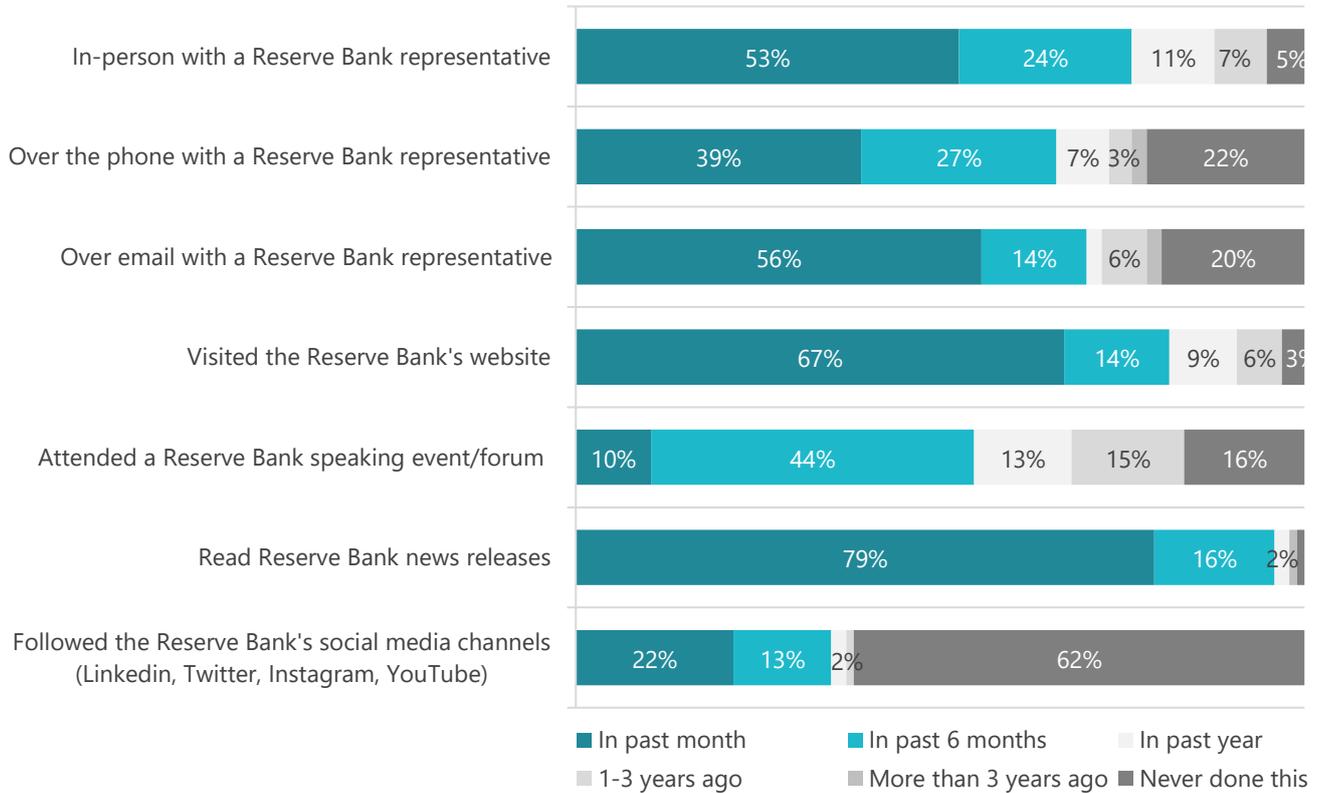
Results indicate that across all methods of engagement, participants within the large banks are engaging more frequently than participants within the small banks. In particular participants from large banks are significantly more likely than those in the smaller banks to have engaged with or had contact with a Reserve Bank representative in person (72% large, 44% small), or over the phone (55% large, 32% small) in the past month.

Detailed results are shown in the charts on the following pages.

Engagement Overview - 2021

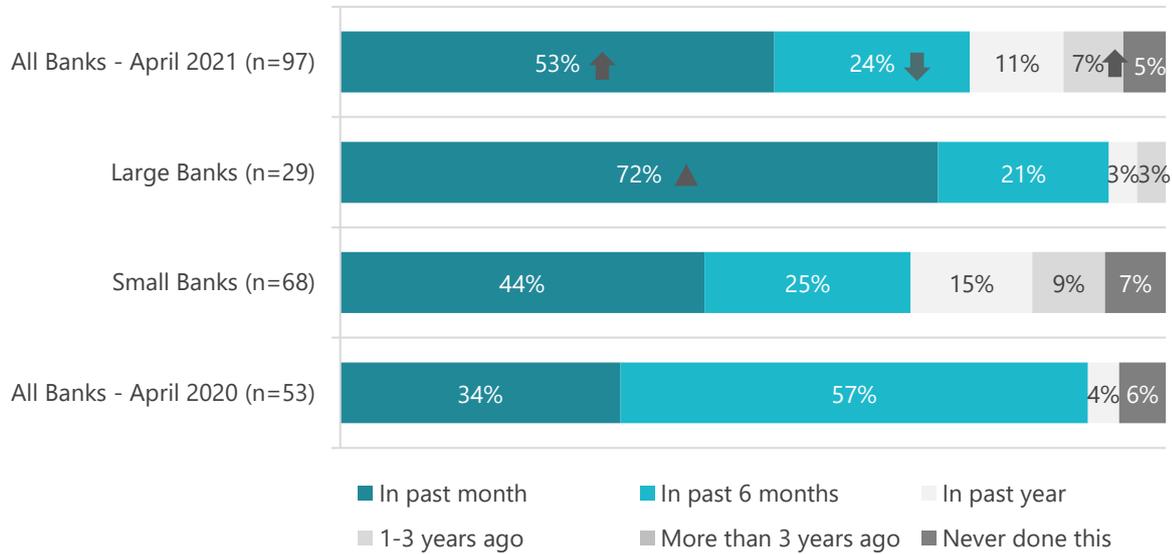
Question: Have you engaged or had contact with the Reserve Bank through any of the following? If so, when did you last do this?

Frequency bank stakeholders have engaged with the Reserve Bank
by form of engagement



Comparison with 2020 results

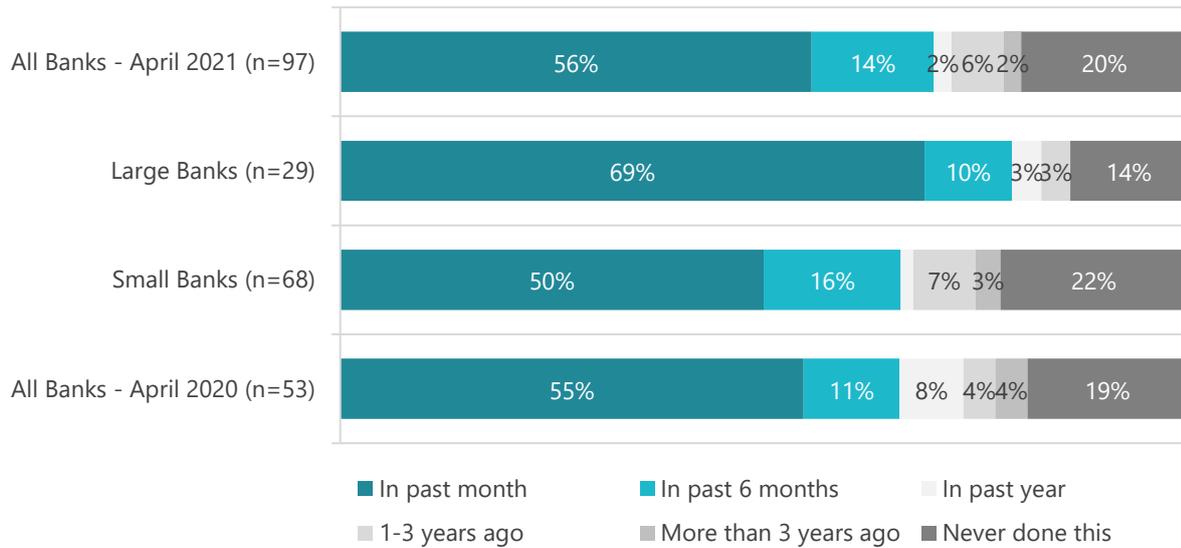
Frequency bank stakeholders have engaged with the Reserve Bank
in person



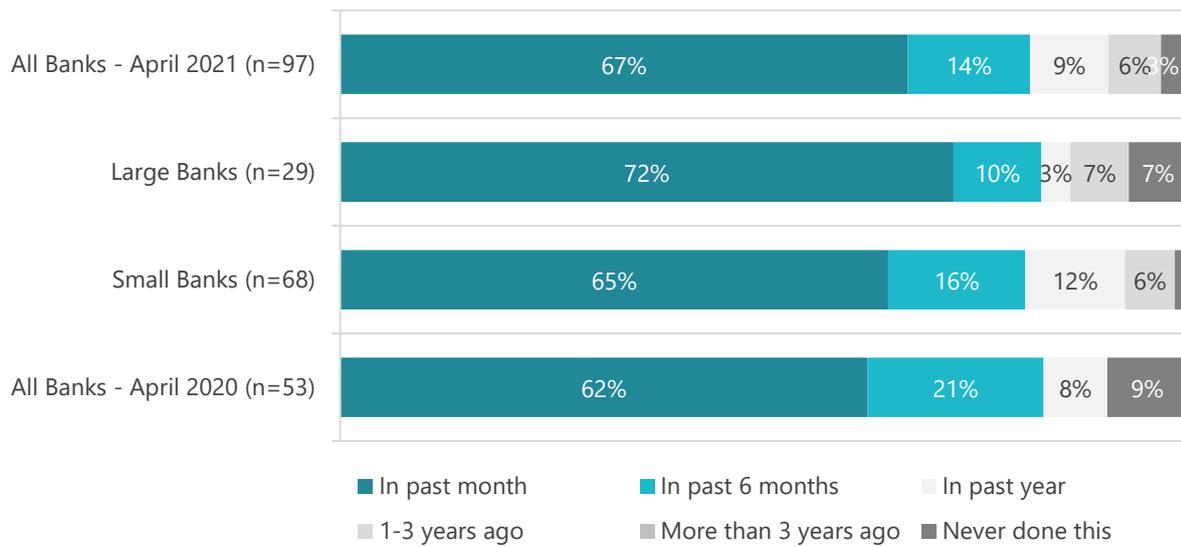
Frequency bank stakeholders have engaged with the Reserve Bank
over the phone



Frequency bank stakeholders have engaged with the Reserve Bank
over email

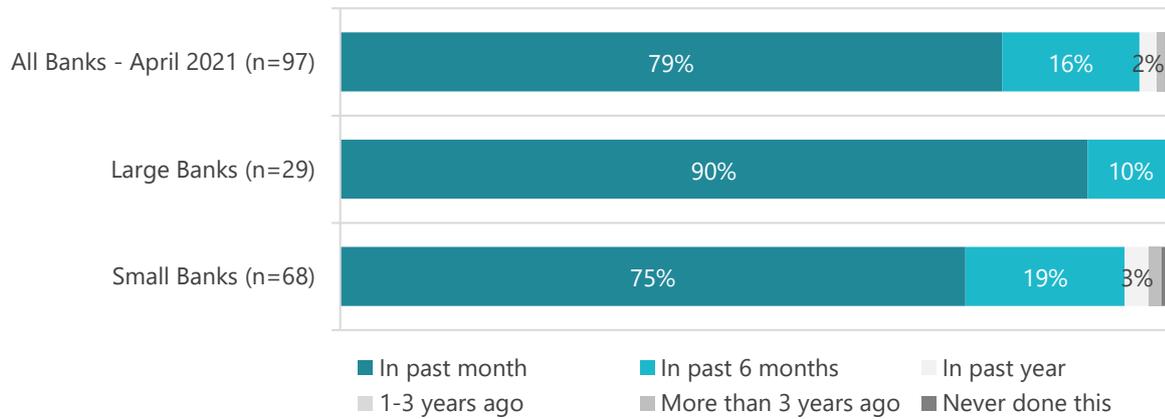


Frequency bank stakeholders have engaged with the Reserve Bank
by visiting the Reserve Bank website

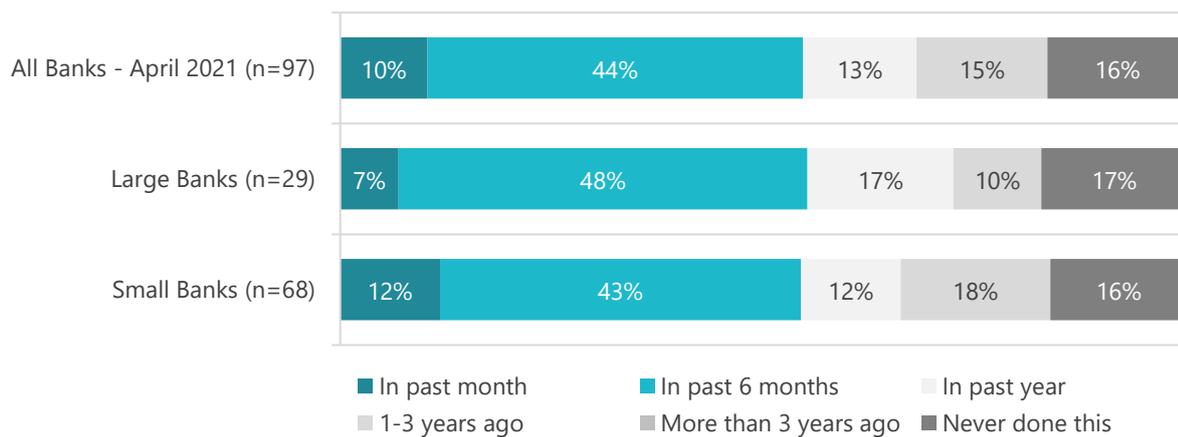


The following three engagement types were added to the survey in 2021, so no 2020 comparison is available.

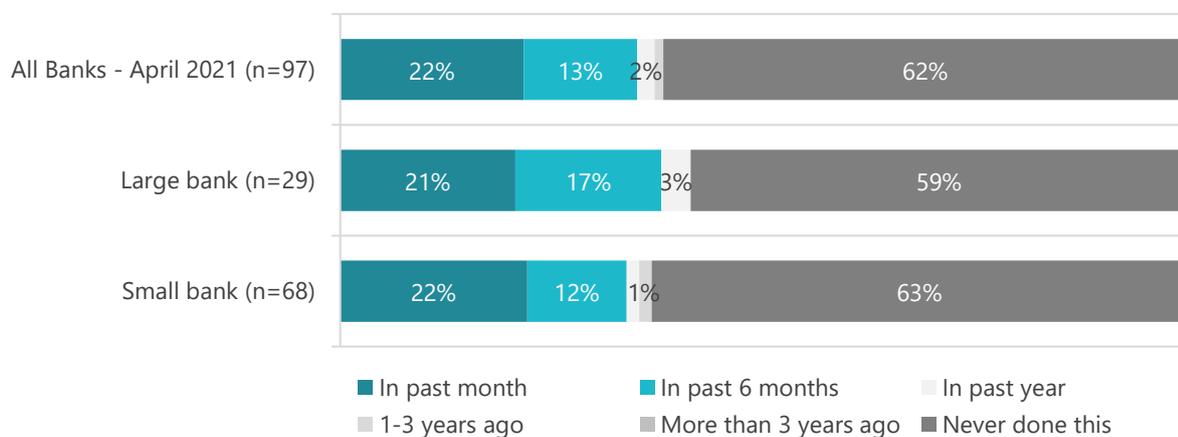
Frequency bank stakeholders have engaged with the Reserve Bank
by reading Reserve Bank news releases



Frequency bank stakeholders have engaged with the Reserve Bank
by attending a Reserve Bank speaking event/forum



Frequency bank stakeholders have engaged with the Reserve Bank
following the Reserve Bank's social media channels



INSURERS

Results indicate that insurer stakeholders are engaging with the Reserve Bank less frequently overall than bank stakeholders.

