



New Zealand Market Subcommittee

Australian Securitisation Forum

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Mr Mike Wolyncewicz
Assistant Governor & Chief Financial Officer
Reserve Bank of New Zealand | Te Pūtea Matua
2 The Terrace,
Wellington, New Zealand 6011

Dear Mike,

Further to your ongoing engagement with industry participants over the past 12 months regarding the concerns raised in relation to the current processing of amortising securities lodged in NZClear, we thought it might be useful to progress further engagement with the Reserve Bank of New Zealand (**RBNZ**) on these matters as an industry group so that feedback on any further development of NZClear v2 is done so in a more cohesive and collaborative manner.

The Australian Securitisation Forum (**ASF**) is the leading industry body representing participants in the securitisation and covered bond markets in Australia and New Zealand. The ASF has representation from across the securitisation and structured finance industry including issuers, investors, banks and service providers such as lawyers and trustees, with a dedicated New Zealand subcommittee comprised of local market professionals. Our aim is to promote, protect and strengthen the Australian and New Zealand market, to build investor confidence and drive sustainable growth for our members.

As industry participants have previously raised with you, the functionality of the existing NZClear platform, and that of the new v2 platform to a greater degree, has caused issues and concerns for many market participants, with holdings not representing actual bond factors as reported by issuers and amounts being passed through needing to be rounded down which is inconsistent with the terms of these issuances. These inconsistencies cause issues for investors, from trading these securities where deal tickets cannot be booked and matched on

trading platforms, through to the custodians who are unable to process, reconcile and report on holdings and income efficiently.

We appreciate the RBNZ's need to proceed with the new system without addressing these concerns in order to avoid introducing other risks to the larger NZClear v2 project go-live date. Industry participants have implemented interim solutions to deal with the administrative issues caused, however these are interim solutions and are not sustainable in the medium to long term and will not instil investor confidence in the overall integrity of the platform and the securitisation and structured finance industry in general. Not only therefore are short-term issues created but we believe these inconsistencies will impair the development of the market.

We also believe these issues with NZClear could equally have a negative impact on the success of the RBNZ's high grade RMBS framework (RMO), when implemented, unless an appropriate solution is found.

You have indicated to certain industry participants that following the go-live of NZClear v2, the RBNZ will undertake further development to the platform to address the issues raised and to design a solution such that the functionality of the platform is consistent with those from other jurisdictions such as Australia and Europe (i.e. AustraClear, EuroClear etc.).

You have suggested that the RBNZ is targeting the period between April and June of this year to gather the requirements from industry in order to begin development work on the platform. In order to keep this exercise as efficient as possible for all parties, we suggest that ASF engage directly with the RBNZ during this process so that feedback is not fragmented and is collated and delivered to the RBNZ in an effective manner.

We believe that if the RBNZ stays committed to developing and delivering the required functionality in NZClear v2, the market will operate more effectively and be more consistent with general global market practice in relation to these issuances.

We look forward to engaging further with the RBNZ collectively and therefore please let us know how we may further assist.

Yours sincerely,

A handwritten signature in black ink that reads "Chris Dalton". The signature is written in a cursive, flowing style.

Chris Dalton

Chief Executive Officer