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**Reserve Bank of New Zealand**  
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## **Response to the consultation on Phase 2 of the Reserve Bank Act Review**

This submission is from the Financial Services Council of New Zealand Incorporated (**FSC**) on the Reserve Bank of New Zealand's Phase Two consultation of the Reserve Bank Act Review.

The Financial Services Council is a non-profit member organisation and the voice of the financial services sector in New Zealand. Our 35 members comprise 95% of the life insurance market in New Zealand and manage funds of more than \$47.5bn. Members include the major insurers in life, disability and income insurance, fund managers, KiwiSaver, professional services and technology providers to the financial services sector.

Our submission has been developed through consultation with FSC members, and represents the views of our members and our industry. We acknowledge the time and input of our members in contributing to this submission. Where our members have differing views, we have noted these views in our response.

The FSC's guiding vision is to be the voice of New Zealand's financial services industry and we strongly support initiatives that are designed to deliver:

- Strong and sustainable consumer outcomes;
- Sustainability of the financial services sector; and
- Increasing professionalism and trust of the industry.

Our submission focuses on two recommendations.

**1. We support the Reserve Bank continuing to be responsible for prudential regulation and supervision under an 'enhanced status quo'.**

Our members have mixed views on the separation of monetary policy and prudential regulation, noting that the key requirement is for a well-resourced prudential regulator.

For those members that support the Reserve Bank continuing in its role as prudential supervisor, the rationale is that creating a new entity that would be responsible for prudential regulation could introduce unnecessary change and costs. In addition, to maintain public trust, consistency and reliability is important.

For those members that support the separation of monetary policy and prudential regulation, the rationale is that the Reserve Bank's emphasis on its monetary policy mandate may come at the expense of its other mandates, notably prudential regulation. A dedicated prudential regulator (i.e. a New Zealand Prudential Regulation Authority) would not have to balance these competing priorities and could develop a distinct organisational culture better suited to its role.

All our members agree with the comments in the consultation paper around the need to increase resourcing to enable a greater focus on the Reserve Bank's financial policy responsibilities. We note that resourcing will be addressed in the next round of consultation.

**2. We support a continued focus on *soundness and efficiency*, together comprising *financial stability*.**

In general, we support having a clear focus on a small number of objectives rather than a diluted focus on a larger number of objectives. We believe that the current high-level objectives provide the Reserve Bank with the scope to maintain a well-functioning, resilient, and efficient financial system.

However, to promote efficiency and effectiveness, we note that it will be important to continue to have clarity on the roles and responsibilities of the two key regulators (being the Financial Markets Authority and the Reserve Bank of New Zealand), as outlined in Chapter One of the consultation document.

I can be contacted on 021 0233 5414 or [richard.klipin@fsc.org.nz](mailto:richard.klipin@fsc.org.nz) to discuss any element of our submission.

Yours sincerely

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