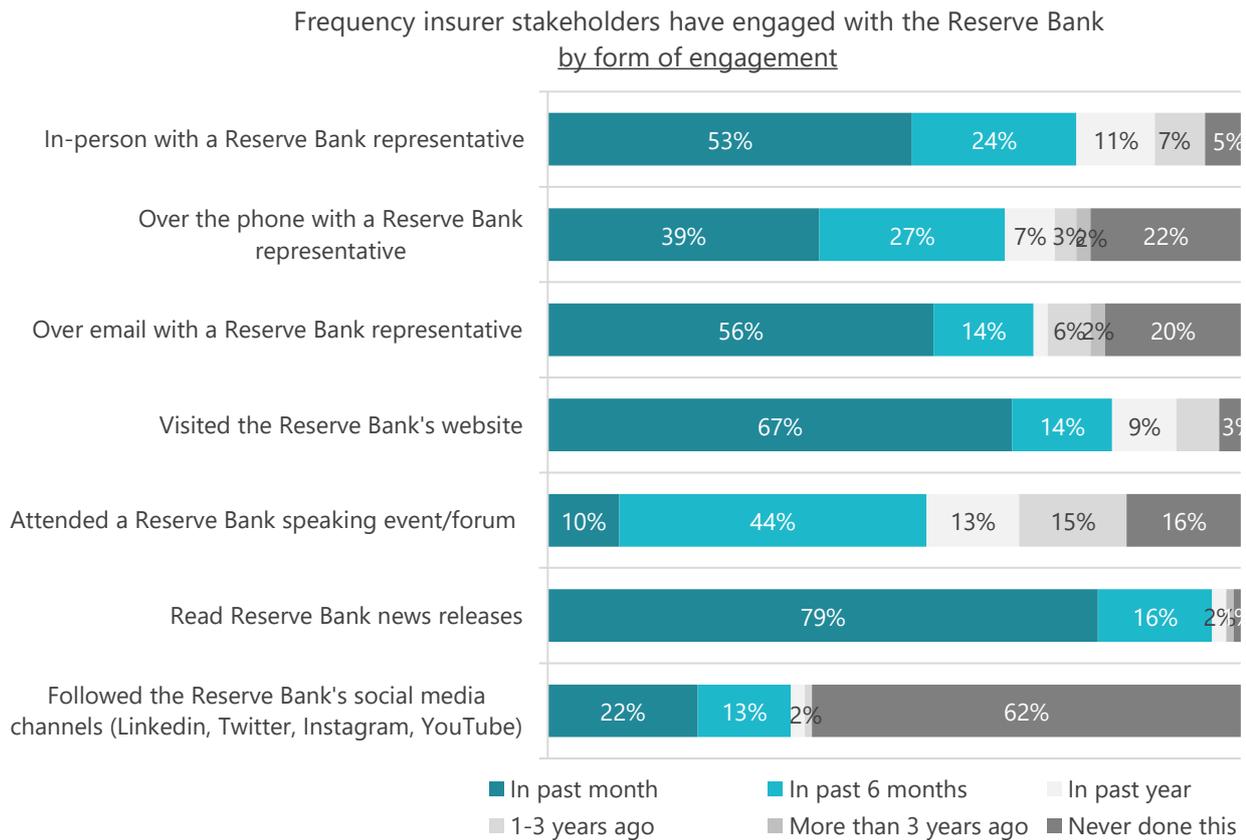
Email is the most frequent method of direct communication between insurers and the Reserve Bank. In person and phone engagement is more frequent among designated insurers than portfolio-managed.

A high proportion of participants have visited the website (86%) and read Reserve Bank news releases (89%) in the past 6 months.

Detailed results are shown in the following charts.

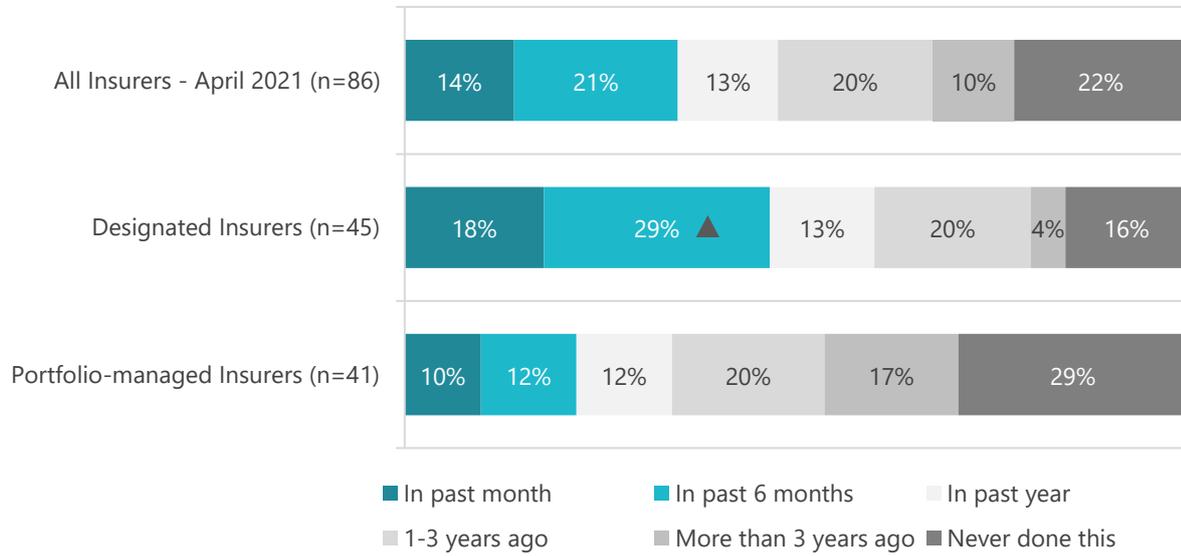
Engagement Overview - 2021

Question: Have you engaged or had contact with the Reserve Bank through any of the following? If so, when did you last do this?

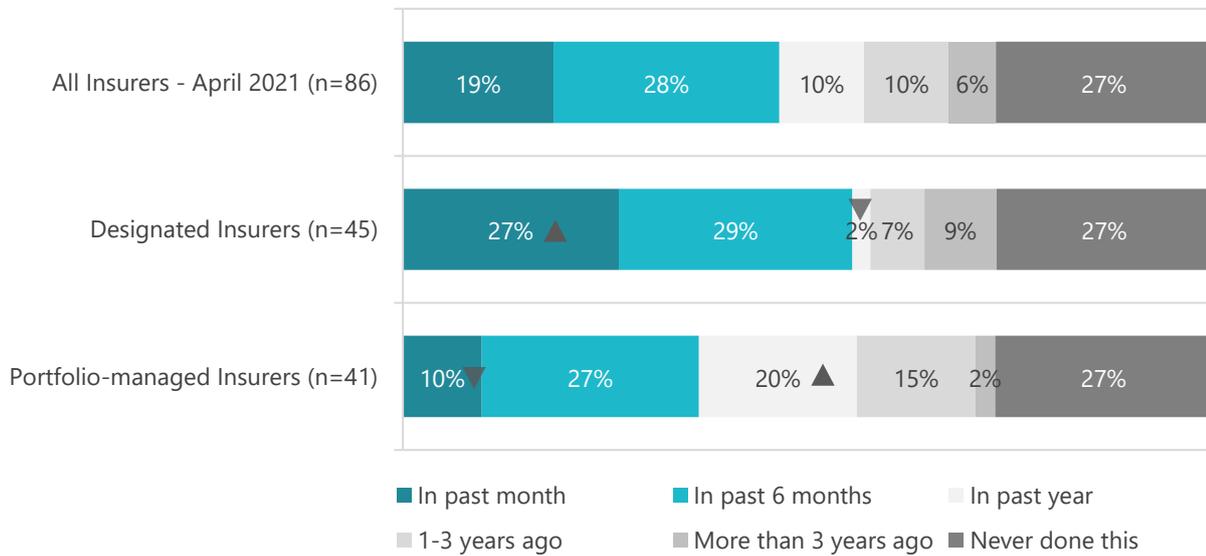


Comparison with 2020 results

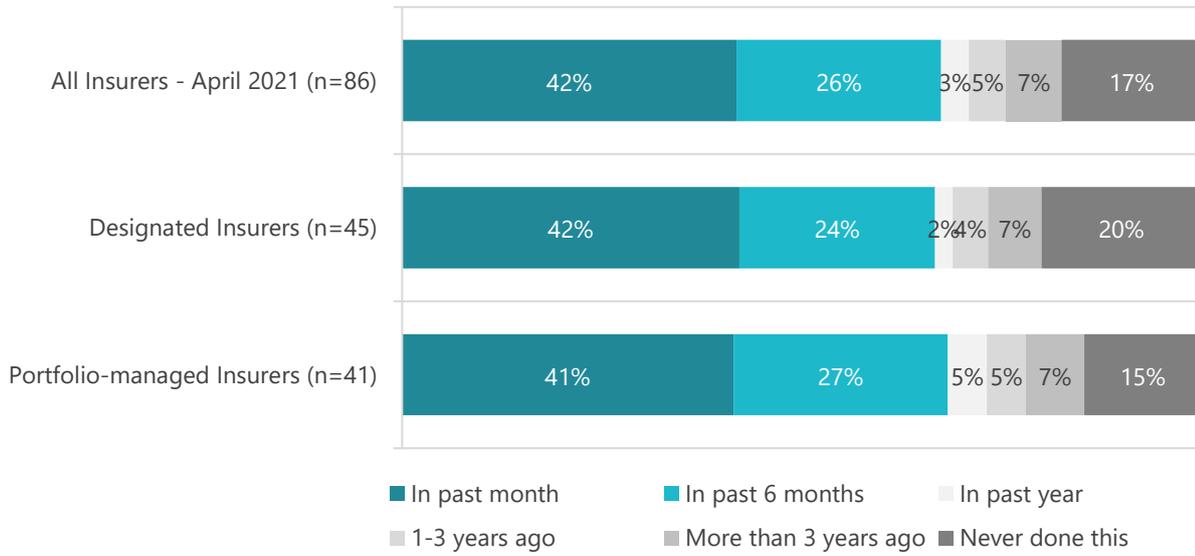
Frequency insurer stakeholders have engaged with the Reserve Bank
in person



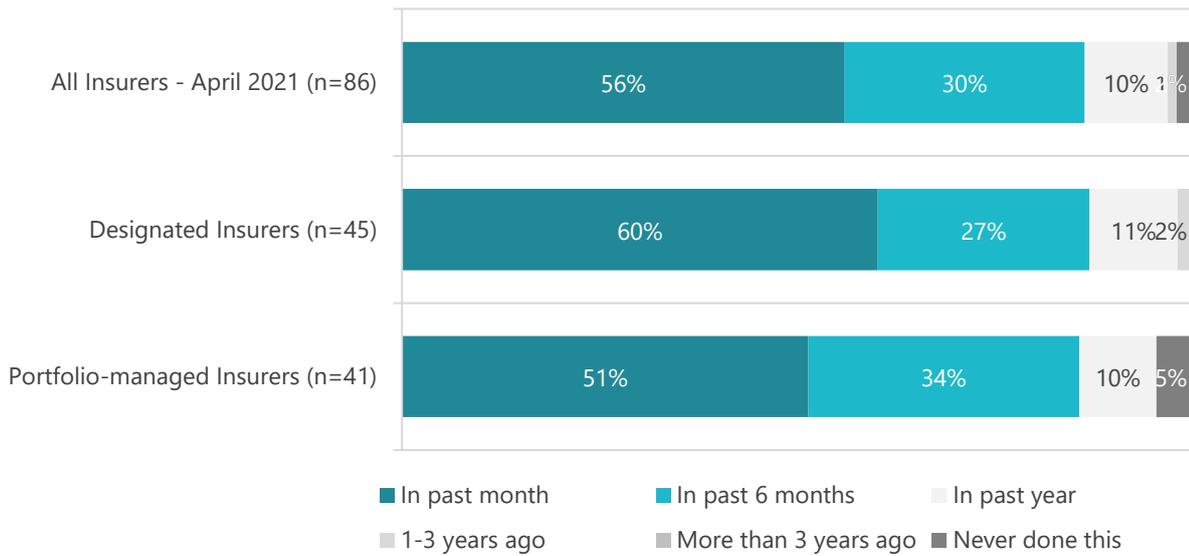
Frequency insurer stakeholders have engaged with the Reserve Bank
over the phone



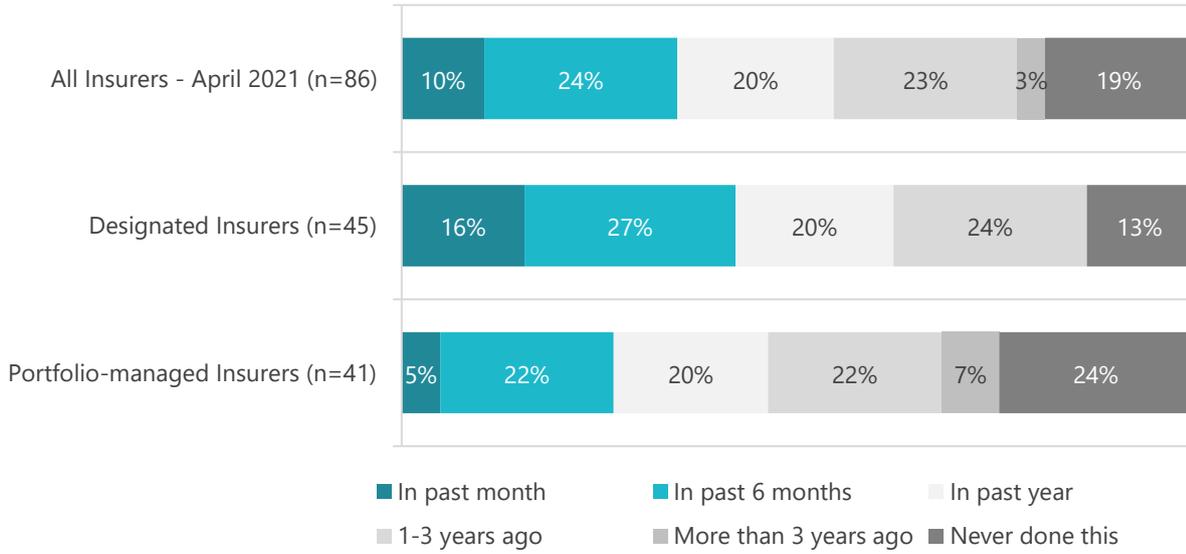
Frequency insurer stakeholders have engaged with the Reserve Bank
over email



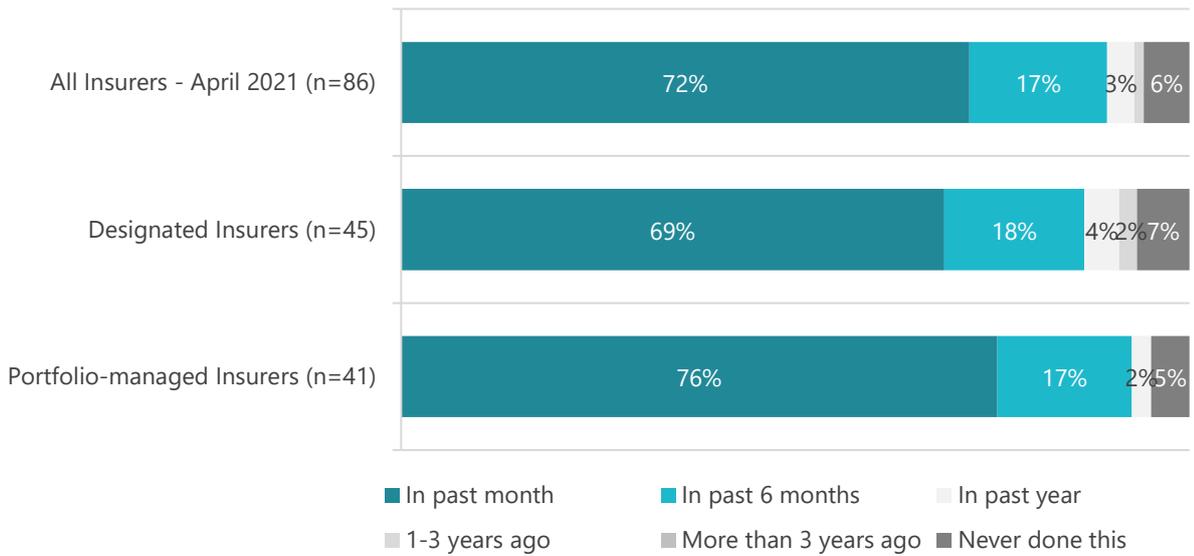
Frequency insurer stakeholders have engaged with the Reserve Bank
by visiting the Reserve Bank website



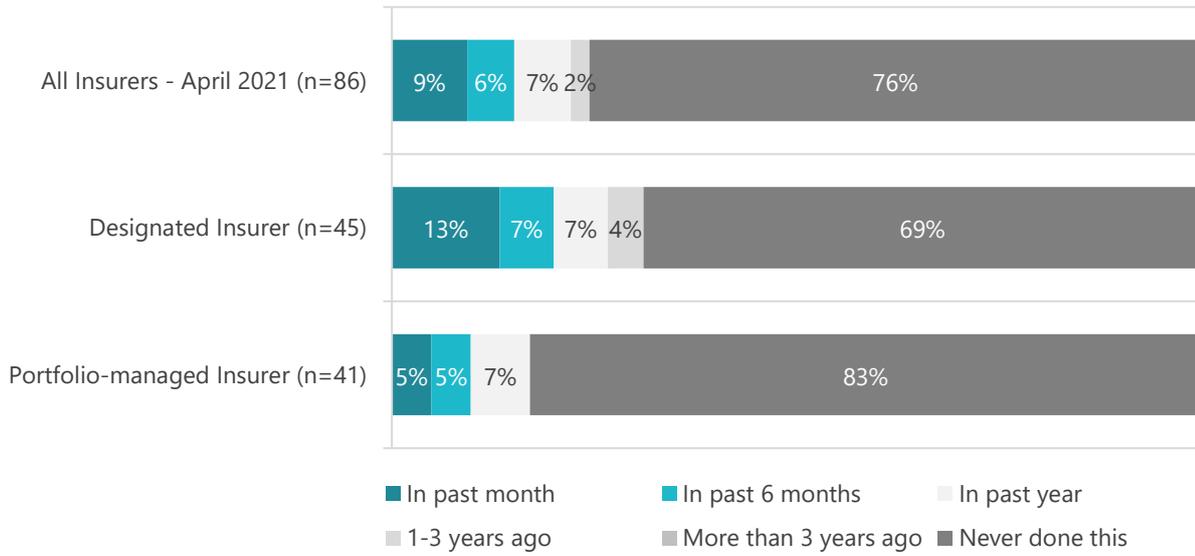
Frequency insurer stakeholders have engaged with the Reserve Bank
by attending a Reserve Bank speaking event/forum



