



# NZFMA – Capital Markets Challenges 2018

- Current Capital Markets Challenges
  - Benchmarks
    - EU Benchmark Regulation (BMR) Third Country Equivalence
    - Fall-back benchmark development
    - Libor migration to Risk Free Rates (RFR's)
  - Market Regulation
    - Financial Advice Regime within Financial Markets Conduct Act
    - ASIC Foreign Financial Service Providers Licensing Regime

# Benchmarks

- EU Benchmark Regulation - BMR
  - Implications for 'Third Country' Administered Benchmarks
  - Transitional period ends January 2020
  - BKBM & Closing Rates impacted
  - Significant implications for bank funding and capital markets liquidity
  - Equivalence, Endorsement or Recognition
  - Equivalence pathway - licensing regime requirement
  - Stakeholders MBIE, FMA , RBNZ & NZFMA
  - IOSCO Benchmark Principles – gap analysis identified
    - Fallback Benchmark requirement
    - Governance structure review

# Benchmarks

- **Fall-back Benchmark Development**
  - Based on a `risk free' rate
  - Most likely Overnight Cash or OIS based
  - Will have a term structure
  - At working group stage
  - Will co-exist with current IBOR (BKBM)
- **LIBOR Benchmark Transitional Issues**
  - Concern over impact on basis swaps
  - Slow transition by `buy side'
  - Potential disputes & disruptions



# OTC Derivative Regulatory Reform

- Regulatory Reform
  - Financial Advice Regime – Revision of Financial Advisers Act
    - One class of adviser
    - Removal of the class & personal advice distinction
    - Removal of category 1 & 2 product distinction
    - Requirement for advice to be provided by a natural person removed
  - ASIC Foreign Financial Service Providers Regime
    - Potential adverse impact on funding costs & market liquidity
    - Removal of current exemption for NZ Banks
    - AFMA & NZFMA submissions