

ASF COUNTRY REPORT 2014

New Zealand

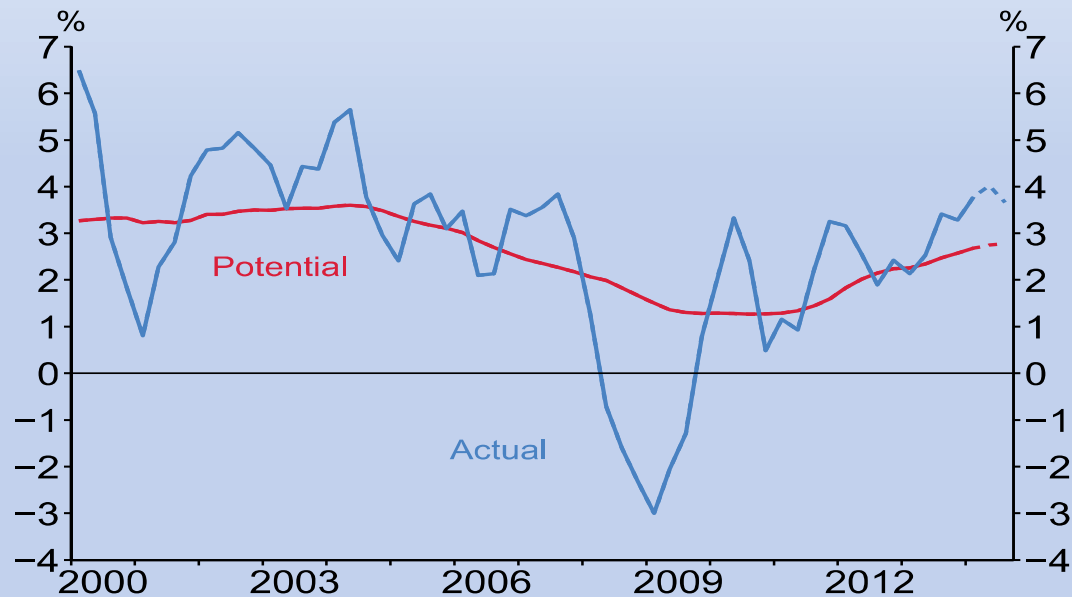


- A reminder about the NZFMA
 - Peak industry Body for the Financial Markets
 - Governance
 - Board
 - Committees
 - RBNZ Observer Status
 - CEO
 - Key role – Benchmark Administrator, Advocacy, Accreditation, Documentation etc

Key Economic Indicators



GDP and estimated potential output growth
(annual, dashed lines represent forecasts)



Source: Statistics New Zealand, RBNZ estimates.

Economic Activity

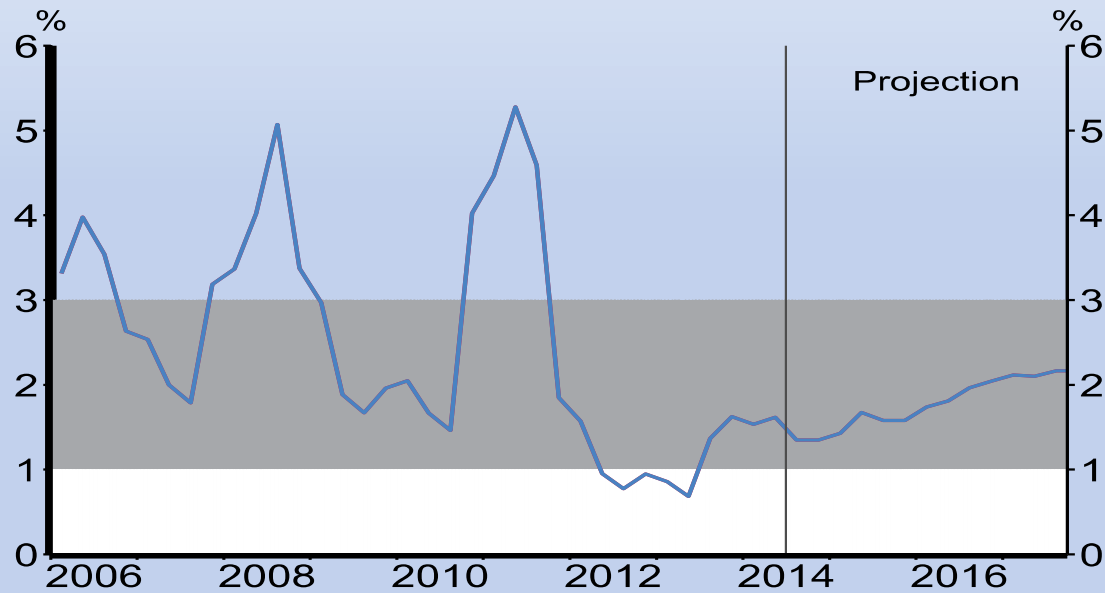


- Economic growth driven by:
 - Reconstruction work in Canterbury & Auckland building activity
 - Record prices for commodities
 - Net immigration inflows
- Reserve Bank Actions
 - Loan to value ratio restrictions
 - OCR increases of 100bp between Mar & July
 - NZD/USD intervention

Economic Indicators cont.



