

The Treasury

Reserve Bank Act Review Phase 2 Consultation 3 Submission Information Release

February 2021

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Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

Where this is the case, the relevant sections of the Act that would apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

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

- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [26] 9(2)(ba)(i) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

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SUBMISSION PAPER:

Submission Phase 2 of the Reserve Bank Act Review

This Submission Paper was prepared by Prospa NZ Limited (NZBN 9429046731678). www.prospa.com.au

Prospa NZ Limited ("Prospa") welcomes the opportunity to provide feedback on Phase 2 of the Reserve Bank Act Review.

1. A little about us – "Prospa"

Prospa is an online small business lender, offering Small Business Loans between \$5,000 to \$300,000. All customers of Prospa are small businesses with all funding decisions achieved by assessing well over 450 data points, including turnover, profit & loss, business tenure, size and industry sector.

Building on solid growth and positive economic impact in Australia, multi-award winning Prospa launched in New Zealand in August 2018. Prospa has delivered over \$45m in funding to more than 1,500 New Zealand small businesses to date.

Prospa uses a sophisticated risk-based scoring methodology developed over several years of lending to small businesses. We verify the specifics of every small business applicant using data from sources such as (but not limited to) government websites and credit bureaus.

The use of online small business lenders such as Prospa by small businesses is increasing, due to the ability to provide an online application processes, timely credit decisions and funding, and an excellent customer experience. Increased awareness of online small business lending improves access to suitable credit for small businesses in New Zealand, including access to essential working capital for small businesses seeking to address cashflow challenges due to COVID-19.

2. Reporting standards in relation to non-deposit taking lenders

We are supportive of regulatory reforms that would allow the Reserve Bank to set fit-for-purpose and proportionate reporting standards in relation to prescribed categories of non-deposit taking lenders.

We believe this would serve to provide the Reserve Bank with greater insight into, and understanding of, the full depth and breadth of the non-bank lending sector. This would assist in the delivery of regulatory initiatives that ultimately benefit the customers of the sector. To the extent those initiatives include targeted government support of non-bank lending to small businesses, this would improve access to credit that meets the niche and varied needs of small businesses. It would therefore promote the financial inclusion of small businesses.

We are supportive of a proportionate reporting regime that has a broad scope of application, such that the Reserve Banking has oversight over even the smaller members of the sector. We suggest that an asset threshold of \$30 million would be appropriate. We believe an understanding of non-bank lenders of all stages and sizes is important to understanding the full impact of the sector on the financial system, including access to credit.

Prospa continues to be an advocate of responsible approaches to lending in the non-bank lending sector. In Australia, we are founding signatories to the AFIA Online Small Business Lenders Code of Practice, which outlines best practice principles of online lending to small businesses. We also adhere to the core principles embodied in the Code, with respect to our New Zealand customers. Based on this, we believe additional oversight by the Reserve Bank would support responsible lending practices across the sector (including small non-bank lenders).

Kind regards,

p.p

Anna Fitzgerald

Group Head of Corporate Affairs, Prospa

If you would like more information regarding our submission, please contact:

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