NEW ZEALAND
BANKERS ASSOCIATION

1 February 2013

Jonathan Young
Chair
Commerce Committee
Parliament Buildings
WELLINGTON

Dear Jonathan

Submission on the Financial Reporting Bill

The New Zealand Bankers' Association (NZBA) affirms support for the Bill and in particular its aim of reducing unnecessary reporting requirements. There is, however, one area of concern to our members.

The Bill proposes to reduce the timeframe for preparing financial statements from the current five month period to three months. The Supplementary Order Paper that accompanies the Bill extends the application of this amendment to reporting entities under the Financial Markets Conduct Bill.

NZBA does not support this amendment. The proposed reduction in time allowed for the preparation of financial statements will create significant pressure for registered banks and related entities without proportionate benefit to shareholders and other interested parties.

In spite of changes in the Bill, banking groups are still likely to have a significant number of statements to produce, and the three month deadline will be difficult to meet. The key issue is resourcing, as typically the same people (both internally and externally) are involved in preparation of the reports, while simultaneously carrying out their regular duties. Pressure on actuaries and auditors will be significantly increased.

In addition, many of our members have fund managers and licensed insurers in their banking groups. For these members, additional reporting obligations for their managed fund and insurance businesses must be done concurrently with financial statements for the banking business. These obligations include reports such as solvency returns and financial condition reports which are significant workstreams in themselves. As a result, producing all required reporting within the proposed three month timeframes will place a significant burden on reporting entities.

These difficulties are compounded for entities with a September balance date. For such entities a three month deadline comes in the middle of the summer holiday period. The practical effect is that with staff absences, close down periods for audit firms and the difficulties in accessing directors during this period, the three month deadline would be compressed to two and a half months or less.

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We appreciate that financial information must be up to date to be of use to investors. However, reducing the timeframes carries the risk of undermining the quality of financial reporting. Any reduction in reporting timeframes is likely to impact on the auditing and internal review portion of the financial reporting process, which may make the financial reports less robust.

Furthermore, in the case of banks, the information in a registered bank's full year disclosure statement (which is already required to be produced within three months) contains financial information about its subsidiaries and will be sufficient to meet the requirements of most of a banking group’s stakeholders and investors. Publication of the formal financial statements will reinforce the reporting already contained in the disclosure statement and provide additional detailed information for those stakeholders that require it. The longer timeframe for production of these financial statements will not be a significant disadvantage to investors as key information will already be publically available.

Overall, we believe retaining the five month reporting timeframe would not harm the interests of stakeholders, and would reduce the additional compliance burden on reporting entities. If you would like to discuss this submission further, please do not hesitate to contact me.

Yours sincerely

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