



**HSBC**  
HSBC House  
Level 9, One Queen Street  
Auckland 1010  
P. O. Box 5947, Wellesley Street  
Auckland 1141  
New Zealand  
  
T. 0800 028 088  
F. (09) 368 8797  
Swift. HSBCNZ2A  
www.hsbc.co.nz

18 August 2017

Head of Macro Financial Department  
Reserve Bank of New Zealand  
P O Box 2498  
Wellington 6140

Dear Sir/Madam

**Consultation Paper: Serviceability Restrictions as a Potential Macro-prudential Tool in New Zealand**

The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch ('**HSBC**' or '**we**') is pleased to have the opportunity to comment on the above named Consultation Paper ('**Consultation Paper**') which was released for comment by the Reserve Bank of New Zealand ('**RBNZ**') in June 2017.

HSBC is committed to the strong health of the New Zealand banking industry. We take pride in having a well maintained and conservative portfolio, with a focus on strong risk management and ensuring all regulatory (and other) obligations are met.

We welcome the opportunity to provide feedback on the Consultation Paper on points that relate specifically to HSBC. This is over and above the industry submission by the NZBA that we support.

Please note that this submission contains the opinions and views of HSBC which we request to be treated as confidential. We also request that no reference to HSBC be made by the RBNZ in any public summary of submissions.

Customer segment impacts

A DTI ratio does not necessarily take into account individual borrower characteristics as highlighted in the NZBA submission examples. s9(2)(b)(ii) commercially sensitive

[Redacted]

[Redacted]

s9(2)(b)(ii) commercially sensitive

DTI as a tool

The proposed DTI approach may be useful as an indicative tool but we submit it ought not to be mandatory or decisive when making a lending decision. Its benefit is as one of a host of considerations which are taken into account and weighted by a financial institution when reaching its decision.

Should a decision be made to introduce a DTI limit, we submit that consideration should be given to a two tier DTI approach i.e. a higher DTI limit for the main centres that command higher house prices and a lower limit for the rest (precedent for this approach was in RBNZ's initial LVR restrictions).

Other

An unintended consequence of the proposed DTI limit could ironically be more high risk transactions. For example, there could be more transactions with multiple borrowers sharing ownership of a single property in order to circumvent the DTI limit. Similarly, more complex ownership structures would likely become more attractive for the same reason. There could also be an increase in the use of second mortgages and/or peer to peer or non-bank / shadow banking lending that may or may not be disclosed by the customer on application.

s9(2)(b)(ii) commercially sensitive

To summarise, HSBC is of the view that the proposed DTI tool will have unintended consequences to the wider economy/housing market s9(2)(b)(ii) commercially sensitive. The tool's cost /benefit results remain in doubt and need deeper analysis. We therefore do not support the introduction of this tool as presented. Should the RBNZ still proceed with its implementation, then we submit that it be amended, taking into consideration the feedback in this and the NZBA's submission.

Yours sincerely

Yong Han  
Chief Risk Officer  
The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch

cc. Chris Russell, Chief Executive Officer