

Terms of Reference : Provision of Analysis and Inspection Services to the Crown.

1. Background

Effective management of the Deposit Guarantee Scheme (the “Scheme”) is a key priority for Senior Management within the Treasury.

The generic monitoring of the Non Bank Depositor Takers (“NBDT”) is now in place, and a view of the Crown’s risk profile within this sector has been formed.

The detailed analysis of those NBDT that are large in terms of depositors, guaranteed deposits or considered of a higher relative risk to the Crown scheme is a priority.

2. Statement of Purpose

The Crown is looking for expressions of interest from professional service firms (the “Consultant”) to provide specialist skills to undertake the analysis and inspection of selected NBDT to support the Crown’s ongoing understanding and risk management of guaranteed NBDT’s.

Each inspection is expected to be bespoke, as the exact nature of the key areas of concern for the Crown will differ from entity to entity due to the entities scale and risk profile.

As a general guide, an inspection is expected to cover the following three key areas;

1. General Business Practices;

The Crown would require the general business practices of the NBDT to be reviewed, with investigation and analysis centred on the Consultant:

- Preparing a company profile of the NBDT’s, its shareholders, key staff, directors and related parties (listed investments, or listed shareholders etc);
- Preparing a company profile of the NBDT’s corporate metrics over the past three years in six monthly intervals;
- Reviewing the NBDT in respect to its;
 - Asset write/funding strategies;
 - The effect of the proposed regulatory changes proposed; and
 - The business and governance model of the NBDT.

2. Credit Quality;

The Crown would require the credit quality of the NBDT to be reviewed, with investigation and analysis centred on the Consultant:

- Preparing a detailed overview of the book;
- Undertaking a due diligence style review of those material assets (sample only basis on the balance) within the NBDT’s book that are:
 - Are impaired, past due, in arrears by more than 60 days or otherwise at risk;
 - Are related party lending; and
 - Do not “cash flow”.
- Reviewing the arrears, past due and impaired assets (and their definitions) and the level of provisioning (and provisioning policy) across the book.

3. Liquidity;

The Crown would require the liquidity position of the NBDT to be reviewed, with investigation and analysis centred on the Consultant:

- Reviewing the NBDT's current liability profile (maturity profile, amounts raised, interest rates etc);
- Reviewing the NBDT's current asset profile (maturity profile, concentration risk etc);
- Reviewing the level of parent and or bank support available.

3. The Consultancy

Treasury is seeking to appoint a panel of pre approved Consultants who:

- Are experienced in audit and/or receivership work;
- Have a strong understanding of NBDT's, business model, and have experience in the sector; and
- Have a strong understanding of NBDT's lending practices.

The Consultant will have access to relevant staff within Treasury and other Government Agencies where appropriate.

4. Scope and Expectations

It is expected that the Consultant will have contact with the Team Leader, Deposit Guarantee Scheme on a day to day basis, but will have contact to other parts of the Crown as required.

The Crown anticipates that the Consultant will have discussions with the directors and senior officers of the investigated NBDT's and that may instruct professional advisors in areas that require specialist skills, subject to Crown approval.

The Crown anticipates that the Consultant will compile a detailed scope document which is to be approved by the Crown prior to the commencement of the investigation which is to outline:

- The detailed deliverables of the report;
- The required external consultants;
- Key milestones dates, including a completion date for the inspection;
- Key personnel conducting the inspection;
- Estimated expected costs associated with the report; and
- The format of the report.

The Crown anticipates that you will provide final documents:

- In both electronic and hardcopy formats;
- Provide the final documents in a clear and concise manner; and
- Be available to present and discuss key outputs with a key stakeholders.

The consultant should assume that all written material is subject to the Official Information Act.

5. Next Steps

Please register your interest to be part of the panel of experts in regard to the Scheme by e-mailing to John Park, Team Leader, Deposit Guarantee Scheme (john.park@treasury.govt.nz) with the following attachments:

- A covering letter;
- A capability statement including but not limited to;
 - Area of expertise/experience;
 - Details of individuals likely to be used on this assignment;
 - Particular areas where you would use third party professional's e.g. property valuation; and
 - Any potential limitations/constraints on availability.
- An outline of any potential conflicts of interest that your firm may have.

Please find attached a list of NBDT's on the Scheme:

- Allied Nationwide Finance Limited
- Aotearoa Credit Union
- Asset Finance Limited
- Avanti Finance Limited
- Broadlands Finance Limited
- Business Finance Limited
- Canterbury Building Society
- Caxton Employees Credit Union
- Christchurch Emergency Services Credit Union
- Client Reserve Limited
- Credit Union Auckland
- Credit Union Baywide
- Credit Union Central
- Credit Union Lakeland
- Credit Union North
- Credit Union South
- Equitable Mortgages Limited
- FAI Finance Limited
- Farmers' Mutual Finance Limited
- FE Investments Limited
- Finance Direct Limited
- First Credit Union
- Fisher & Paykel Credit Union
- Fisher & Paykel Finance Limited
- General Finance Limited
- Gold Band Finance Limited
- Hastings Building Society
- Heretaunga Building Society
- MARAC Finance Limited
- Mascot Finance Limited
- Medical Securities Limited
- Mutual Credit Finance Limited
- Mutual Finance Limited
- Nelson Building Society
- New Zealand Employees Credit Union
- New Zealand Firefighters Credit Union
- NZF Money Limited
- Oxford Finance Corporation Limited
- PGG Wrightson Finance Limited
- Police and Families Credit Union
- Prometheus Finance Limited
- PSIS Limited
- Rockforte Finance Limited
- Savings & Loans Limited
- South Canterbury Finance Limited
- Southern Cross Building Society
- Southland Building Society
- Steelsands Credit Union
- Strata Finance Limited
- The Napier Building Society
- UDC Finance
- United Credit Union
- Viaduct Capital Limited
- Vision Securities Limited
- Wairarapa Building Society
- Wellington District Manchester Unity Credit Union
- Westforce Credit Union
- Wilson & Horton Employees Credit Union
- Wine Country Credit Union
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