

# The Treasury

## Additional Documents Related to Phase 2 of the Reserve Bank Act Review - December 2019 to April 2021 - Proactive Release

June 2021

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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:

- [7] 6(e)(ii) - to prevent serious damage to the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the regulation of banking or credit
- [27] 9(2)(ba)(ii) - 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 otherwise to damage the public interest
- [29] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [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
- [36] 9(2)(h) - to maintain legal professional privilege
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

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Reference: T2020/174

MC-1-7-3-1-13

Date: 29 January 2020

To: Minister of Finance (Hon Grant Robertson)

Deadline: 5 February 2020

## **Aide Memoire: Revised Version of Draft Consultation Paper on the Deposit Takers Act**

In response to your feedback on the draft consultation paper on the Deposit Takers Act provided on 16 January (T2020/83 refers), we have provided the attached revised version. The primary changes made to respond to your feedback (highlighted) are:

- changes to figure 1 (executive summary) to reflect the role of liquidity in the financial safety net and figure 1A (chapter 1) to include the timetable for the Institutional Act;
- new text in the deposit insurance chapter drawing out the linkages between deposit insurance, prudential regulation and crisis management; and a new figure 8A outlining the respective roles of deposit insurance, prudential and conduct regulation in affecting the safety of products for retail investors; and
- some additional material in the executive accountability section.

For convenience the visual summaries are also reproduced in this Aide Memoire.

As well as the highlighted changes based on your feedback, there are other minor changes in this version, as we continue to work through edits including those based on agency feedback (these are marked in red markings at the side of the page).

We are working towards a version for ministerial consultation, which we will deliver on, or before, February 13 with a covering draft Cabinet paper. This includes continuing discussions with agencies on a few areas, including the role of the remit and the precise definition of the regulatory perimeter. If you have further feedback on this draft please provide it by February 5.

We also note your request for further advice on the role of finance companies and their treatment within the regulatory and insurance perimeter. We will aim to deliver this in the second half of February, and keep the coverage of this topic in C3 flexible allowing you time to consider options further while that consultation is live.

The latest draft more clearly draws out the trade-offs involved between the scope of protection and the availability of higher risk credit and investment products. In particular, including finance companies within the insurance perimeter would not be compatible with their current higher risk and return business model.

David Hargreaves, Principal Advisor, Reserve Bank Act Review, [39]

Tamiko Bayliss, Director, Reserve Bank Act Review, Reserve Bank Act Review, [39]

