



19 May 2016

**To**

Mr Pat Brennan  
General Manager, Policy Development  
Policy and Advice Division  
Australian Prudential Regulation Authority

**From**

Paul Atmore

**By Email**

policydevelopment@apra.gov.au

Dear Mr Brennan

The New Zealand Financial Markets Association ("NZFMA") is the New Zealand association that acts as a professional body for participants in the wholesale banking and financial markets. One of its key roles is to promote "the efficient operation of the over the counter (OTC) markets advocating high professional standards for financial markets organisations and their staff, and represent the interests of members in advocating sensible and proportionate regulation of the wholesale markets".

It is, in effect, the New Zealand equivalent of the Australian Financial Markets Association. Its members include the registered banks operating in New Zealand which, in turn, includes the subsidiaries of a number of large Australian banks.

The NZFMA has only just become aware that APRA's proposals in relation to "Margining and risk mitigation for non-centrally cleared derivatives" are likely to apply to the New Zealand subsidiaries of those banks regulated by APRA.

Unfortunately, in the time available, the NZFMA has not had an opportunity to analyse the impact of those proposals on the New Zealand financial market or the interaction between those proposals and current New Zealand law.

However, the NZFMA is concerned that some of the issues which have resulted in need for amendment to current Australian legislation, as is proposed under the Australian Financial System Legislation Amendment (Resilience and Collateral Protection) Bill 2016, may also be an issue in New Zealand. As currently drafted, the timeframe for implementation of the proposals by market participants would not provide sufficient time for the NZFMA and its members to analyse the impact of the APRA proposals and progress any changes required as a matter of market practice or to current New Zealand law before APRA's proposals are required to be complied with by the New Zealand subsidiaries of those Australian banks.

The NZFMA is planning to consult with its members about any further steps they may wish it to take. We would also appreciate the opportunity to further discuss the application of the proposals to New Zealand entities with you direct.

Kind regards

**Paul Atmore**  
**Chief Executive Officer**