Frequency insurer stakeholders have engaged with the Reserve Bank
by reading Reserve Bank news releases



Frequency insurer stakeholders have engaged with the Reserve Bank
by following the Reserve Bank's social media channels



Relationship with the Reserve Bank

BANKS

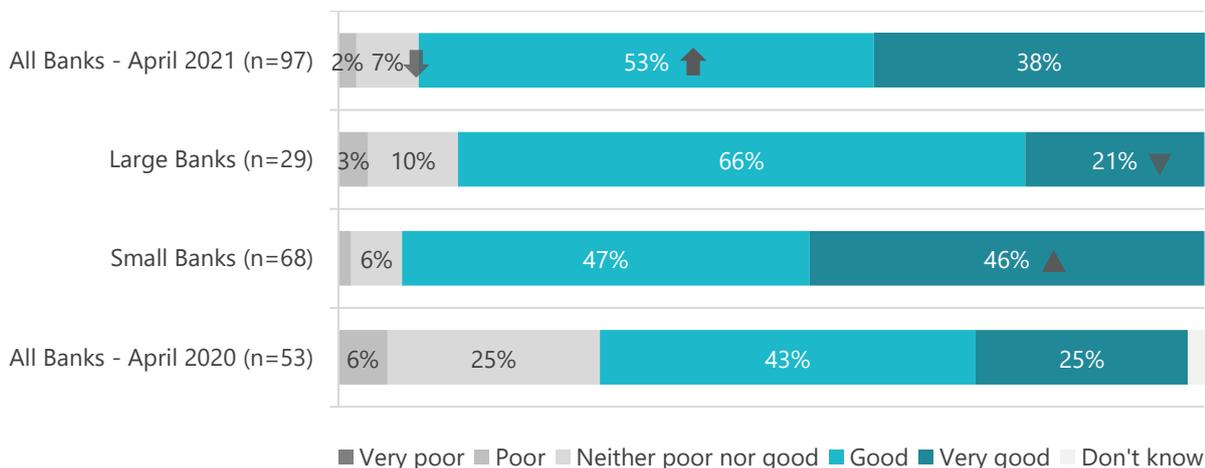
Rating of the relationship with the Reserve Bank has improved significantly, with 91% of bank participants giving a rating of 4 or 5 (out of 5) this year compared to 68% in 2020.

Bank participants were less likely to give a neutral rating this year when asked about their relationship with the Reserve Bank (only 7% gave a neutral rating compared with 25% in 2020).

Participants in the small banks are more likely to rate their overall relationship with the Reserve Bank as 5 out of 5 (46%) than participants in large banks (21%).

Very few participants gave a low rating for their relationship with Reserve Bank this year (2%).

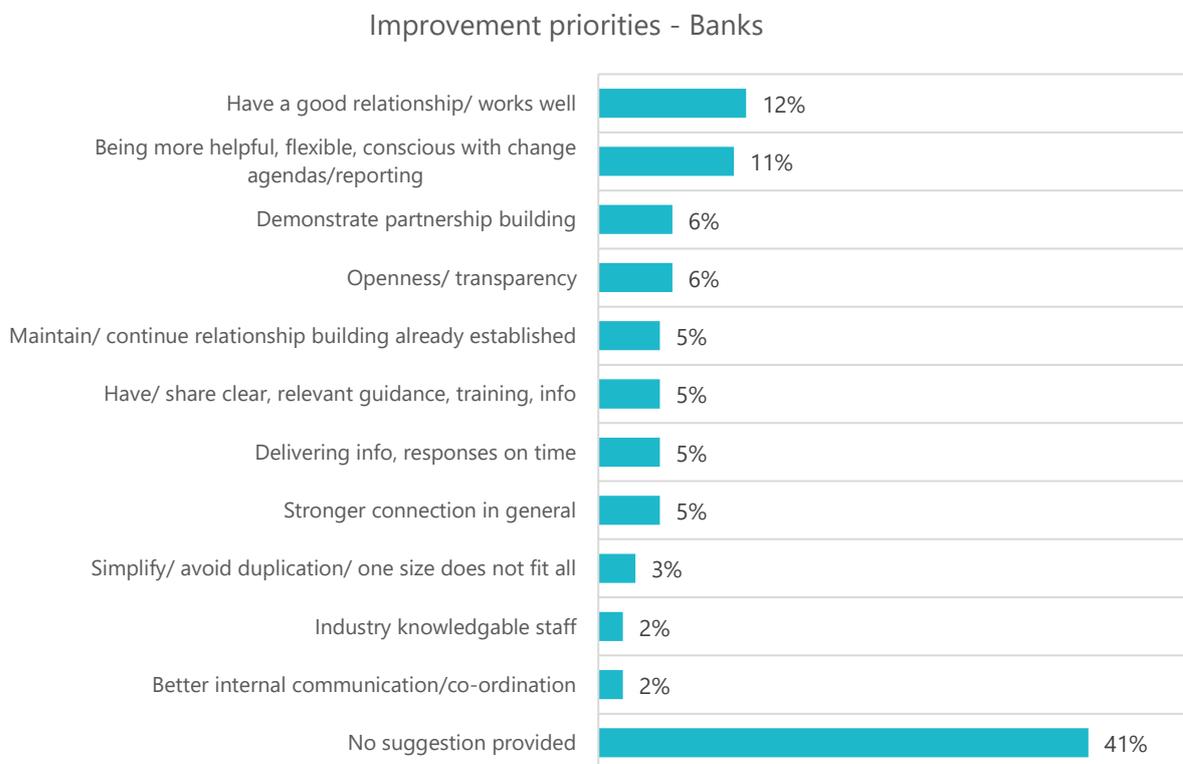
Question: Overall, how would you rate your relationship with the Reserve Bank?



Priorities to improve the relationship

All bank participants were asked if there was anything they felt the Reserve Bank needed to prioritise to improve the relationship. The chart below illustrates the themes arising from the feedback.

Question: Is there anything you think the Reserve Bank needs to prioritise to improve the relationship?



41% of bank participants didn't provide a suggestion, and 12% said the relationship was good and working well

as it is, e.g.,

"I believe the current engagement with the team from Auckland is very good."

"There is nothing particular at this stage since we are fluently communicating with the Reserve Bank."

"No, the relationship works well. Clearly, we will not agree on all matters discussed or proposed, however the people at the RBNZ are available and open to discussion and importantly in my view listen and consider the matters we raise."

"We have both a banking and an insurance relationship. The insurance relationship is pretty average. Over the last couple of years, the leadership on the bank relationship side of things has been excellent - good engagement, good perspective on impact, communication generally timely and of good quality."

The main theme arising from the feedback from those who did make a comment relates to wanting **increased understanding and flexibility**, for the Reserve Bank to be **conscious about change agendas/reporting and timeline expectations**, to **help banks manage demands/requirements**, e.g.,

"I think my organisation and the RBNZ understand each other much better, and the mutual respect has improved as a consequence. Previously I felt the RBNZ were a bit holier than thou and unwilling and unable to understand that there will be mistakes and mis-steps from time to time."

"Being mindful of continuously increasing levels of reporting requirements."

"To be conscious of the volume of regulatory change across the financial sector to ensure banks can manage the demands on a practical basis."

"Trust - there is an opportunity for RB representatives to seek first to understand before drawing conclusions - some of which appear to take a very sceptical view on why a bank may have made a certain decision."

"Spending time in the business - we would welcome RB representatives into the bank to listen to customer calls or engage with our teams that work with customers who are dealing with financial hardship."

"Yes. Better co-ordination of its increasing work programme so as to minimise the impact on its regulated entities."

6% of bank participants provided suggestions related to building a **stronger partnership**, e.g.,

"A less hierarchical approach to whom the RBNZ wants to engage with in our organisation at times."

"Demonstrate they are keen to build partnerships, listen to feedback and share learnings. Being open about the learnings from the recent cyber attack will be a good example."

"Given significant expectations on Boards in relation to culture and oversight, I suspect there may be more that could be done on a 1:1 basis with Board Committee Chairs in particular, noting the existing Board Chair/RBNZ meetings. This may help with the communication of RBNZ expectations through banks from the Board down. There was great coordination and management through the COVID crisis where there was much more in the way of regular and less formal engagement at CRO, CFO, Treasurer level via MS Teams - that frequency and informality seemed to help develop deeper relationships at that time. It would be good to find ways to build on that, other than through another crisis."

"Nothing specific just focus on total transparency and operate as partners not adversaries."

"RBNZ becoming more of an enforcer than a helper. You sense this in their communications. If anything, the relationship model puts everybody on guard when talking to them. In the past the RBNZ were far more open to discuss issues without recrimination and banks would more readily pick up the phone to talk to the RBNZ. Now banks are much more suspicious. The people recruited by the RBNZ are enforcers and not relationship builders."

6% of bank participants commented about **openness and transparency**, especially related to issues and concerns, e.g.,

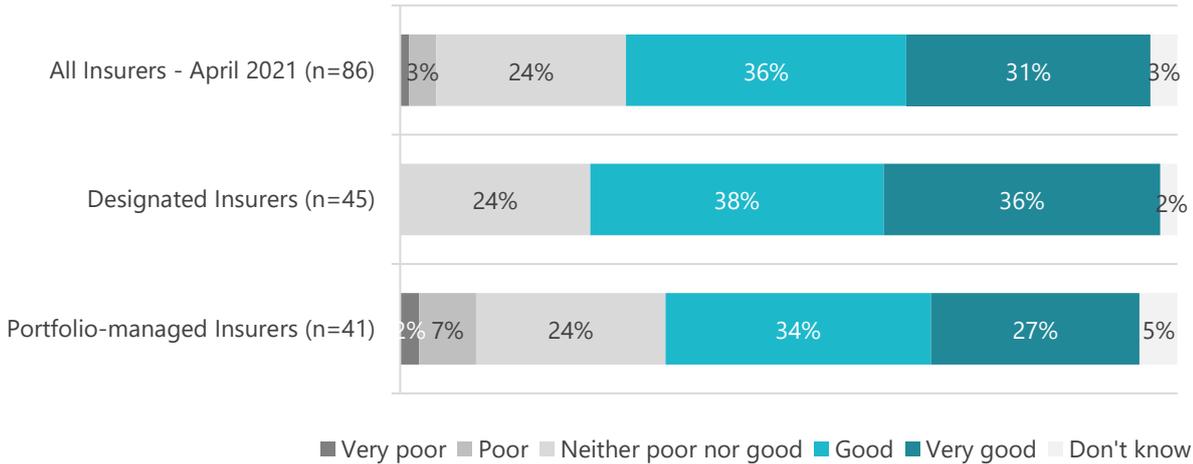
"The important thing is there an open and transparent engagement when these things arise. I think it is vastly better than it was 2 years ago."

"The RBNZ could prioritise being open and transparent. If the different viewpoints can be understood it is simpler to work together to get an optimal outcome."

INSURERS

Two thirds of insurer participants rated their relationship with the Reserve Bank as a 4 or 5 (out of 5). Only 5% of insurers overall rated the relationship as poor, i.e., a 1 or 2 (out of 5), and these were more likely to be portfolio-managed insurers (10%).

Question: Overall, how would you rate your relationship with the Reserve Bank?



Priorities to improve the relationship with insurers

All insurer participants were asked if there was anything they felt the Reserve Bank needed to prioritise to improve the relationship.

Designated Insurers

3 in 10 of the designated insurer participants didn't provide a comment/suggestion (31%).

Among the 32 who did provide a comment, 7 mentioned that the relationship is working well, e.g.,

"I have noticed a significant focus on open communication over the past six months."

"No, they have been very open, and we have formed a very engaging relationship to date."

"No, I have monthly video meetings with an open agenda so there is no impediment to communication."

"Since mid-last year, we have been meeting with the Reserve Bank on a quite frequent basis (was weekly and now monthly). This is being great in building and maintaining a great relationship with RBNZ. An opportunity which we could share our views, observations, and challenges, open and honest and vice versa. This is how an effective regulator/regulate relationship should be, which ultimately drives a better outcome for our customers and staff. Continue please!"

The main suggestions provided include:

- **Stronger connection** in general, in term of listening, more engagement, feedback and regular communication (n=5 participants), e.g.,
 - *"Cyber security in light of recent events. Further engagement with the industry on key issues for the banking/insurance sector (further FSC engagement is encouraged)."*
 - *"Continue to improve communication."*

- *"Be prepared to engage in a more informal way - we like to make sure stakeholders are part of a journey, rather than waiting to the end of a process - this has been one of the most frustrating aspects of engagement with the RBNZ in the past few years - the inability to engage proactively in an informal setting."*
- *"It would be good to have a stronger connection and understanding of RBNZ views. The Charter suggests this should be happening and I would welcome that."*
- **More direct contact**, such as personal meetings (n=4 participants), e.g.,
 - *"I think we should have a once a year conversation with the RBNZ in person."*
 - *"Humanise."*
 - *"In the past the Board has proactively sought to engage with RBNZ at least once annually. The new arrangements will see regular meetings take place as a matter of course which is desirable."*
- **Demonstrate openness and transparency**, especially around concerns and issues (n=4 participants), e.g.,
 - *"More open discussion of issues."*
 - *"Our expectation of RBNZ is a collaborative working relationship, where an open engagement by the regulated entity is recognised as the ideal, meaning that problems or issues can be identified and resolved without the need for the formal exercise of RBNZ powers."*
 - *"For discussions to be open and frank."*

Portfolio-managed insurers

Over half of the portfolio-managed insurer participants didn't provide a comment/suggestion (56%).

Among those who did comment, the main suggestions for priority to improve the relationship are:

- **More direct personal contact** (n=5 participants), e.g.,
 - *"Make it more personal."*
 - *"I feel the anonymous 'portfolio supervisor' creates a barrier to the relationship."*
 - *"Being portfolio managed it does seem a bit impersonal sometimes."*
 - *"It is frustrating that no personal contacts are provided. You have to deal with the anonymous "portfolio" email address. Follow up can be difficult."*
 - *"A named individual point of contact."*
- **Clear, relevant guidance, training, information** available and shared (n=4 participants), e.g.,
 - *"They could take better care with communications. They are often unclear and confusing. Occasionally information referred to is missing."*
 - *"Relevant communication is the key."*
 - *"Clear, timely and correct communication and assessment."*
 - *"Clearer guidance around expectations. Important information in the insurer updates is often difficult to find at a later date."*

Other themes were mentioned by 2 participants or less.

Delivery on the Relationship Charter

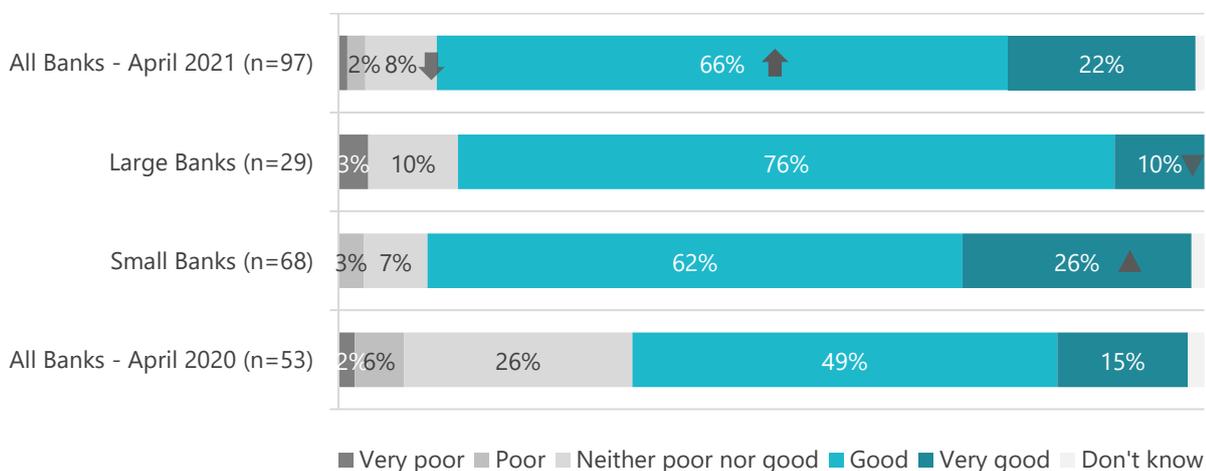
Living up to the Relationship Charter

BANKS

As seen in the overall rating of the relationship, performance on delivery on the charter has improved significantly with 88% of bank participants giving a rating of 4 or 5 compared with 64% in 2020.

