

# The Treasury

## Reserve Bank Act Review Phase 2 Submission Information Release

October 2019

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Key to sections of the Act under which information has been withheld:

[1] 9(2)(a) - to protect the privacy of natural persons, including deceased people

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16 August 2019

Phase 2 of the Reserve Bank Act Review  
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**SUBMISSION on  
"Safeguarding the future of our financial system"  
Consultation Documents 2A and 2B**

**1. Introduction**

Thank you for the opportunity to make a further submission on Phase 2 of the Reserve Bank Act review. This submission is from Consumer NZ, New Zealand's leading consumer organisation. It has an acknowledged and respected reputation for independence and fairness as a provider of impartial and comprehensive consumer information and advice.

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**2. Our comments**

Given the timeframe for making submissions, we have focused our comments on two issues: depositor protection, and supervision and enforcement powers.

***Depositor protection (consultation document 2A, chapter 5)***

We strongly support the introduction of a deposit guarantee scheme and are pleased to see an in-principle decision has been made to start developing such a scheme. However, while we support this decision, we believe the proposed limit of \$30,000 to \$50,000 may be too low.

The consultation document states a limit of \$30,000 to \$50,000 "would not be out of line with international practice". However, figure 5D on page 100 of consultation document 2A shows the majority of OECD countries have limits of about \$150,000. The figure shows only two countries (Chile and Iceland) have limits lower than that proposed for New Zealand.

We consider there should be further analysis of deposits held in New Zealand to ensure the proposed limit will provide adequate coverage. We would also like to see additional analysis to determine whether particular groups, such as retirees who may have limited access to other income sources, would be more adversely affected by a low limit.

Based on available information, our preference would be for a limit of \$100,000 to \$150,000, similar to other OECD countries.

We support the objectives of the scheme being to protect depositors from loss, as well as contributing to public confidence and stability. We also support depositors being a preferred class of creditor.

***Supervision and enforcement (consultation document 2B, chapter 3)***

We consider the Reserve Bank's approach to supervision has been too light-handed and is out of step with other jurisdictions. The current approach increases the risk of consumer harm that may result from a bank's failure to abide by the terms of its licence or comply with other legislative requirements.

We therefore support the option to conduct regular on-site inspections of individual banks. We also consider the Reserve Bank should be able to conduct spot-inspections, as and when needed.

Similarly, we support broadening the Reserve Bank's suite of enforcement tools. In particular, we support the Reserve Bank having the power to issue statutory public notices, enforceable undertakings, infringement notices and civil penalties.

Thank you for the opportunity to make a submission. If you require any further information, please do not hesitate to contact me.

Yours sincerely

Sue Chetwin  
Chief executive