CPI inflation (*annual*)



Source: Statistics New Zealand, RBNZ estimates.

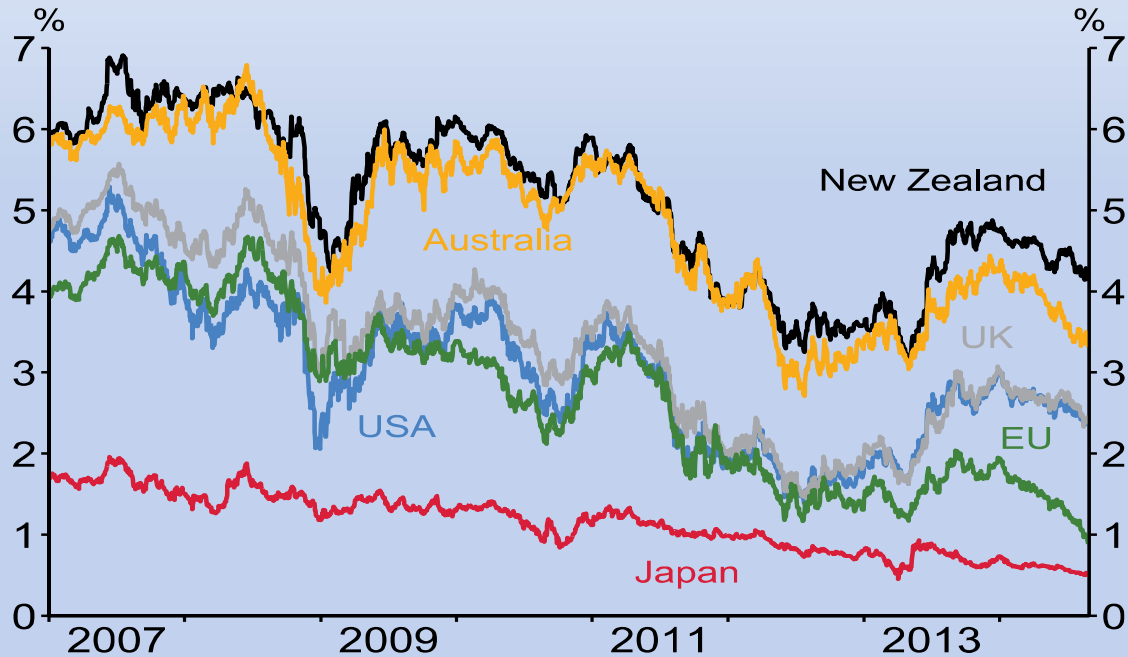
New Zealand's Economy



- Highlights
 - National led Government re-elected Sept
 - Growth has peaked 3.7% to 2.7% 2015
 - Large decline in global dairy prices
 - Inflationary pressures remain subdued
 - Interest rate increases on hold for 2014
 - Fixed income rates will remain stable
 - A cut in the dairy payout to farmers will have broad ramifications for the economy, interest rates & the currency

Economic Indicators cont.

10-year government bond yields



Source: Reuters.

Economic Indicators cont.



Unemployment rate (seasonally adjusted)



Source: Statistics New Zealand, RBNZ estimates.

Key Issues – Regulation



- Financial Markets Conduct Act
 - 1st phase of regs came into force 1 April 2014
 - Implementation of Derivative licensing regime
- OTC Derivative Reform
 - The Reserve Bank is consulting with industry over various implications of trade reporting and CCP's
- Credit Contracts and Financial Services Law Reform Bill
 - Financial service providers Act 2008 – registration & disputes
 - Credit Contracts and Consumer Finance Amendment Act 2014 – responsible lending code

Key Issues – Election Outcome



- National led government (middle to re-elected for third term with 48%)
- Almost an outright majority to govern alone
- Centre left Labour experienced worst result in 92 years
- No clear alternative policy & unpopular capital gains tax
- After 6 years of austerity measures – growth
- Commitment to a business friendly agenda

Key Issues – Benchmarks



- NZFMA is the benchmark administrator for:
 - BKBM = Interbank unsecured lending rate
 - Also a range of Market Closing Rates
 - Contribution reluctance
 - Alternative collection being developed
 - Complex rules and calculation methodology
 - Result in less reliance on panel bank contributions