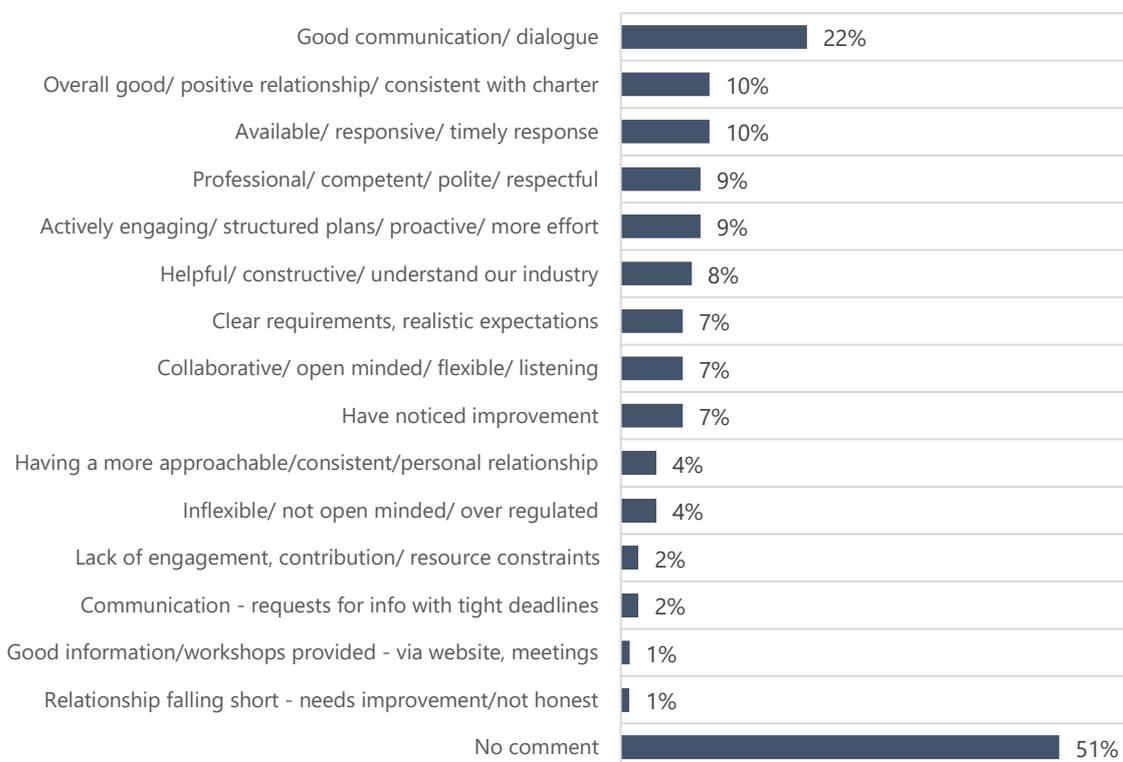
This year bank participants have stronger opinions on this topic, with significantly less giving a neutral rating when asked how well the Reserve Bank lives up to its Relationship Charter (8% compared with 26% in 2020).

Question: How well do you think that the Reserve Bank lives up to its Relationship Charter overall?



Question: Can you provide more details about how you think that the Reserve Bank lives up to the Relationship Charter overall?

How the Reserve Bank lives up to the Relationship Charter - Banks



When asked to provide more detail about how the Reserve Bank lives up to the charter, half of all bank participants didn't provide further comment (51%). Among those who did comment the feedback was largely positive.

Among the less positive comments, participants from large banks were more likely to talk about lack of engagement and/or communication concerns relating to requests that are challenging for them to meet in terms of timelines (7% of participants from large banks).

The main **positive themes** among the feedback include:

- **Good communication** (22%, n=21 bank participants), e.g.,
 - *"The Reserve Bank behaviours have been in my experience consistent with the commitments made in the charter. I also believe communication across the organisation has improved significantly over recent years."*
 - *"The RB does provide very good communication about presentations, through a well-structured and informative web site etc."*
 - *"RBNZ lives the behaviours it has set out in the Relationship Charter - we are able to have frank, constructive and open conversations. Communication is open clear, targeted, and consistent. COVID is a recent example of where the RBNZ and at the bank we stepped up communication, RBNZ sought input from SMEs within the Markets and Treasury teams. Deputy Governor was in regular communication with me. Great example of aligned on priorities. I believe we work together well with the right constructive challenge and discussions."*
 - *"Open and constructive engagement, prepared to listen and seek to understand, senior leaders engage quickly and respond effectively to senior leaders in our bank - both honestly and in a genuine manner,*

formal and informal channels are utilised in an effective way on most occasions, when an error occurred in the communication protocols within the RBNZ there was a genuine apology and action put in place to stop it occurring again."

- *"At a team (operational level) there is an open dialogue between the RB and the bank. The relationships are built on trust and respect and both parties."*

Good positive relationship/ consistent with the charter (10%, n=10 bank participants), e.g.,

- *"From my experience RB's communication and actions is/are consistent with the commitments outlined in the charter."*
- *"The Reserve Bank behaviours have been in my experience consistent with the commitments made in the charter. I also believe communication across the organisation has improved significantly over recent years."*
- *"The Charter is referred in all presentations, and ongoing commitment made to adopt the charter. Excellent work!"*

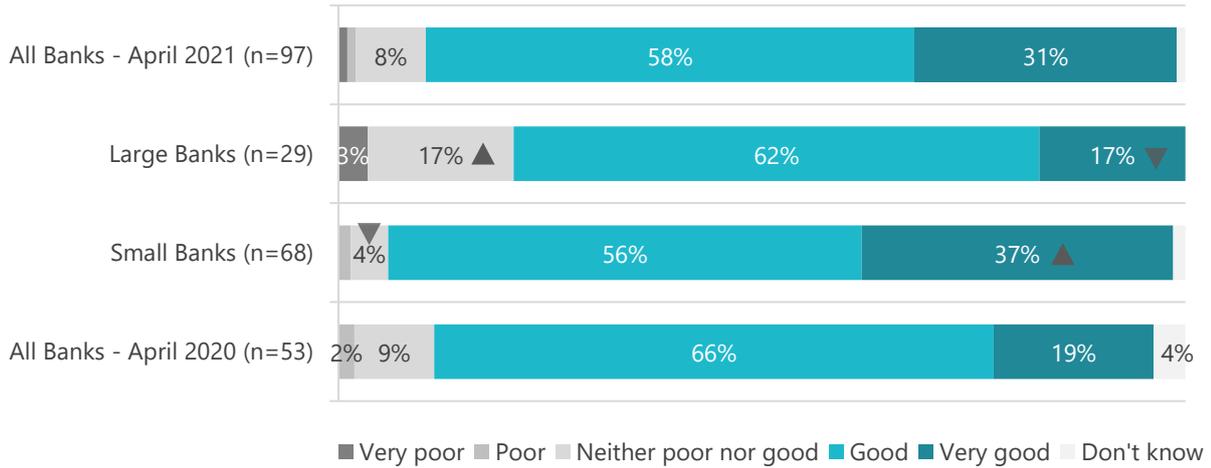
• **Responsive staff, support available and easily accessible, with good issue resolution** (10%, n=10 bank participants), e.g.,

- *"I think I marked this as a two last time so clearly they are starting to walk the talk. The speed of the response to Covid and their willingness to be a bit flexible was very pleasing."*
- *"Overall, I find engagement is good, with clear requirements and a positive approach to questions and issue resolution."*
- *"I find the Reserve Bank people that I deal with to be approachable and willing to make themselves available to discuss matters. They display the behaviours in the Charter, and most communication is in accordance with the Charter. As noted earlier, it would be great if expected dates for responses are communicated so we can plan around those dates."*
- *"Responsive and open to meeting with various people across the bank, open to considering different views and proactively seek feedback."*

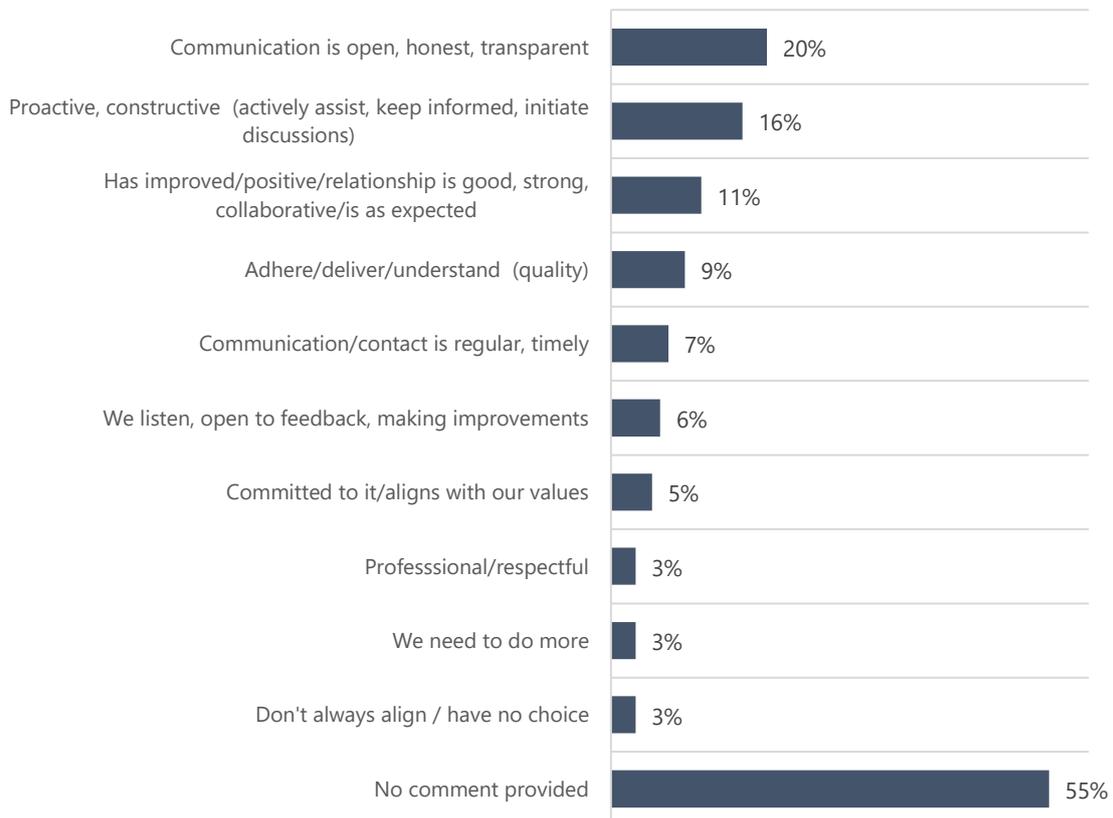
When asked how well their own organisation delivers on relationship charter aspects, 86% gave a rating of 4 or 5 (out of 5) – this is consistent with 2020 results.

Participants from small banks rate their delivery on the relationship charter aspects higher than the large banks do. This is reflected by participants from small banks being more likely to give a high rating of 5 out of 5 (37% compared with 17% from large banks), and also being less likely to give a neutral rating (4%) than participants from large banks (17%).

Question: How well do you think your organisation delivers on the aspects of the Relationship Charter overall?



Question: Can you provide more details about how you think you think your organisation delivers on the aspects of the Relationship Charter overall?



When asked to provide more detail about how their own organisation delivers on the aspects of the charter, just over half of all the bank participants didn't provide further comment (55%).

The main themes arising from comments about how their organisation delivers on the charter include:

Communication being open, honest, transparent (n=19 participants), e.g.,

"We have focussed on an open and transparent relationship with the RBNZ."

"We seek an open, trusting and collaborative relationship. We are conscious that there are many areas of capability that we can jointly bring to bear for the improvement of the banking system. I can also say unequivocally that our bank is focused on good customer outcomes above all else."

"Every effort is made to have open transparent communications and to be as proactive as possible when issues arise or are foreseen rather than react after the event."

"Management are proactive, open and honest in their communication with the RBNZ."

"We endeavour to communicate proactively, elicit feedback, ensure an open and transparent dialogue and engage early on issues."

"We aim to be open and transparent in our dealings, respond in a timely manner, and try and assist the regulator where we can."

"We provide honest and clear communication as items arise."

and being **proactive and/or constructive in interactions** (n=16 participants), e.g.,

"Have been pleased at how our organisation has been proactive - workshops on BSII and other regulatory changes."

"We ask when help is required, supporting 'on-boarding' of new supervisory team including on-site visits and meetings with key personnel."

"We have continually sought to proactively engage to help the team understand our position, show our thinking and approach and sharing knowledge to support the work of the RBNZ. We have also actively supported a collegial approach on behalf of the industry with the RBNZ."

"We try to engage proactively, be helpful, respond rapidly and view our relationship as a 'partnership' as far as is possible."

"We have increased our engagements on an informal basis and are trying to be more proactive in these informal catch ups which are really useful. We can share more general or specific information (e.g., climate / sustainability related) that we receive or obtain that may be of help to RBNZ or other institutions."

"We actively raise issues, when they arise without fare, we are open to dialog, and we assist anytime we think it will help make the system more stable."

Changes to the charter to better reflect how the banking sector and the Reserve Bank aspire to work together?

When asked if there are any specific changes that should be made to the Charter to better reflect how the banking sector and the Reserve Bank aspire to work together, most bank participants either didn't provide an answer (n=56) or said there are **no changes needed** (n=30), e.g.,

"I think it is still a 'young' document and so shouldn't be touched for a while. Good progress is being made."

"No. I like the simplicity and clarity of the relationship charter."

"The charter has made no difference and I'm not sure why it would be expected to make a difference to what really matters. Changing it will make no difference."

"No, it's more the behaviours of the RBNZ and their client banks that need to adapt."

"Happy with the Charter and I think there is a lot of trust and belief in the RBNZ at least from the bank I represent. Can't speak for the others."

Some participants suggested an **even/mutual partnership is needed**:

"I think it's great in principle. I am conscious that ultimately the RBNZ is the regulator and banks are the regulated so the relationship will always be balanced like that. The RBNZ has different overall objectives to the regulated entities. Should the charter acknowledge this, not sure. Just an observation."

"I think more thought needs to be given around how we work together in an environment with increased focus on enforcement and public accountability. It makes some of the proactive communication and collaboration challenging, and we are already seeing at an industry level that some of the narrative about how to engage with the RBNZ has changed."

The Charter is well summarised on a page and very clear and concise. It really comes down to achieving mutual respect and making sure both sides are very committed to achieving a banking system that benefits and is in the best interest of all New Zealanders. It should be more a partnership rather than headmaster and student relationship.

And a few mentioned the charter needs to be **embedded and consistent in meeting the values**, e.g.,

"The charter needs to be a living document. Currently minimal attention is given to it."

"I don't have issues with the charter, just would like to see more consistency in meeting the values."

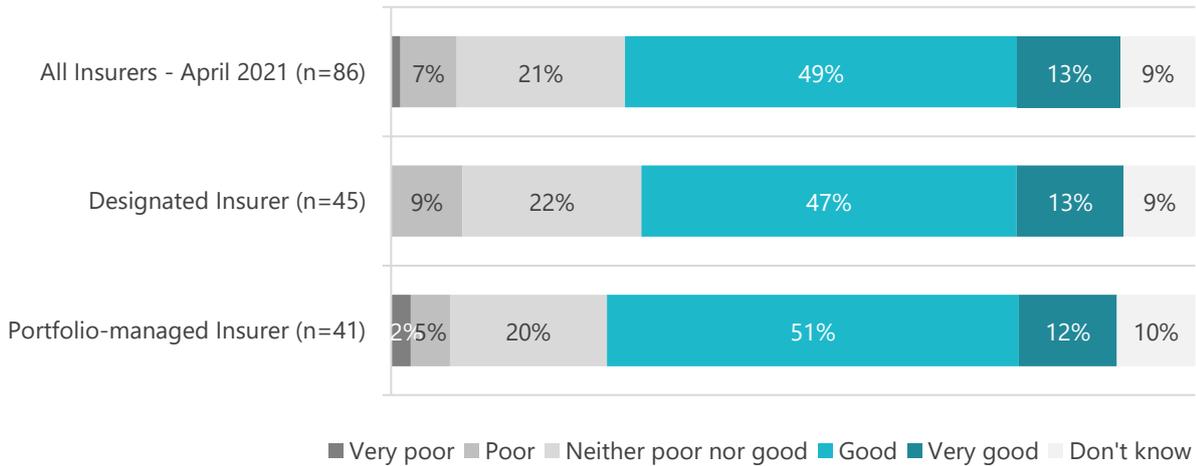
"I think the charter is very good, but perhaps it hasn't been embedded as well as it could have been in the past. So far my interactions with the RBNZ have been aligned with the charter."

