

# Submission

to the

# Financial Markets Authority

on the

# Consultation: Review of 16 class exemption notices expiring in 2021

20 August 2020

## About NZBA

1. The New Zealand Bankers' Association (**NZBA**) is the voice of the banking industry. We work with our member banks on non-competitive issues to tell the industry's story and develop and promote policy outcomes that deliver for New Zealanders.
2. The following seventeen registered banks in New Zealand are members of NZBA:
  - ANZ Bank New Zealand Limited
  - ASB Bank Limited
  - Bank of China (NZ) Limited
  - Bank of New Zealand
  - China Construction Bank
  - Citibank N.A.
  - The Co-operative Bank Limited
  - Heartland Bank Limited
  - The Hongkong and Shanghai Banking Corporation Limited
  - Industrial and Commercial Bank of China (New Zealand) Limited
  - JPMorgan Chase Bank N.A.
  - Kiwibank Limited
  - MUFG Bank Ltd
  - Rabobank New Zealand Limited
  - SBS Bank
  - TSB Bank Limited
  - Westpac New Zealand Limited

## Introduction

3. NZBA welcomes the opportunity to provide feedback to the Financial Markets Authority (**FMA**) on its consultation: *Review of 16 class exemption notices expiring (Consultation)*.

## NZBA supports financial reporting class exemptions

4. Some of NZBA's members are overseas registered banks and rely on the following class exemptions which are the subject of this Consultation:
  - (a) Financial Markets Conduct (Overseas Registered Banks and Licensed Insurers) Exemption Notice 2020.
  - (b) Financial Markets Conduct (Overseas FMC Reporting Entities) Exemption Notice 2016.

(exemption notices)

5. NZBA strongly supports the renewal of these exemption notices. We note and endorse the feedback provided to FMA previously on this topic from HSBC and ANZ (dated 14 February 2020) and JP Morgan (dated 5 February 2020).
6. NZBA submits that the exemption notices avoid unnecessary duplication of legislative requirements across jurisdictions and recognise the legitimacy of the laws of other well-regulated foreign countries. The co-ordination of New Zealand laws with the laws of other countries encourages the provision of cross border financial services between well-regulated jurisdictions, which benefits New Zealand's business and financial services communities.
7. Avoiding unnecessary duplication of laws across well-regulated jurisdictions is consistent with the purposes of the Financial Markets Conduct Act 2013; promoting confidence, fairness, efficiency and flexibility, as well as avoiding unnecessary compliance costs.
8. These exemption notices encourage foreign banks to enter the New Zealand market, which is desirable as it promotes competition.
9. Additionally, we consider that the risks associated with these exemption notices are minimal:
  - (a) The Reserve Bank of New Zealand is required to assess the financial reporting and audit requirements of the home jurisdiction of any overseas bank seeking registration or licensing in New Zealand.
  - (b) For foreign banks, there is minimal benefit to investors in New Zealand having access to financial statements prepared according to NZ GAAP rather than an overseas GAAP, as equity and debt securities for many foreign banks are not issued in New Zealand.
  - (c) The exemption notices are targeted at specified jurisdictions that FMA considers provide high-quality information to investors (for example, quality audit).
10. NZBA does not support the proposal to introduce a requirement on overseas entities to disclose the differences between their home jurisdiction financial reporting requirements, and New Zealand GAAP (Q10). The overseas GAAPs specified in Q9 are accepted as providing high quality financial information to investors in their current form. Identifying differences between GAAPs is not required by any current accounting or regulatory regime that we are aware of, and is not currently done by our members that are branches of overseas registered banks. Introducing this requirement would be inconsistent with the purpose of this exemption (that being, to avoid unnecessary compliance costs) and would not improve the average users overall understanding of these financial statements, which are widely used in global financial markets.

## Contact details

11. If you would like to discuss any aspect of this submission, please contact:

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