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Re: Consultation: Risk management guidance on cyber resilience and views on information gathering and sharing

We refer to the Consultation: Risk management guidance on cyber resilience and views on information gathering and sharing (the **Consultation**) released by the Reserve Bank of New Zealand (the **RBNZ**) on 20 October 2020. The Consultation presents draft cyber risk management guidance, and CLS Bank International (**CLS**) appreciates the opportunity to provide these comments.

Background

The CLS System was declared to be a “designated payment system” for the purposes of the Reserve Bank of New Zealand Act 1989 (the **Act**) pursuant to the Reserve Bank of New Zealand (Designated Payment Systems) Order 2004, and the CLS System has been deemed to be a “pure payment system” for the purposes of the Act pursuant to section 7(2)(a) of the Reserve Bank of New Zealand Amendment Act 2009. As a designated financial market infrastructure, the risk management guidance would apply to CLS.

CLS is unique among other regulatory entities of the RBNZ in that it is subject to a global oversight arrangement. The Protocol for the Cooperative Oversight Arrangement of CLS provides that participating central banks, including the RBNZ, “should consult the other participating central banks, as necessary, before implementing policies or taking any action that could materially affect CLS.” This is intended “to avoid, where relevant and possible, inconsistencies in the oversight relationship with CLS.”

Q5: Do you agree that guidance should apply to all regulated entities of the Reserve Bank?

While having a single and consistent set of risk management guidance for all regulated institutions removes a level of complexity in attempting to tailor for a given type of organization, there should be recognition in the guidance that foreign institutions, especially foreign financial market infrastructures, are subject to the prudential regulation of their home regulatory bodies.

It is very helpful that the RBNZ’s cyber resilience guidance is drawn from international cyber resilience frameworks and that there have been efforts to avoid duplication and conflicting expectations from other jurisdictions, but CLS recommends that there be express deference to such home jurisdiction regulators and international frameworks. An exemption to meet any specific New Zealand requirements should apply for foreign institutions in the following circumstances: (1) laws in the home jurisdiction implement internationally recognized cyber resilience frameworks or otherwise meet New Zealand or international standards; or (2) the

foreign institution is subject to oversight or supervision by the RBNZ or another New Zealand regulatory authority by virtue of such authority's participation in a cooperative oversight arrangement.

Q7: Do you support the Reserve Bank's intention to broadly follow the international practices and establish a cyber data collection for all prudentially regulated entities? Do you have any particular concerns or issues that you would like the Reserve Bank to take into account when further developing its plan?

In further developing its cyber data collection plan, we would request more granularity regarding expectations for foreign institutions. Restating the point above, efforts should be undertaken to avoid duplication and conflicting expectations that apply to foreign institutions in their home jurisdictions. Further, where an institution is subject to oversight or supervision by the RBNZ or another New Zealand regulatory authority by virtue of such authority's participation in a cooperative oversight arrangement, compliance with the cooperative oversight arrangement's data collection requirements should be sufficient.

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CLS greatly appreciates the opportunity to submit these comments. As always, CLS would be happy to discuss, or further develop, any of these submissions with the RBNZ.

Yours sincerely,



Gaynor Wood