INSURERS

62% of insurer participants rate the Reserve bank delivery on the charter as 4 or 5 (out of 5), and 8% gave a low rating of 1 or 2. Generally insurer participants rate performance of the Reserve Bank living up to the charter lower than the bank participants and are more likely to not have a strong opinion about it, with 21% giving a neutral rating of 3.

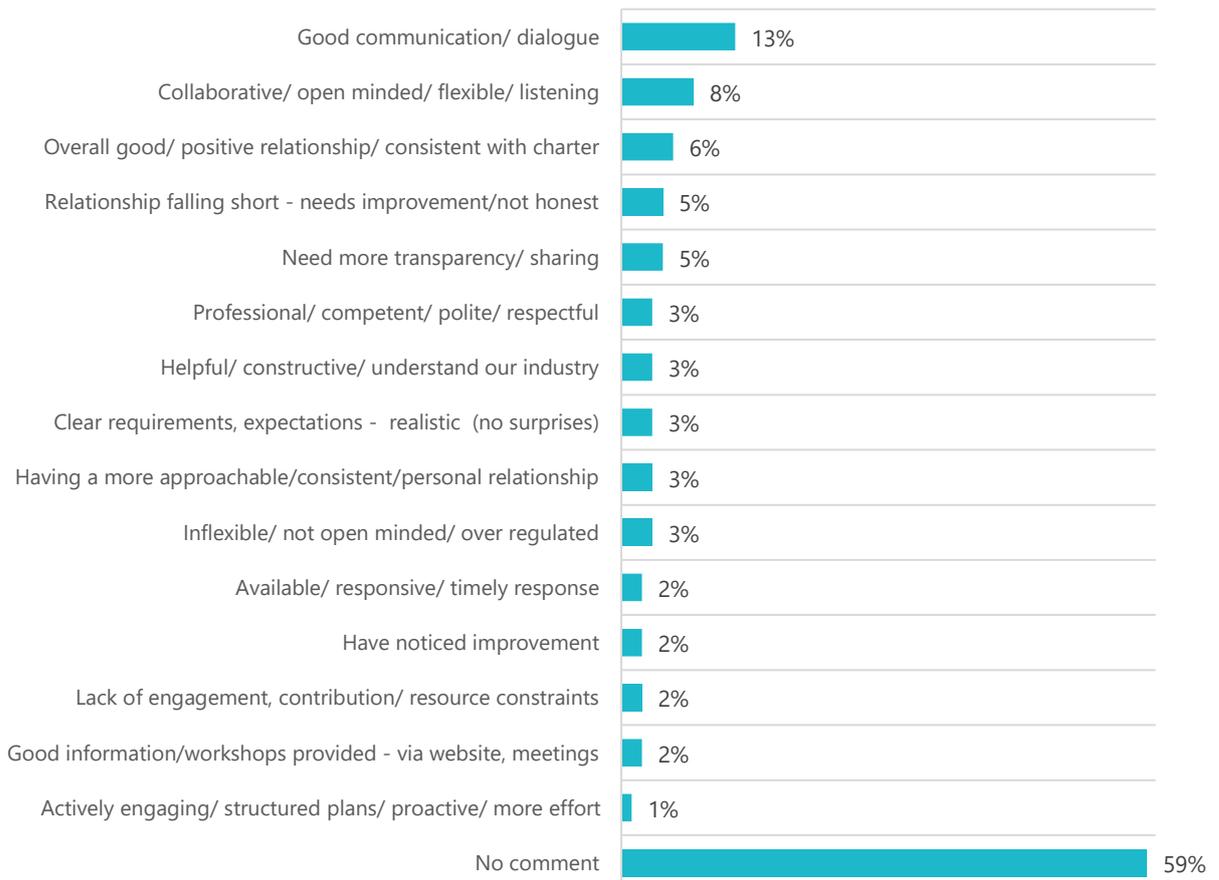
There are no significant differences in overall rating between the designated and portfolio-managed insurers.

Question: How well do you think that the Reserve Bank lives up to its Relationship Charter overall?



Question: Can you provide more details about how you think you think the Reserve Bank lives up to the Relationship Charter overall?

How the Reserve Bank lives up to the Relationship Charter - Insurers



When asked to expand on their performance rating, only 41% provided further comment.

The main positive comments related to **good communication** (13%, n=11 insurer participants), e.g.,

"I think it communicates well on its high-level objectives to wider groups."

"Interaction with a widely diverse set of licensees is challenging and RBNZ meets this challenge exceedingly well. The ability to appreciate the pressures and strains within the industry reflects the consultative approach based on risk management factors clearly articulated and communicated. RBNZ meets its Charter obligations very well."

"Interactions with the RBNZ are always professional and positive with open communication."

"Communication is clear and transparent. There is a sense of working together."

and/or **collaboration** between the parties in terms of being open and listening (8%, n=7 insurer participants), e.g.,

"Usually open minded when we raise things with them."

"Overall, RBNZ has shown a willingness to work with and listen to stakeholders."

"RBNZ is focused on insurers being run in a sound manner which protects customers. I find RBNZ tends to be pragmatic and willing to work collaboratively with insurers that are open and focused on doing the right thing. I suspect RBNZ can be more assertive when it needs to be."

"Open honest and collaborative."

There were some negative comments made relating to room for the relationship to be improved, e.g.

"I think the RB lives up to its charter quite well. It's a useful 'North Star' for all parties and it's clear that performance against the charter is tested with the market. I'd encourage the RB to continue to listen, improve and look more widely to other regulators here and overseas to benchmark best practice."

"In our recent interactions with the RBNZ we have encountered significant shortcomings in the areas of Honesty, Achievement focused, Open-minded and Diligence."

"More proof points of success to be shared would be good."

"We do not see the Bank living the charter in its interactions with the insurance sector; from a tardiness to engage on IFRS 17, and no obvious clear thinking on it, to commentary in respect of profitability, capital management and solvency being totally misrepresented at times in the media (cashflows should be referenced more in this discussion); the Bank has a long way to go to live its relationship charter in the insurance sector."

"While there is a desire to work constructively with industry, at times this is not evident, in some ways as a result of the lack of resources or experienced resources."

"We acknowledge that RBNZ's legislative scope as a regulator is more limited than that of a more general regulator like the FMA. The RBNZ is also seen as somewhat inflexible in its approach and solutions it is willing to consider."

Relationship aspects / behaviours

BANKS

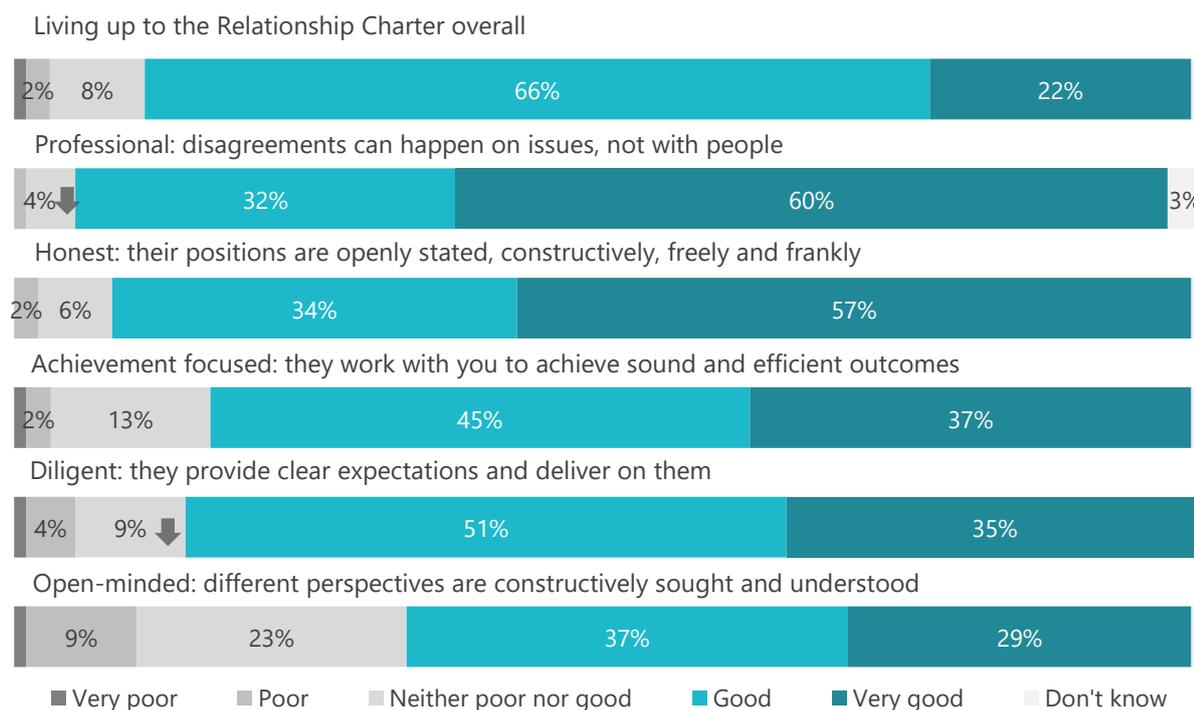
2021 Overview

In terms of delivering on behavioural relationship charter aspects, the Reserve Bank is rated by bank participants **most highly for 'professional', and this has improved significantly** this year - from 79% giving a rating of 4 or 5 (out of 5) in 2020 to 92% in 2021.

Performance on being **Diligent has also improved** significantly with an increase in bank participants giving a rating of 4 or 5 (out of 5) from 68% in 2020 to 86% in 2021. For this aspect there is also a decrease in participants given a neutral rating from 21% in 2020 to 9% this year.

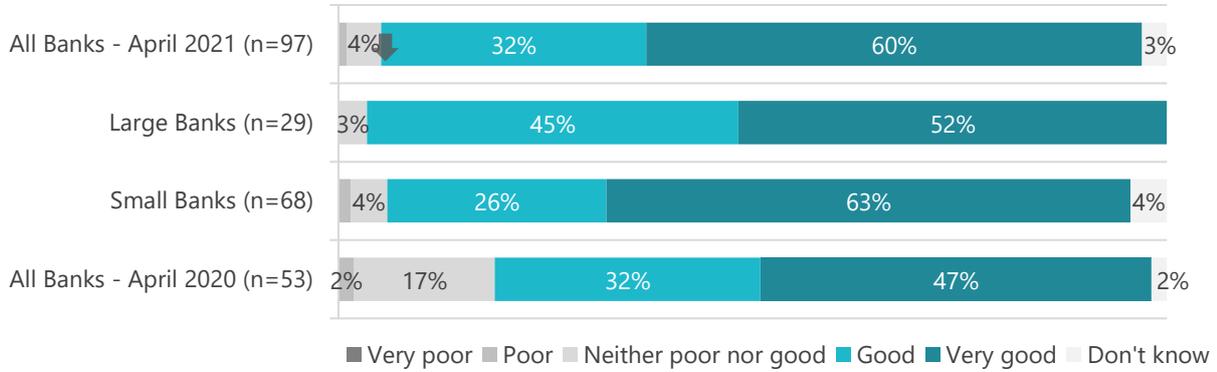
Both large and small banks alike rated the Reserve Bank lower for 'open-minded', resulting in this being the behavioural aspect with the most room for improvement.

Question: Thinking about your relationship with the Reserve Bank, how is the Reserve Bank delivering on each of the following aspects of the relationship charter?

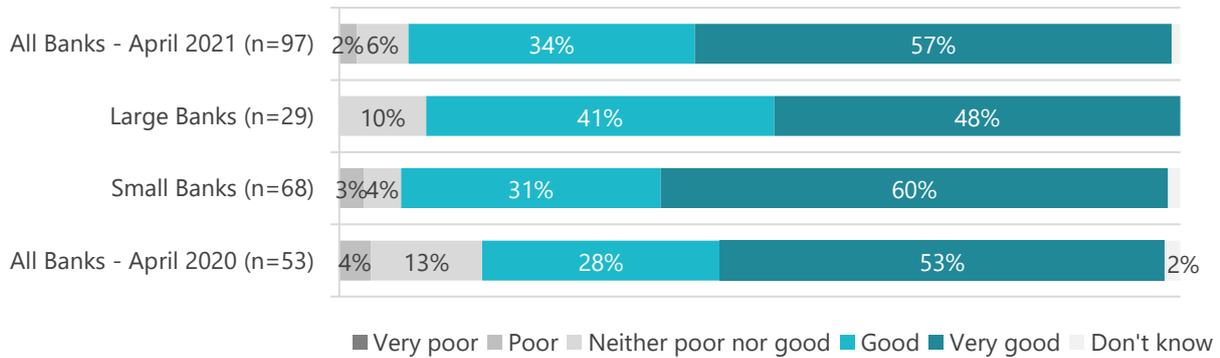


Comparison with 2020 results - Banks

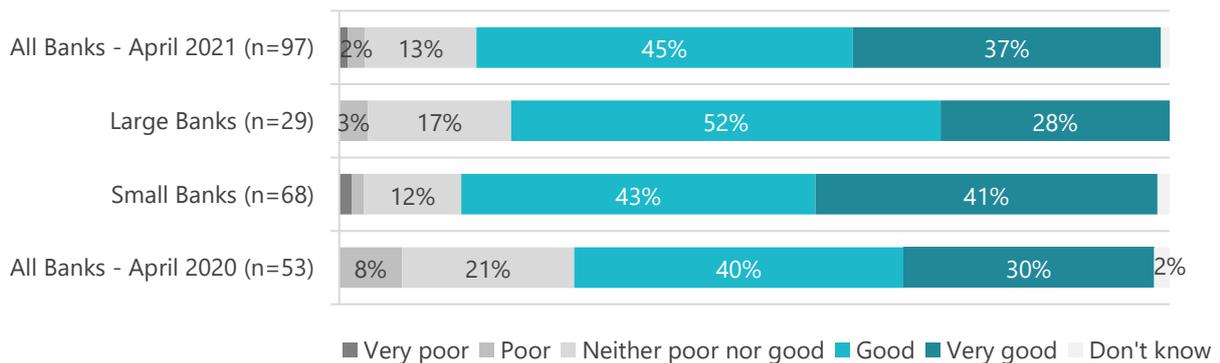
Professional: disagreements can happen on issues, not with people



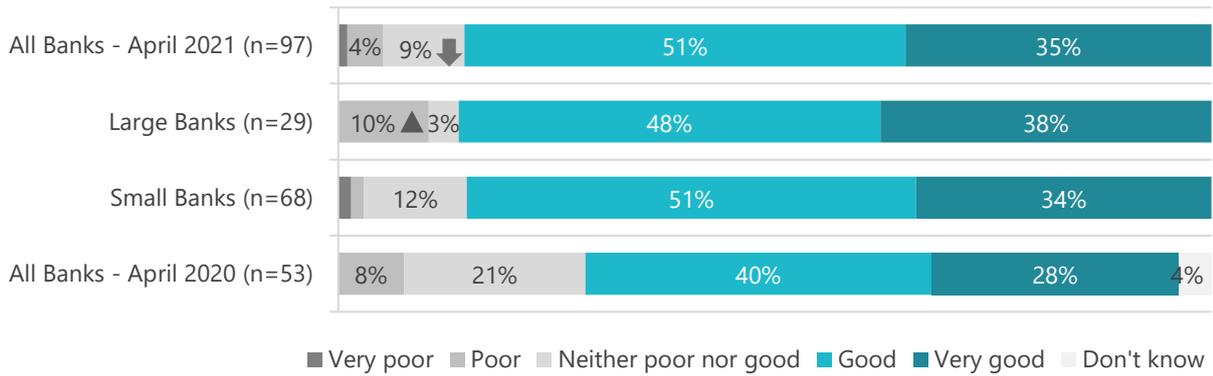
Honest: their positions are openly stated, constructively, freely and frankly



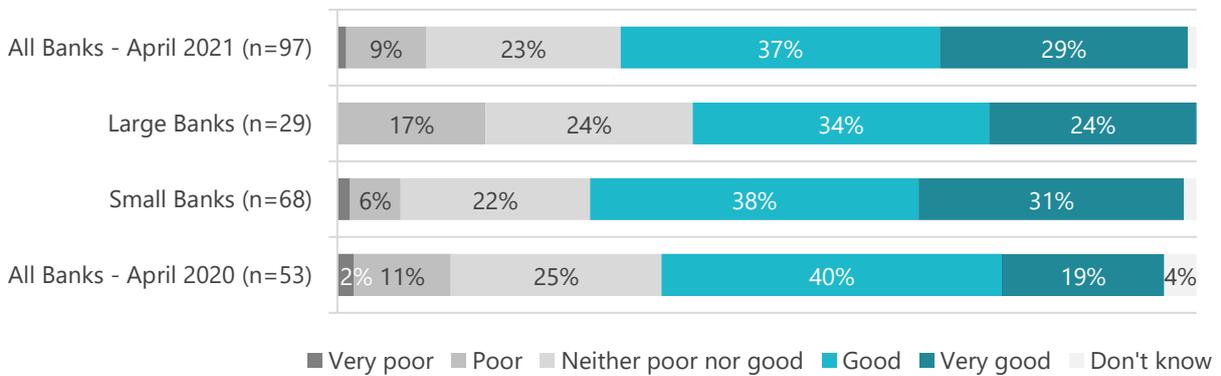
Achievement focused: they work with you to achieve sound and efficient outcomes



Diligent: they provide clear expectations and deliver on them



Open-minded: different perspectives are constructively sought and understood



2021 Overview – Insurers (n=86)

Question: Thinking about your relationship with the Reserve Bank, how is the Reserve Bank delivering on each of the following aspects of the relationship charter?

