



# NZFMA – Financial Market Challenges 2019

- Current Financial Market Challenges
  - Financial Benchmarks
    - EU Benchmark Regulation (BMR) third country equivalence application
    - Benchmark administration structure review
    - NZ financial benchmark licensing regime
    - Fall-back benchmark development
  - Market Regulation
    - `Financial Advice Regime` within `Financial Markets Conduct Act` revision
    - ASIC Foreign Financial Service Providers Licensing Regime
    - ASIC Derivative Reporting Rules – Legal Entity Identifiers



# Financial Benchmark Activity

- NZ Benchmark Administration Structure Reform
  - Driven by requirements within NZ benchmark administration licensing regime
  - Driven by IOSCO compliance obligations
  - Required to mitigate conflicts identified in previous structure
  - Most likely result in NZFMA subsidiary performing BA role
  - Independent of the NZFMA Board control



# Benchmarks

- **Fall-back Benchmark Development**
  - Overnight cash rate selected
  - Reserve Bank policy rate
  - Term and spread adjustments performed under ISDA formula
  - Seeking formal BA acceptance letter from RBNZ
  - OCR will also become the NZ Risk Free Rate
- **LIBOR Benchmark Transitional Issues**
  - Transitional hurdles still exist
  - Slow transition by 'buy side'
  - Potential disputes & disruptions
  - Tax implications relating to product migration need mitigation



# OTC Derivative Regulatory Reform

- Regulatory Reform
  - Financial Advice Regime – Revision of Financial Advisers Act
    - Formal recognition issue regarding NZFMA Accreditation program
  - ASIC Foreign Financial Service Providers Regime
    - Removal of current exemption for NZ Banks
    - Expensive & onerous licensing regime
    - AFMA & NZFMA submissions
  - ASIC Derivative Reporting Rules
    - Requirement for NZ Subsidiaries of Australian banks to use LEI's
    - LEI requirement imposed on bank customers
    - Competitive issue