

Resolution framework for the future.

Evolution of the Open Bank Resolution policy under the DTA

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Introduction.

Why we need a framework

- Crisis is very costly
- Resolution can deliver significantly better outcomes
- Resolution requires pre-positioning
- Those insights already shaped OBR in the late 1990s



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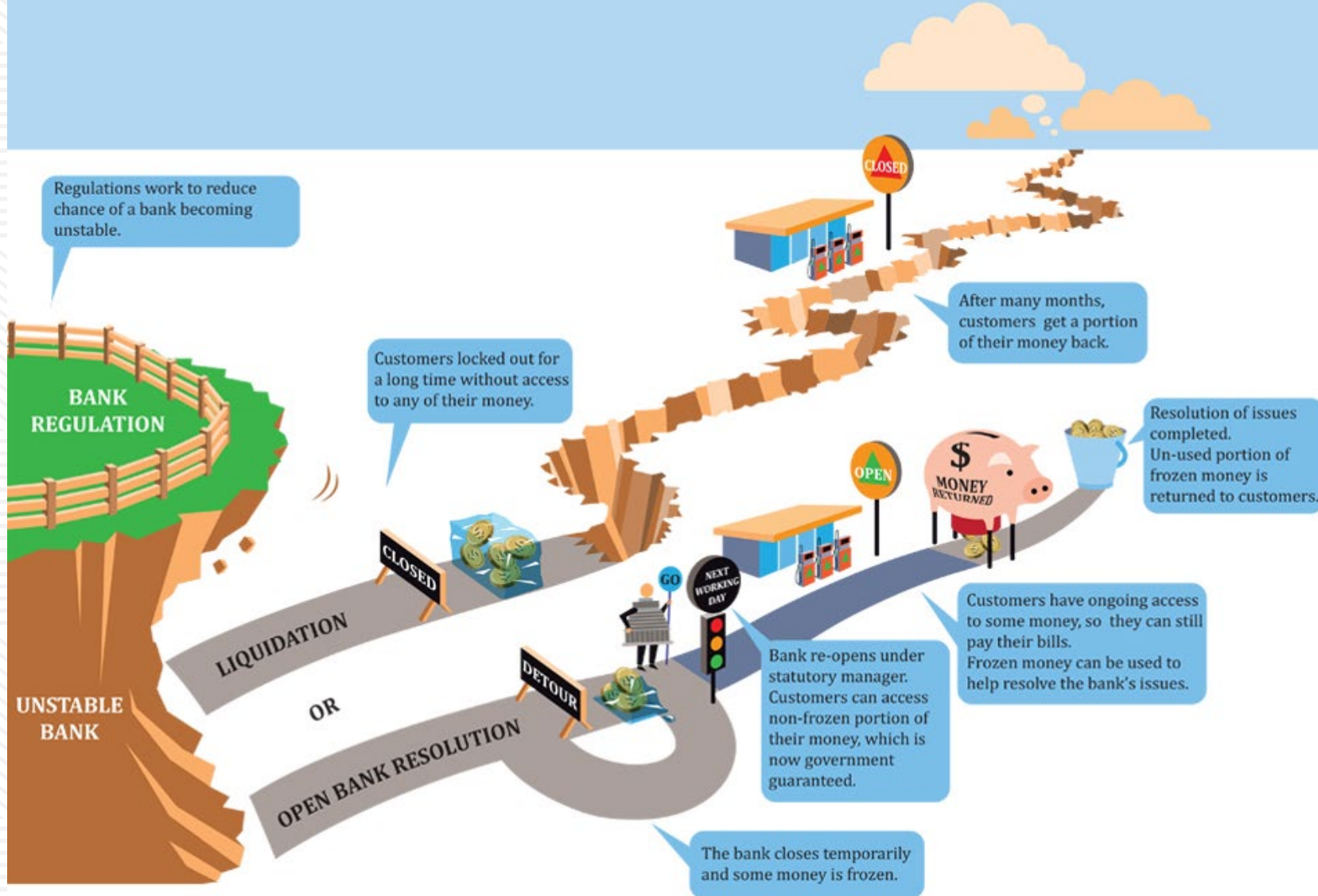
Open Bank Resolution (OBR).