Living up to the Relationship Charter overall



Honest: their positions are openly stated, constructively, freely and frankly



Professional: disagreements can happen on issues, not with people



Diligent: they provide clear expectations and deliver on them



Achievement focused: they work with you to achieve sound and efficient outcomes

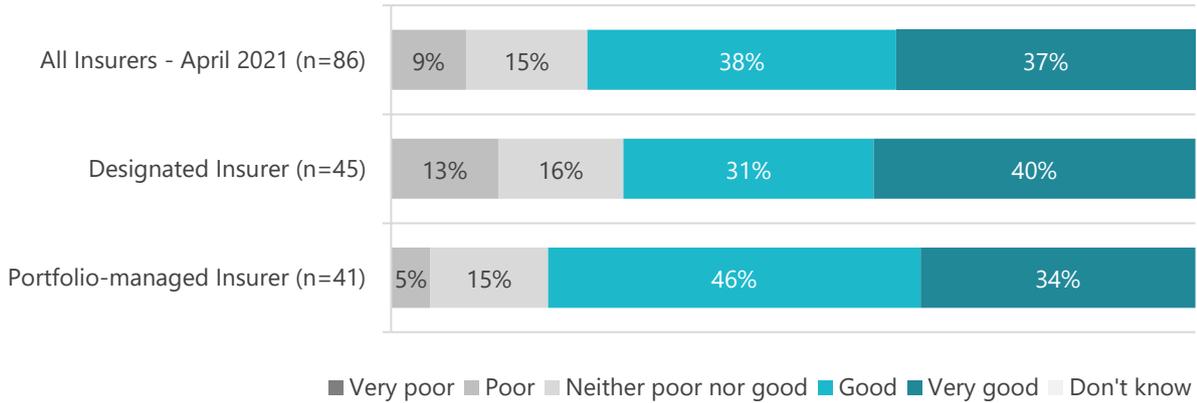


Open-minded: different perspectives are constructively sought and understood

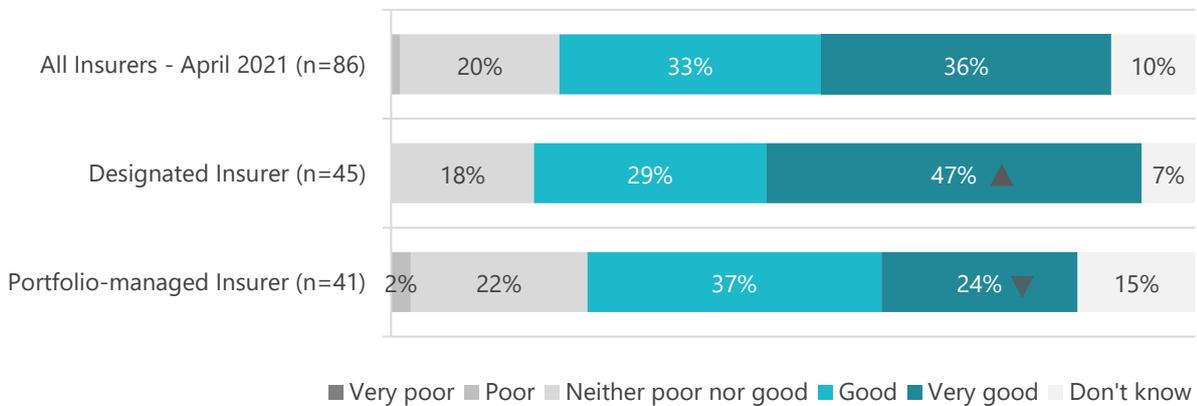


Very poor
 Poor
 Neither poor nor good
 Good
 Very good
 Don't know

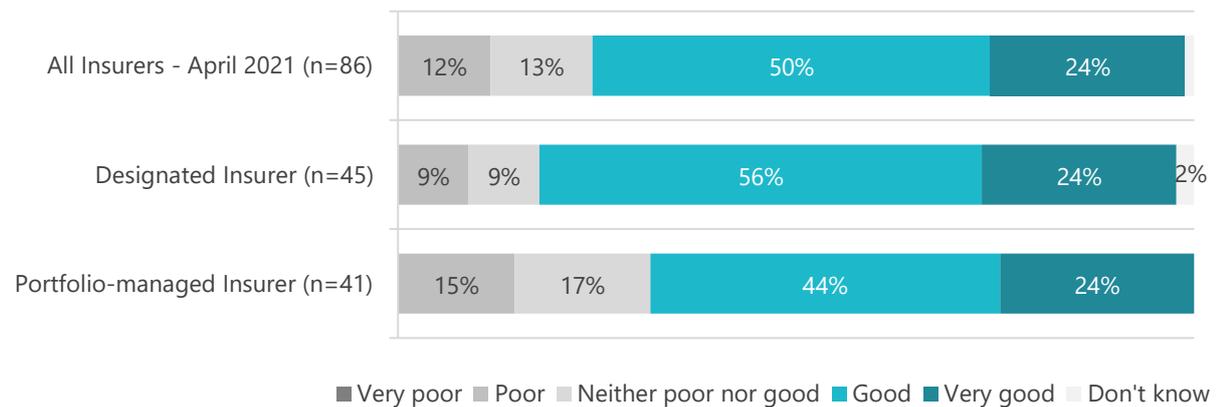
Honest: their positions are openly stated, constructively, freely and frankly



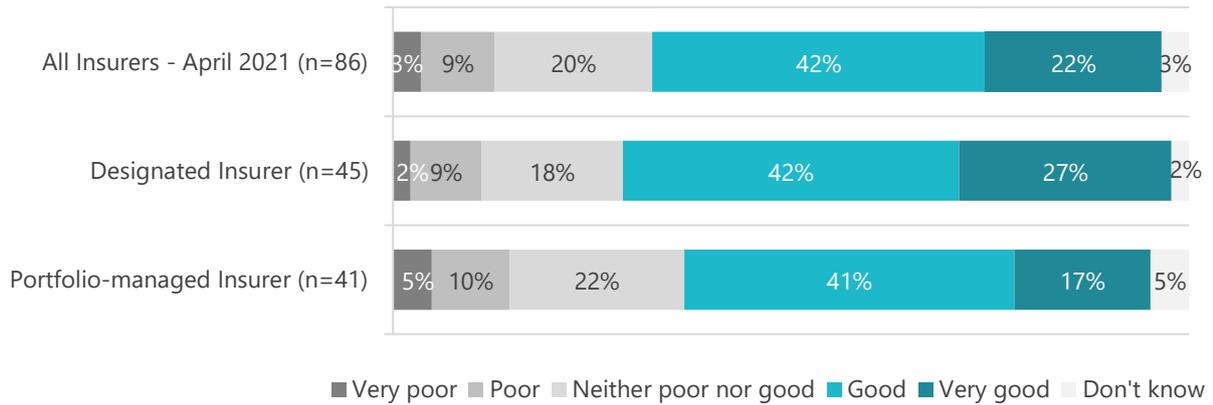
Professional: disagreements can happen on issues, not with people



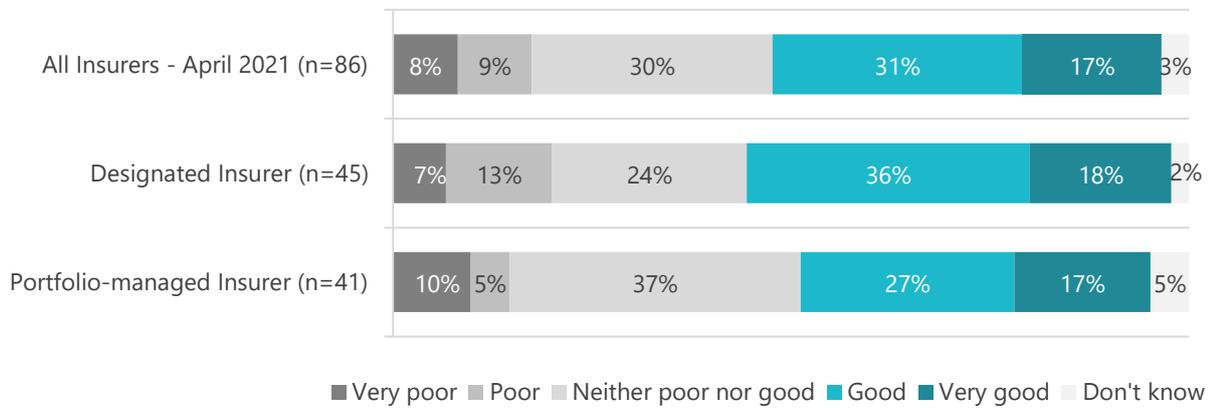
Diligent: they provide clear expectations and deliver on them



Achievement focused: they work with you to achieve sound and efficient outcomes



Open-minded: different perspectives are constructively sought and understood



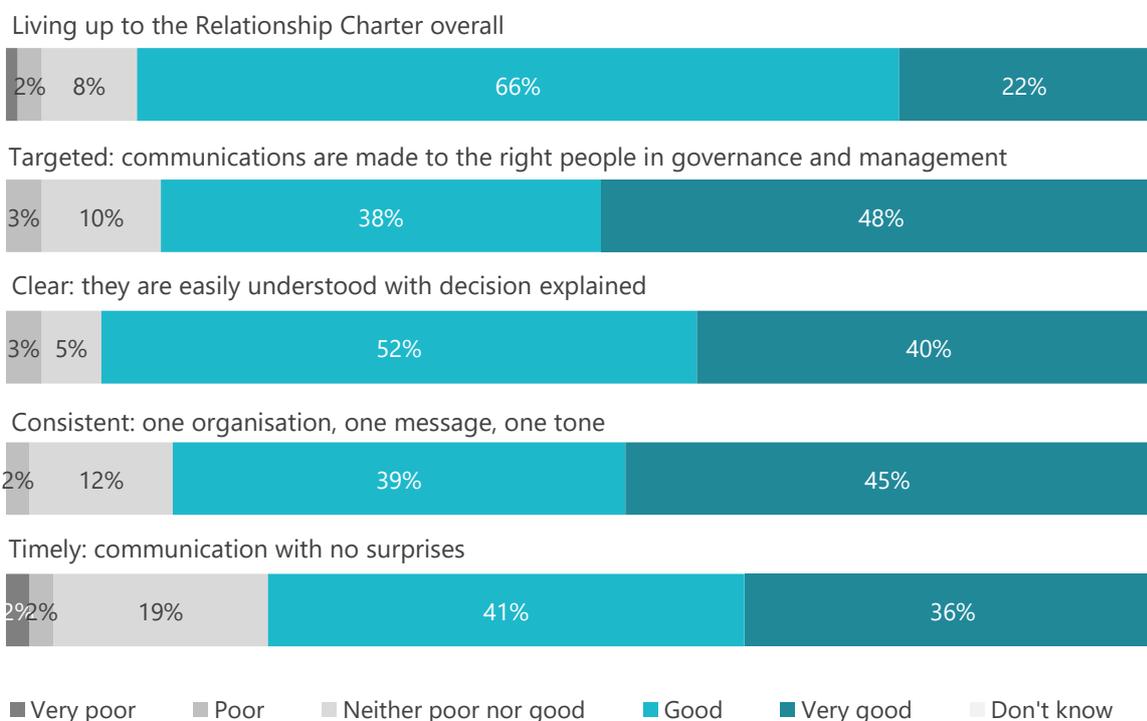
Communication aspects

2021 Overview - Banks (n=97)

In terms of communication aspects of the relationship charter, the Reserve Bank has **improved significantly on being Consistent** compared with 2020 – with 85% rating a 4 or 5 (out of 5) compared with 68% in 2020.

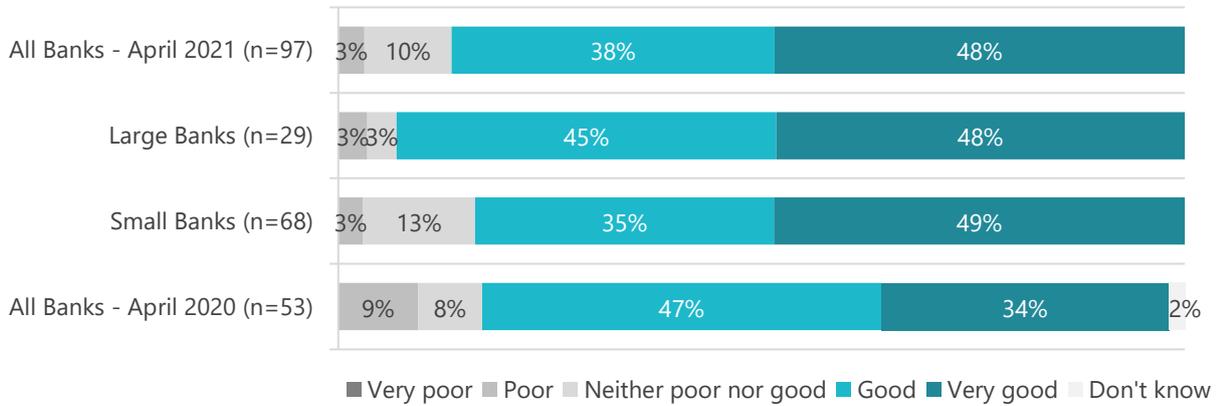
Communication being **timely has also improved significantly**, from 62% rating 4 or 5 in 2020 to 77% in 2021. Significantly less bank participants gave a low rating this year – only 4% gave a rating of 1 or 2 (out of 5) compared with 17% in 2020.

Question: Thinking about the Reserve Bank’s communication, how would you rate them on each of the following?

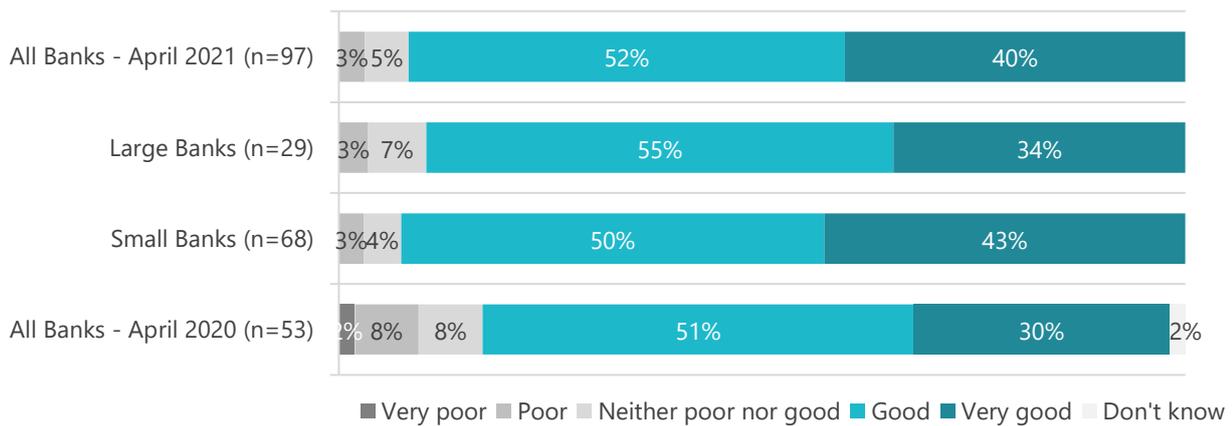


Comparison with 2020 results - Banks

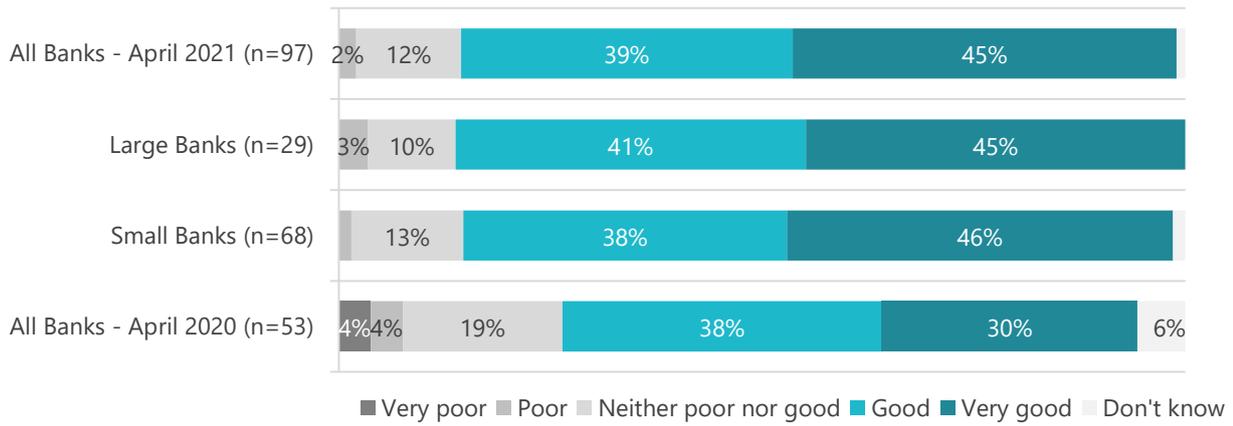
Targeted: communications are made to the right people in governance and management



