

Regulatory Affairs

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8 August 2023

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Email: infrastructureresilience@dpmc.govt.nz

Dear Sir or Madam

Bank of New Zealand's submission on *Strengthening the resilience of Aotearoa New Zealand's Critical Infrastructure system***Introduction**

Bank of New Zealand ("BNZ") appreciates the opportunity to engage on New Zealand's critical infrastructure and resilience discussion paper. BNZ strongly supports and welcomes discussion on this topic. A resilient national infrastructure allows BNZ to serve our customers and the wider New Zealand community as aligned with our values and objectives.

BNZ has selected some key themes below and provided specific examples where we consider they may further conversation on these topics.

1. Definitions of Critical Infrastructure

Commentary: BNZ considers any potential regulation must have clear and simple definitions of what constitutes critical infrastructure and what is out of scope. In the context of a financial services provider, this is likely to incorporate some activities and services and not others.

Practical Application: During the Covid-19 response banking was classified as an essential service partway through the response to the pandemic which introduced complexity into the operational environment and uncertainty for customers.

Any regulatory regime should seek to avoid such uncertainty with clear classification of what sits within this remit. This will allow the targeting of operational activity to prioritise preparedness of those services. This is particularly critical for heavily regulated sectors or those in which only part of their operations will fall under critical infrastructure.

2. Sectoral Regulatory Implications

Commentary: BNZ considers any potential regulation must be considered within the context of the wider environment. Currently financial services are regulated through multiple entities¹ - which are also seeking further reach into overall resilience activities.

A singular centralised model of some form, preferably within the remit of a single agency is preferred to enable:

- Simple, effective and efficient frameworks which can adapt to service different institutions, services and changes to the external environment.

¹ Banks are regulated primarily by the Reserve Bank of New Zealand, the Financial Markets Authority and the Commerce Commission.



- A simple forum for sharing of complementary strategies and information.
- Standardised reporting and comparison points to allow uplift.

Practical Application: There are several current regulatory proposals relating to crisis management which could introduce complexity into the regulatory regime and result in suboptimal outcomes for New Zealanders. Examples in addition to this discussion paper and ad-hoc requirements include:

- Financial Markets Authority (FMA) recently released its consultation on standard conditions for business continuity and technology systems.
- Reserve Bank of New Zealand (RBNZ) is seeking to provide a centralised business continuity approach to the management of cash during significant events.

In our view it is important to ensure consistency of approach when setting standards for resilience activities to ensure these can be practically applied and this could be best managed by centralised model.

3. Responsibilities alongside supportive Rights

Commentary: In a serious event, BNZ would expect a clear understanding of additional support an organisation can receive due to its status as a critical infrastructure provider (or the classification of individual services within its remit).

Practical Application: Cash Services

During the recent flood events in Bay of Plenty, financial services were requested to expedite cash services into this region. Cash in Transit (CIT) providers were not available or operational in the region.

Access to Defence or emergency services personnel (Police) would have allowed this to take place however this support was not planned for and was unable to be secured.

Practical Application: Access to Primary Providers

BNZ and other financial services providers are reliant upon primary infrastructure providers to continue services and would need preferential access to those services to enable us to continue serving New Zealanders impacted by serious events.

ATMs rely on network and power to be able to function and preferential access to generators or other infrastructure should be made available to providers as part of this initiative. Roles and responsibilities for operational management of this support should be clearly defined and sit within a specific agency's remit who is best placed to preserve services for New Zealanders.

Summary

BNZ is encouraged by the intent of this paper to improve resilience outcomes for New Zealanders. BNZ would welcome further engagement opportunities on this topic.

All enquiries on this submission may be directed to Paul Hay, GM Regulatory Affairs at paul_hay@bnz.co.nz, or 021 159 8172.

Yours sincerely

A handwritten signature in purple ink, appearing to read 'Paul Hay', is located below the 'Yours sincerely' text.

Paul Hay
GM, Regulatory Affairs
Bank of New Zealand

