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- Hello everyone and welcome to the webinar. I'm Scott McKinnon, Director of Specialist Supervision, and I'm joined by my colleague Stan Christian, Acting Director of Prudential Supervision. I'm delighted to see such a large number of attendees today, and my thanks to all of you for joining us.
 - As you know, we are very keen to work alongside the NBDT sector on the journey towards implementing the DTA, and we see these webinars as a really useful and efficient way to do so.
 - Today Stan and I will talk about our approach to supervision and what the NBDTs can expect under the DTA.
 - The new legislation represents a once in a generation shift in terms of how we will be supervising the Deposit Taking sector and, as we all know, it will bring change.
 - From our perspective it is certainly the biggest regulatory implementation project we have ever run at the Bank, with a huge number of moving parts. And, in terms of supervision, we have a large number of different workstreams, with each one focused on building a different piece of what will become our modern supervisory approach.
 - From your perspective, one of the biggest changes will, of course, be the nature of your relationship with the Reserve Bank.
 - As a bit of pre-reading for this session, I decided to go back and look at the history of the current supervisory arrangement, although I am sure it is probably well understood by many of you.
 - The existing trustee supervision model was a hold-over from the Securities Act 1978, where all issuers of debt securities were required to have a trustee.
 - When we were designing the NBDT Act 2013, most stakeholders supported leveraging existing arrangements to make trustees the frontline supervisors.
 - As a result, our role then became that of regulating the sector, which of course aligned nicely with our financial stability remit.
 - One of the issues with this approach though, was the potential for there to be different treatment between registered banks and licensed NBDTs and, given different trustees, between the NBDTs themselves.

- The introduction of the DTA provides an opportunity to introduce consistency for all deposit takers, regardless of their classification, while applying a fit-for-purpose and proportionate approach.
- So, in late 2028, the Bank will become the supervisor for all Deposit Takers, and although that will not result in much difference for the registered banks, we know it will represent a major shift for all of you.
- To ensure we are starting on the same page I wanted to reiterate our view of the role of a prudential supervisor. Dr John Laker, a previous Chair of our good friends at APRA, our Australian counterpart, set it out very well in a speech from 2010 where he said: “[prudential supervision is] the direct oversight of financial institutions to ensure that they are not just complying with the regulations in a legalistic sense but are operating soundly and prudentially in the spirit of the regulatory framework.”
- Dr Laker's position leads nicely onto what is our area of focus. We are committed to meeting our mandate of supporting a stable financial system, as we understand that is how we will support and enable prosperity and wellbeing for all New Zealanders. We therefore supervise to ensure entities are compliant with requirements but also operating soundly and prudently.
- We aim to achieve this by taking a risk-based approach to supervision and making well-informed, robust decisions. We will act early and so we need to be forward looking and proactive in seeking to monitor risks. This allows us to intervene pre-emptively to mitigate and minimise their impact, rather than reacting to them as they occur.
- As a risk-based supervisor we also intentionally focus on the entities that have the largest impact on financial stability, and this allows us to apply a proportionate approach to supervision, which I know is important to this group. For current NBDTs that will be Tier 3 entities under the DTA, we will meet with you, and we will be available to talk to you, but this impost will be appropriate for your size and reflect the amount of resource we can dedicate to Tier 3. Importantly from your perspective, our approach to you will be very different from how we interact with Tier 1 and Tier 2 entities, where for the largest banks, we are often engaging on a weekly or even daily basis.
- It is also worth noting that while we cannot be advisors to entities, because our duty will always be to New Zealand and, as we all know, it is not advisable to mark one's own homework, your supervisors will always be available to talk to you.
- Irrespective of what Tier your entity is though, you can rest assured that we will apply the principles set out in the relationship charter in all our dealings with you

(and, of course, we have an expectation that you will do the same). Our behaviours will always be honest, diligent, achievement focused, open minded and professional. Our communication will always be clear, consistent, targeted and timely.

- Thank you again for attending today, and on that note I will hand over to Stan.