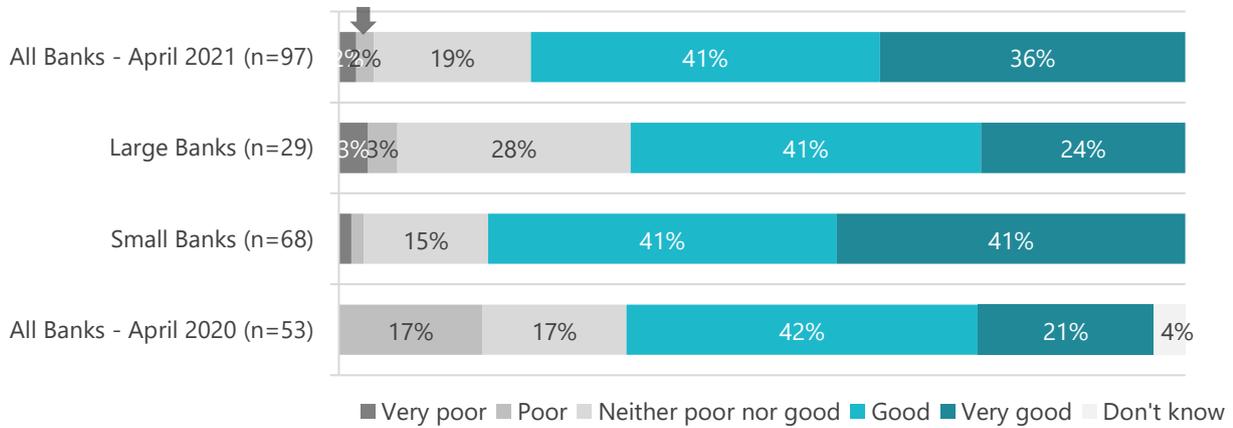
Clear: they are easily understood with decision explained



Consistent: one organisation, one message, one tone



Timely: communication with no surprises



2021 Overview – Insurers (n=86)

Insurers rate the Reserve Bank highly for communication, with at least 7 in 10 giving a rating of 4 or 5 (out of 5) for each of the communication aspects. The areas with slightly lower ratings are 'Clear' and 'Timely'. Both of these aspects have a higher proportion given a low rating of 1 or 2.

Question: Thinking about the Reserve Bank's communication, how would you rate them on each of the following?

Living up to the Relationship Charter overall



Targeted: communications are made to the right people in governance and management



Clear: they are easily understood with decision explained



Consistent: one organisation, one message, one tone



Timely: communication with no surprises

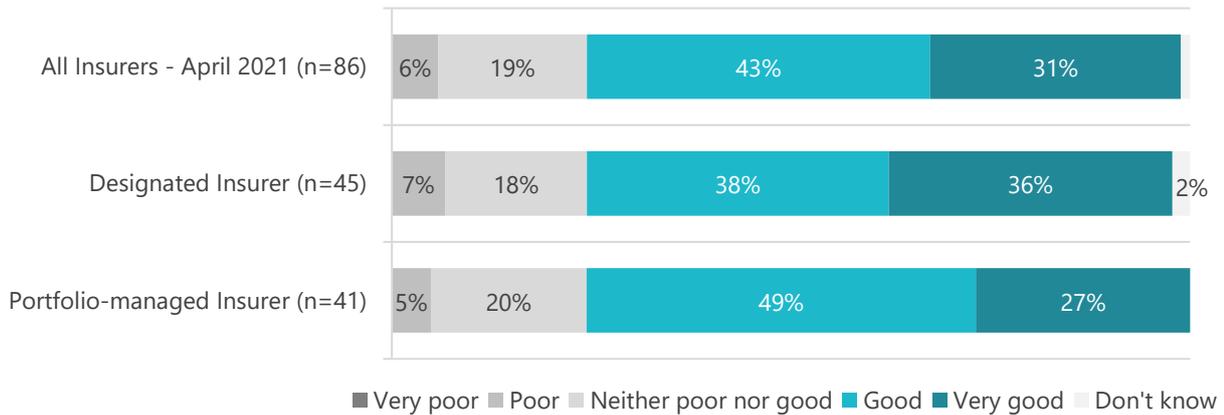


■ Very poor ■ Poor ■ Neither poor nor good ■ Good ■ Very good ■ Don't know

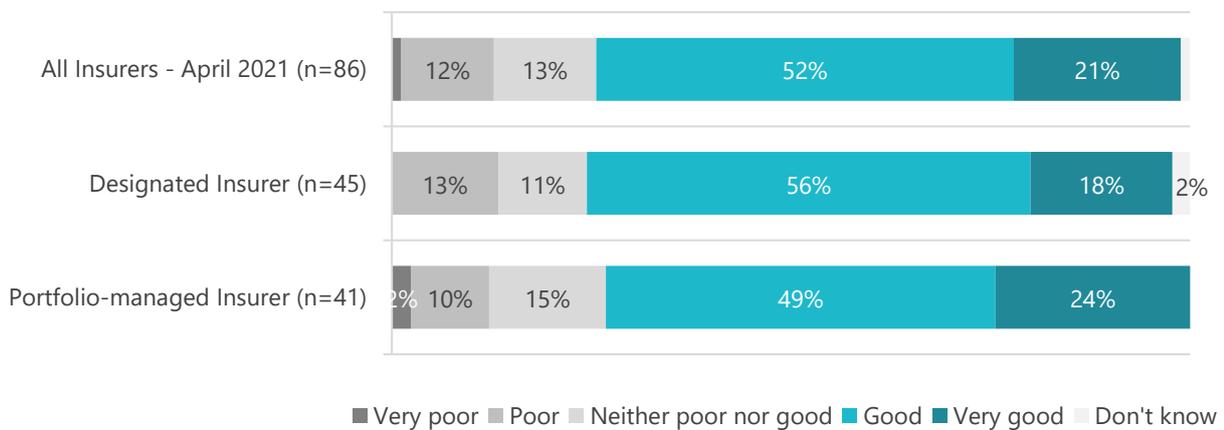
Comparison across the insurer groups

Ratings are consistent among the designated and portfolio-managed insurer participants – with no significant differences in the ratings across these groups – illustrated in the following charts.

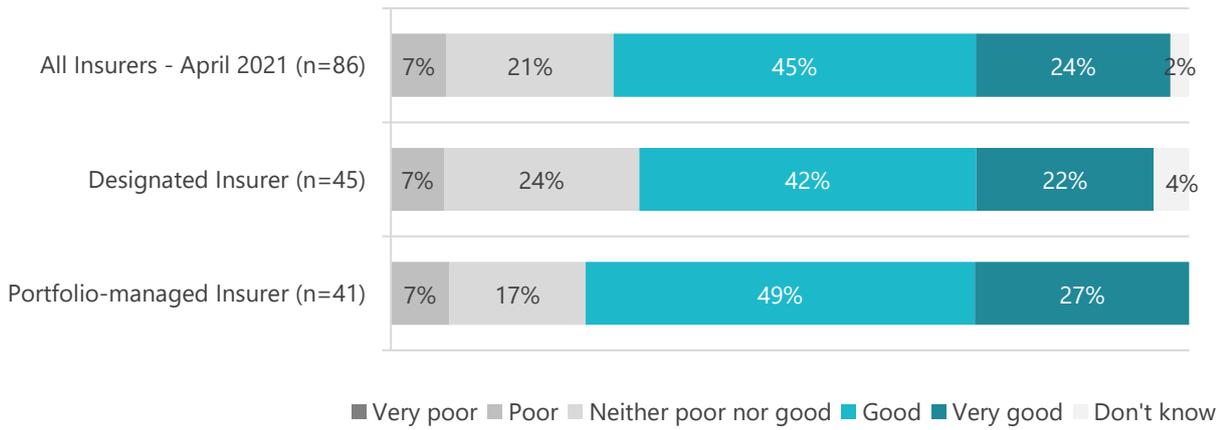
Targeted: communications are made to the right people in governance and management



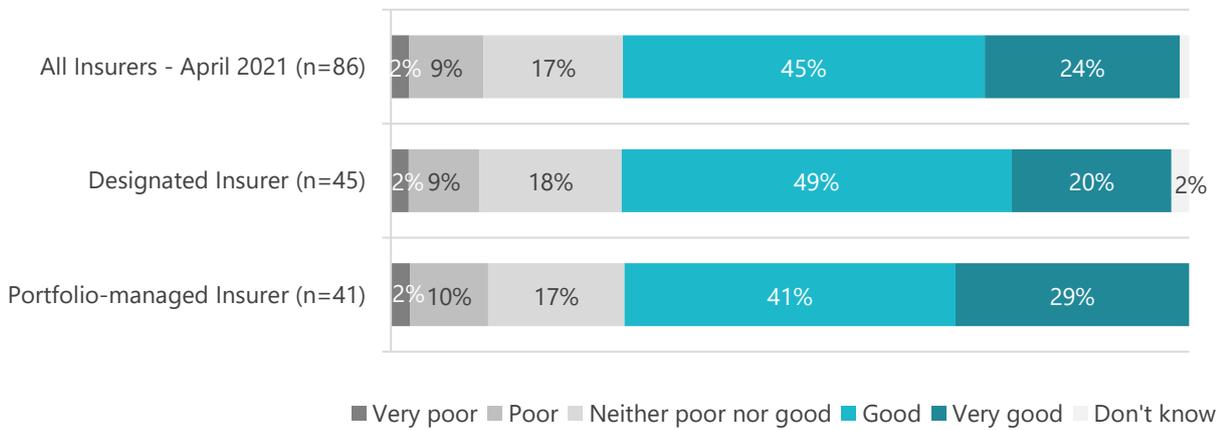
Clear: they are easily understood with decision explained



Consistent: one organisation, one message, one tone



Timely: communication with no surprises



Suggestions to improve communication – Banks and Insurers

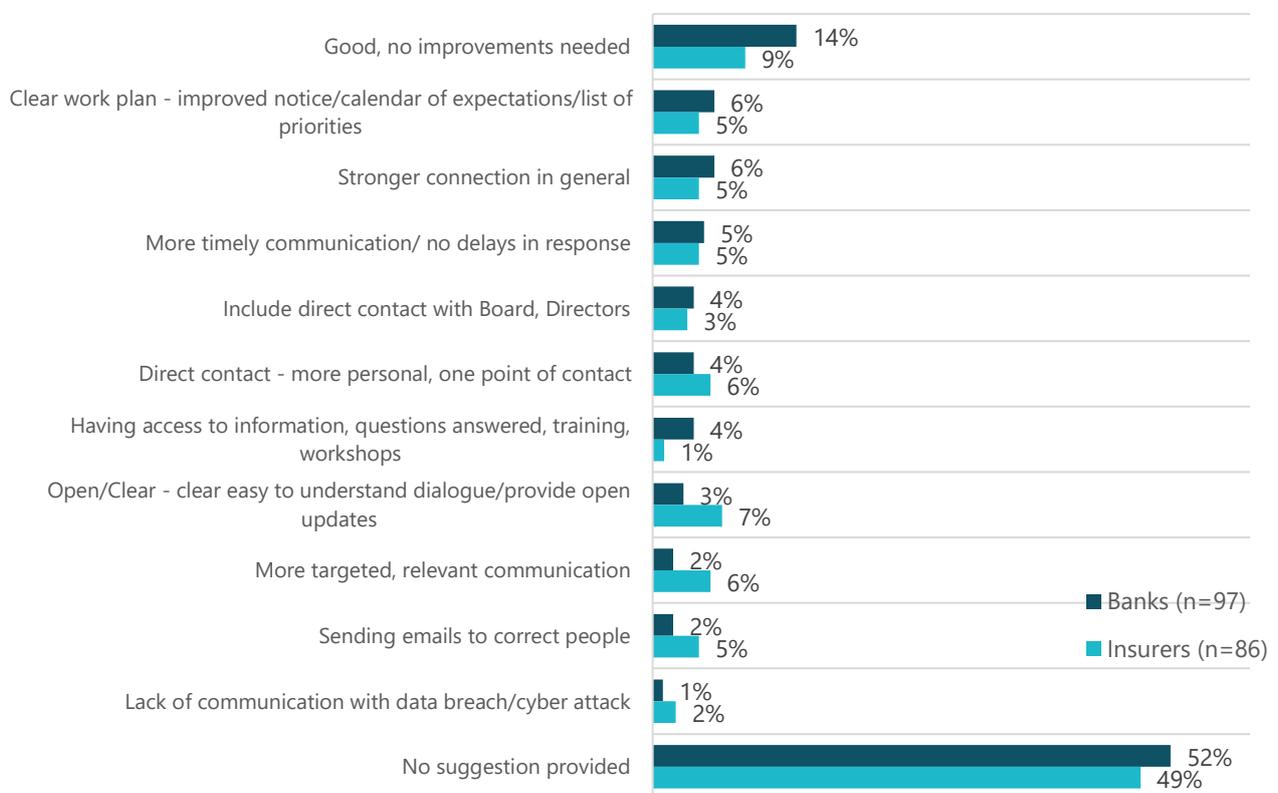
All participants were asked what they felt the Reserve Bank could do to improve its communication with them.

Half of participants (banks and insurers) didn't offer any suggestions, and around 1 in 10 said no improvements are needed to the communication the Reserve Bank has with them.

Among those who did comment, there were a variety of suggestions made – illustrated in the chart below.

Participants from the large banks were more likely to comment about some communication aspects than participants from small banks, i.e.:

- Needing more timely communication/response (14% large compared to 1% small banks), and/or
- Wanting access to information, questions answered, training, workshops (10% large compared to 1% small banks)



Reserve Bank performance over the past 12 months

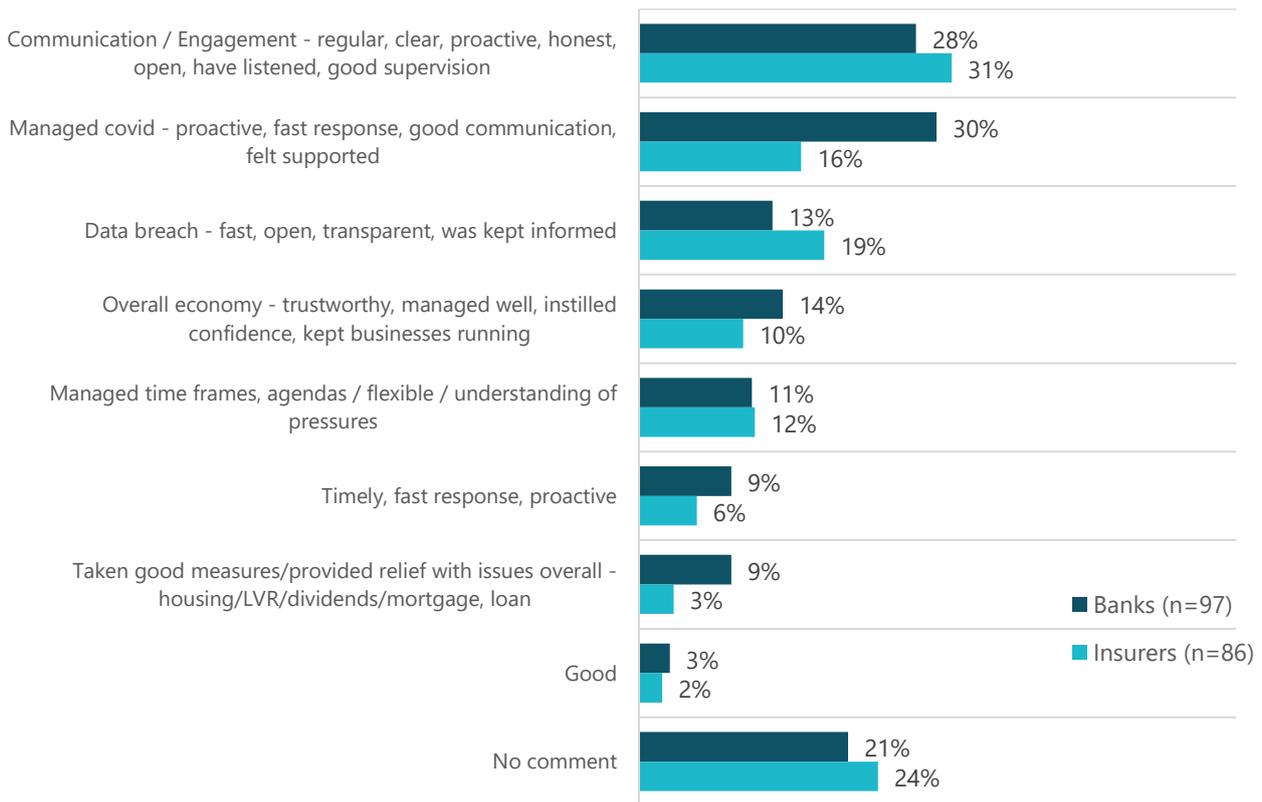
All participants were asked what they think the Reserve Bank has done well over the past 12 months, and where they feel there is room for improvement.