Overview

- Our new crisis management framework
- The crisis response waterfall
- Comparison to international practice
- Comparison to Open Bank Resolution (OBR)



IN THE EVENT OF BANK FAILURE



- Close bank – ‘freeze’ liabilities
- Process in-flight payments
- Re-open transactional accounts 9am
- Work out longer-term solution (while protected by government)



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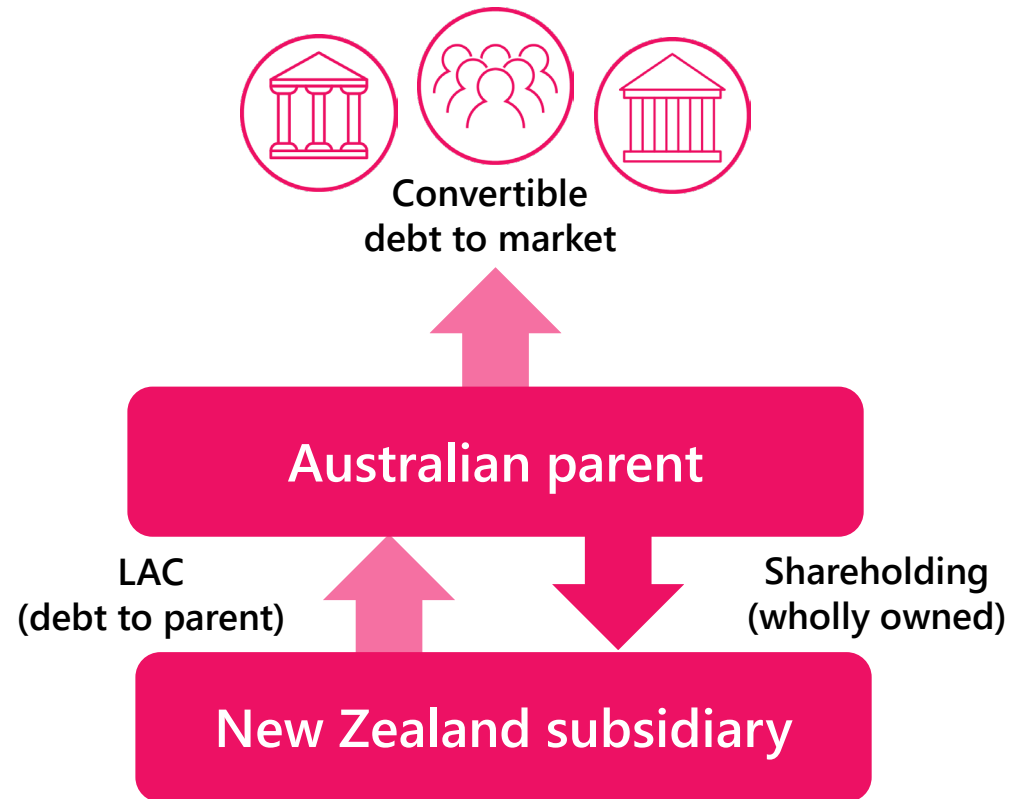
The new framework.

Crisis response waterfall

	Option 1	Option 2	Option 3	Option 4	Option 5
Group 1	Recovery	SPE bail-in	Rapid sale	Standalone Recap	Liquidation and DCS
Group 2 and transactional Group 3	Recovery	Rapid sale	Orderly wind-down	Liquidation and DCS	
Other Group 3	Recovery	Rapid sale	Liquidation and DCS		



Single point of entry (SPE) resolution



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New framework and OBR.

New framework and OBR

OBR	New framework
Pre-positioned 'open bank' resolution	Pre-positioned 'open bank' resolution
Stabilise then work it out	Pre-position full solutions
OBR 'freeze' for stabilisation	CoAD to support several different options
Medium-term government guarantee	Not needed
Partially frozen transactional deposits on re-opening	Not needed



Conclusion

- A new framework
- Closer to international orthodoxy, but with an NZ focus on flexibility
- Full implementation will require:
 - Reserve Bank uplift
 - Deposit takers' crisis preparedness (policy consultation mid-June)





Reserve Bank
of New Zealand
Te Pūtea Matua

Ngā mihi.

Comments and questions welcome.