## Annex : Revised images

Figure 1: The financial safety net

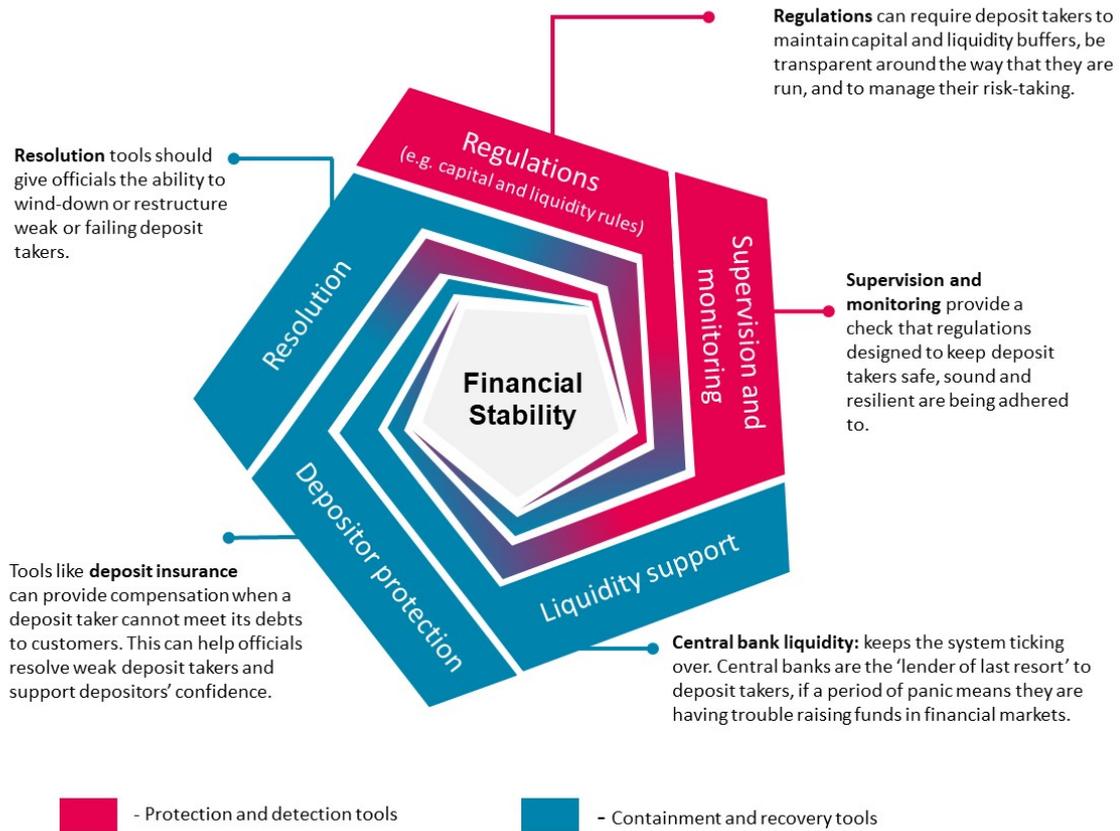


Figure 1A: Indicative timeframes for the review

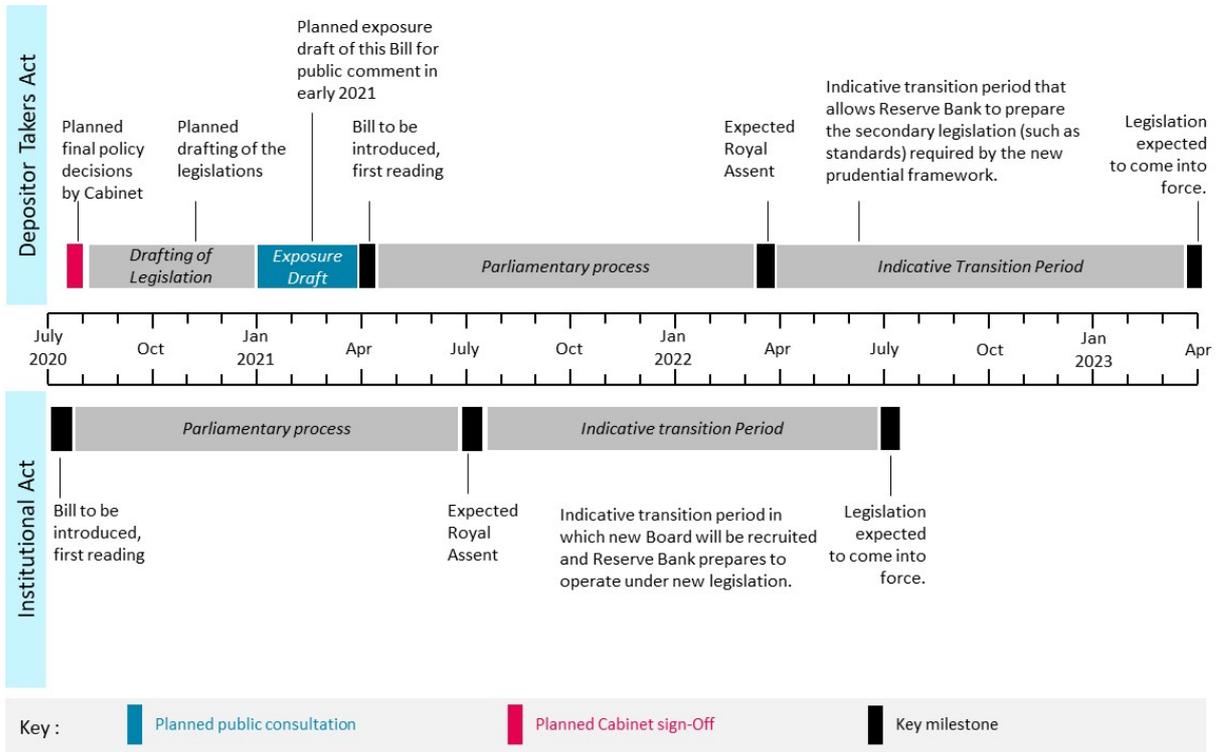


Figure 8A: Regulatory and insurance protections in relation to retail financial products