As for all of the open-ended questions in the survey a text box was provided for participants to write their response in their own words. The context for the question was to include the period of COVID-19 and the Accellion FTA data breach reported in January 2021. Participants were asked to consider all of the Bank’s functions: Supervision, Policy, Financial Markets, Economics.

The table below summarises the themes arising from the feedback.

Question: We would like you to think about how well the Reserve Bank has performed over the past 12 months, this includes the period of COVID-19 and the Accellion FTA data breach. Please consider all of the Bank’s functions that is: Supervision, Policy, Financial Markets, Economics.

What do you think the Reserve Bank has done well?



The top theme among the feedback from both bank and insurer participants relates to the Reserve Bank doing well over the last 12 months in terms of **communication and engagement** (n=27 bank and n=27 insurer participants), e.g.,

"Clear prioritization of initiatives and communication thereof."

"The Bank has tried to be proactive in its communication, and the revised engagement cadence has been an improvement. In addition, the increased flexibility in how these sessions run to make sure that they are actually adding value to both parties."

"Maintained a high level of communication to its stakeholders and appears to have taken a firmer line on some bigger issues such as prudential regulation of overseas banks and capital requirements."

Strong communication. Remained independent."

"Kept a steady approach. Provided positive and reassuring messaging."

"Communication was prompt and very clear. I felt informed and we had a clear channel into RBNZ as required."

"Communication and consultation seem to have improved under Adrian's leadership and the RB appears more approachable under his style."

"We feel there has been an improvement in their communication, frequency of comms and more clarity."

"Clear and early communications on policy, expectations, changes. Supervisors are clear, responsive, considerate and engaged."

The next largest theme from the feedback, particularly among bank participants is **compliments on how the Reserve Bank managed during the Covid-19 crisis** (n=29 bank and n=14 insurer participants), e.g.,

"COVID-19, business continuity management and economic stimulations."

"Flexibility and proactive actions were evident through the initial stages of Covid."

"Reacted swiftly as Covid unfolded with the increase in reporting and regular meetings. Finger was clearly on the pulse. Made pragmatic and logical decisions around deferring work streams and regulatory changes impacting banks (e.g., capital changes) so banks could focus on more relevant / timely issues."

"The Bank has pivoted and done a good job at working with the industry in the COVID response, including market stats and related work. "

"I think the Bank has been very responsive to the impacts of COVID - particularly around pushing out new legislation/requirements - while both parties have experienced significant pressure on resources."

"RBNZ has been on top of emerging issues (such as Covid-19, low and falling interest rates), sought and listened to feedback on various consultations designed to improve the regulatory framework. Some of the questions raised has given us pause to think about improvement to commentary and analysis in the FCR."

"Covid-19 - advance thinking and preparedness for the forthcoming pandemic situation. They have supported every local business and also managed and bring back the economy to its pre-covid level."

"Overall, the Covid response has been outstanding, the RBNZ did everything that was required to maintain financial stability and the NZ economy is better for it. On the prudential/supervisory side the engagement on the new Capital rules has also been very good along with the engagement on the BS13 thematic review. The markets division has also been excellent regarding implementing the new FLP program."

"Protection of its independence in a tricky economic and Covid-impacted environment appears to be navigated well. Pleased to see the Act reforms and closer relationship with the FMA."

"The RBNZ has used Covid to generate stronger and more regular engagement with individual insurers."

"In relation to Covid: yes. In fact, this has initiated a greater level of communication than existed prior to Covid. Has provided an opportunity to cement communication channels."

The Reserve Bank **handling of the data breach** earlier this year was the third biggest theme arising in the feedback (n=13 bank and n=16 insurer participants), e.g.,

"Data Breach - Systematically and professionally handled the entire process. They have kept us updated about progress and findings."

"In terms of the management of the breach - overall no issues. Good communications and all reasonable efforts made. Post breach, we are not entirely satisfied with the interim solution on data transfer but are working through this."

"In relation to data breach: it is hard to say. Information took time to come out, but I expect there were very good reasons for this. I would not want to second guess the RBNZ communication strategy."

"I think the Reserve Bank handled the data breach well."

"Rapid and transparent response on data breach."

"The communication with RBNZ is clear and deep. The decision by RBNZ is reasonable and acceptable. I appreciate RBNZ's actions when facing the data breach issue. And I appreciate RBNZ's support to the bank."

"The data breach was handled very well. I have no criticism of their response and management of this event."

"Very good and open communication on the data breach (it was good to see accountability for the issue)."

Mention of the **overall economy**, in terms of trustworthy, managed well, instilled confidence, kept businesses running, was mentioned significantly more by participants of small banks than large banks (19% small compared to 3% large), e.g.,

"Trustworthy and professional organisation providing sound monetary policy and regulation to the banking sector."

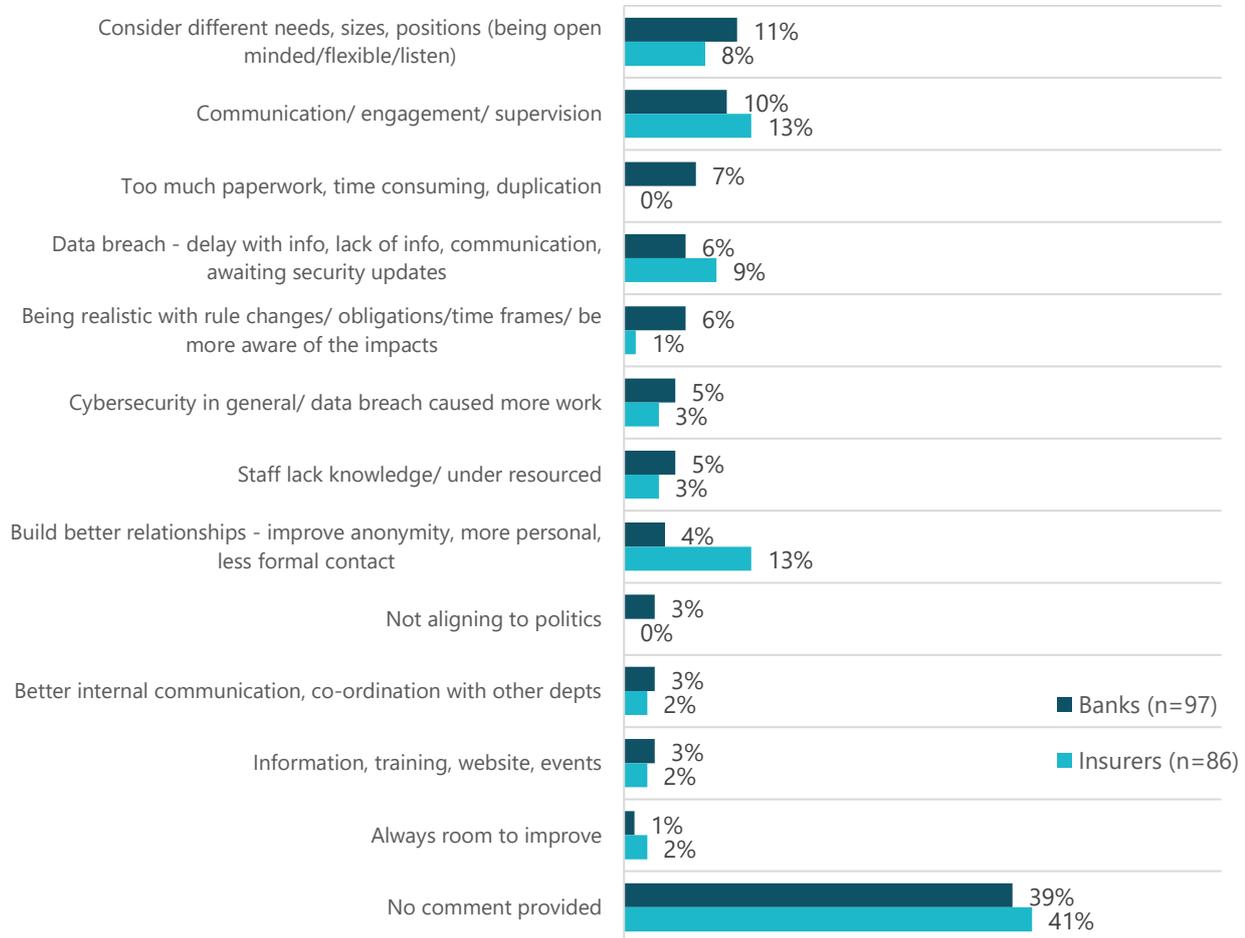
"Ensured confidence and liquidity in markets through the COVID crisis. Strong advocacy for NZ. Clear and consistent communication around monetary policy actions."

"Taken an active role in overseeing the stability of the financial sector during the pandemic."

"Acted quickly and provided the people of New Zealand confidence in the financial sector and more broadly in the financial system."

The table below summarises the themes from feedback relating to **suggestions for the Reserve Bank to improve**.

Question: And where do you think there is room for the Reserve Bank to improve?



The two themes arising from suggestions for improvement are **listening to and considering the different needs of stakeholders**, and **improving communication/engagement further**, e.g.,

"Build trust and better relationships. Recruit experienced business focussed people. Not more compliance people and lawyers. Recruit better people."

"Feel on technical issues they are lacking in experience and expertise. Culture of the RBNZ must improve."

"Spend more time understanding bank issues. Don't bring in more and more regulation in areas that are traditional domain of banks. E.g., all the housing lending restrictions, capital. Banks focus on these routinely."

"Try to give the smaller banks a break or accept that the small banks will be collateral damage of the ever-increasing burden of regulation."

"Recognise the fact that one size will not fit all and that they play forward the nett ask of themselves and other regulatory bodies are requesting of the sector, not just financial but human. The sector still needs to be an attractive place to work, and piling compliance work up at the back door is not helpful. I understand we are at

the whims of other jurisdictions as far as gold plated versions of banking play out but I would like to think we have the fortitude to push back to create time and opportunity to solve the issue without burning people out."

"Demonstrate more clearly that they are prepared to listen rather than just announce changes then after a consultation period make no change."

"Greater understanding as to where smaller banks are coming from: 1 - as to the extent of changes needing to be made in bank-wide process change to meet increasing regulatory requirements, and 2 - looking at the actual outcomes already being achieved and allowing for some flexibility in the timing of completing these process changes. Find ways to reduce, or at least better co-ordinate, the number of regulators involved in overseeing banks."

"Maybe treat small business as small and not the same as the big corporates."

Insurer participants are more likely than bank participants to comment about wanting to improve the relationship with the Reserve Bank further (n=11 insurer participants), e.g.,

"Seek opportunities for informal discussions with entities to gain greater insights into business pressures."

Need to work on culture of "work together to achieve...". I think the latest "enforcement team" sounds more like a "hit team" than a team to support compliance achievement. The RBNZ sends no reminders of reports or actions due. E.g., the FSPR emails out a reminder and a follow-up reminder of renewal of registration.

"Continuing to get to know those insurers who fall in the portfolio team. Potential to run another session with those insurers."

"Identify individuals to develop a relationship with."

"Having an open mind to feedback and challenge - currently there is an inability to engage because the regulator is always right; separately there is an inability to engage in an informal setting - where everything has to come through an official submission - often causing time delays (can be significant) if there are areas the Bank wants further information on - changing the approach to this would be helpful."

Appendix 1: Relationship Charter



Relationship Charter.

The Reserve Bank aspires to build and maintain the best 'regulator/regulated' supervisory relationships possible, with all the different regulated entities. This Charter represents a mutual undertaking of how the parties will work together to achieve this aspiration. We will regularly measure our performance against the commitments set out in the Charter and share the lessons.

Our mutual commitments

Our behaviours will be

Honest
positions are openly stated, constructively, freely and frankly

Diligent
provide clear expectations and deliver on them

Achievement focused
work together to achieve sound and efficient outcomes

Open-minded
each other's perspective is constructively sought and understood

Professional
disagreements can happen on issues, not people

Our communication will be

Clear
easily understood, with decisions explained

Targeted
made to the right people in governance and management

Consistent
one organisation, one message, one tone

Timely
communication with no surprises

Relationships built on mutual respect, ethical behaviour, and te hunga tiaki.
Stewardship for a healthy and efficient financial system that benefits all New Zealanders.

Appendix 2: Sample profile

BANKS

Bank Participants	2021 No. of responses	2021 %
Large bank	29	30%
Small bank	68	70%
Total	97	100%

INSURERS

Insurer Participants	2021 No. of responses	2021 %
Designated insurer	45	52%
Portfolio-managed insurer	41	48%
Total	86	100%

Appendix 3: Survey questions

Relationship Charter.

The Reserve Bank aspires to build and maintain the best 'regulator/regulated' supervisory relationships possible, with all the different regulated entities. This Charter represents a mutual undertaking of how the parties will work together to achieve this aspiration. We will regularly measure our performance against the commitments set out in the Charter and share the lessons.



The Reserve Bank's Relationship Charter commits the Reserve Bank and the financial sector to a mutual understanding of appropriate conduct and culture. The Reserve Bank would value your feedback in order to understand how well you think the relationship is working and where there may be opportunities for improvement of the Reserve Bank's services, systems, processes and communication.

Thank you for taking the time to give us your feedback.

Have you engaged or made contact with the Reserve Bank through any of the following? If so when did you last do this?

- In person with a Reserve Bank representative
- Over the phone with a Reserve Bank representative
- Over email with a Reserve Bank representative
- Visited the Reserve Bank's website
- Attended a Reserve Bank speaking event/forum
- Read Reserve Bank news releases
- Followed the Reserve Bank's social media channels (LinkedIn, Twitter, Instagram, YouTube)

Options:

- In the past month
- In the past 6 months
- In the past year
- 1 – 3 years ago
- More than 3 years ago
- I've never done this

The next set of questions are about how your organisation works with the Reserve Bank and in particular relate to the Relationship Charter.

Overall, how would you rate your relationship with the the Reserve Bank?

Very poor
Poor
Neither poor nor good
Good
Very good
Don't know

Is there anything you think the Reserve Bank needs to prioritise to improve the relationship?

Thinking about your relationship with the Reserve Bank, how is the Reserve Bank delivering on each of the following aspects of the relationship charter?

Honest (their positions are openly stated, constructively, freely and frankly)
Achievement focused (they work with you to achieve sound and efficient outcomes)
Diligent (they provide clear expectations and deliver on them)
Open-minded (different perspectives are constructively sought and understood)
Professional (disagreements can happen on issues, not with people)

Options:

Very poor
Poor
Neither poor nor good
Good
Very good
Don't know

And thinking about the Reserve Bank's communication... how would you rate them on each of the following?

Clear (they are easily understood, with decisions explained)
Targeted (communications are made to the right people in governance and management)
Consistent (one organisation, one message, one tone)
Timely (communication with no surprises)

Options:

Very poor
Poor
Neither poor nor good
Good
Very good
Don't know

Q6. What could the Reserve Bank do to improve its communication with you?

The qualities we listed out in the previous questions form the basis of the Reserve Bank’s Relationship Charter for effective working with banks and other organisations.

How well do you think that the Reserve Bank lives up to its Relationship Charter overall?

Very poor
Poor
Neither poor nor good
Good
Very good
Don’t know

Can you provide more details about how you think that the Reserve Bank lives up to the Relationship Charter overall?

How well do you think your organisation delivers on the aspects of the Relationship Charter overall?

Very poor
Poor
Neither poor nor good
Good
Very good
Don’t know

Can you provide more details about how you think your organisation delivers on the aspects of the Relationship Charter overall?

Are there any specific changes you think should be made to the Charter to better reflect how the banking sector and the Reserve Bank aspires to work together?

Finally, we would like you to think about how well the Reserve Bank has performed over the past 12 months, this includes the period of COVID-19 and the Accellion FTA data breach.

Please consider all of the Bank’s functions that is: Supervision, Policy, Financial Markets, Economics.

What do you think the Reserve Bank has done well?

And where do you think there is room for the Reserve Bank to improve?

Thank you for your time. That's all the questions we have for you today.