NZFMA – Capital Mkts Challenges

• Current Capital Mkt Challenges
  • Benchmarks
    • IBOR’s
    • Closing Rates
  • OTC derivative regulatory reform
Benchmarks

• BKBM
  • Transaction based IBOR
  • Transparent traded market
  • Enhancements
    • Remove requirement for panel bank submissions
    • Establishment of Benchmark Oversight Committee
    • Rewrite of Operating Rules & Principles
• Transactional window liquidity concern
  • Driven by regulatory risk aversion
  • FMA rate-set conduct guidance note
  • Note focuses on legitimate purpose
Benchmarks cont.

BKBM 2-Minute Window Traded Volumes (90 day)
2009 to 9May2017
Benchmarks cont.

• Closing Rates
  • Markets: Govt Bonds, IRS, OIS, Bills/LIBOR & Credit Markets
  • Essential for market transparency
    • Secondary market activity
    • Offshore market participation
    • Investment institution reval compliance
  • Essential daily valuation tool for Kiwisaver
  • Benchmark submission reluctance → Closing Rate Project
  • Source price-maker bid/offer dealable quotes via Bloomberg ALLQ pages
OTC Derivative Regulatory Reform

• Initial & variation margining of non-cleared derivatives
  • Initially escalated to RBNZ by NZFMA
  • Exemption obtained in the case of Australia via ASIC
  • Lobbied with MBIE, Treasury and RBNZ
  • NZBA now owns the project – legal resources
• Benchmark third country equivalence regulation
  • BBR implemented 1/1/18