

## **Amendments to NZ IFRS 7 *Financial Instruments: Disclosures* Amendments to Appendix E *New Zealand-specific additional disclosure requirements applicable to financial institutions* (Amendments to NZ IFRS 7—Appendix E)**

Throughout NZ IFRS 7, the Introduction to NZ IFRS 7 and Appendix E the term ‘financial institution’ is replaced with the term ‘deposit taker’. Paragraphs NZ 44.1 and NZ 45.1 are deleted, new paragraph NZ 44.3 is added, Appendix C is amended and, in Appendix E, the definition of ‘financial institution’ is deleted and the definition of ‘deposit taker’ inserted and BCE5A to BCE5C are inserted. New text is underlined and deleted text is struck through.

### **NZ IFRS 7 *Financial Instruments: Disclosures***

Throughout NZ IFRS 7 the term ‘financial institution(s)’ is replaced with ‘deposit taker(s)’ as appropriate.

Paragraph NZ 44.1 is deleted

#### **Financial Institutions**

NZ 44.1 ~~[(Amendments to NZ IFRS 7) *Financial Instruments: Disclosures—Differential Reporting Concessions and Financial Institution Disclosures* established additional disclosure requirements (as Appendix E of this Standard) for financial institutions applying this Standard. The disclosure requirements in Appendix E are effective for annual accounting periods commencing on or after 1 January 2007. Financial institutions electing to comply with this Standard for periods commencing on or after 1 January 2005 and before 1 January 2007 and which fall within the scope of NZ IAS 30, shall either:~~

- ~~— (a) apply Appendix E for those periods; or~~
- ~~— (b) continue to apply NZ IAS 30 and comply with the disclosure requirements in NZ IAS 32 as if the amendments to those disclosure requirements in Appendix C of NZ IFRS 7 had not been promulgated.~~

New paragraph NZ 44.3 is added

#### **Deposit takers**

NZ 44.3 *Amendments to NZ IFRS 7—Appendix E*, issued in March 2011, replaced the term ‘financial institution(s)’ with the term ‘deposit taker(s)’, deleted paragraphs NZ 44.1 and NZ 45.1, amended Appendix C, inserted a definition of ‘deposit taker’ in Appendix E and deleted the definition of ‘financial institution’ in Appendix E. An entity shall apply those amendments for annual periods beginning on or after 1 April 2011. Earlier application is permitted.

Paragraph NZ 45.1 is deleted

#### **Financial Institutions**

~~NZ 45.1 [Deleted] Financial institutions that fall within the scope of NZ IAS 30 and that elect to provide additional disclosures in accordance with paragraph NZ 44.1(b) for periods commencing on or after 1 January 2005 and before 1 January 2007 shall not apply paragraph 45.~~

## **Appendix C**

### **Amendments to other Standards**

*The amendments....into the relevant pronouncements*

*The following text outlines the application of the amendments contained in this appendix by financial institutions that elect to provide additional disclosures in accordance with NZ IFRS 7 paragraph NZ 44.1(b) for periods commencing on or after 1 January 2006 and before 1 January 2007.*

#### **Financial Institutions**

~~Paragraph NZ 45.1 of NZ IFRS 7 states that financial institutions that fall within the scope of NZ IAS 30 and that elect to provide additional disclosures in accordance with paragraph NZ 44.1(b) for periods commencing on or after 1 January 2005 and before 1 January 2007 shall not apply paragraph 45. In addition to applying NZ IFRS 7, such entities shall continue to apply NZ IAS 30 and comply with the disclosure requirements in NZ IAS 32.~~

~~In complying with NZ IFRS 7 such entities shall apply the amendments in this appendix. However, they shall also continue to comply with the disclosure requirements in NZ IAS 32 as if these amendments had not been promulgated.~~

## **Appendix E**

Throughout Appendix E replace the term 'financial institution(s)' with the term 'deposit taker(s)' as appropriate.

A definition of 'deposit taker' is added and the definition of 'financial institution' is deleted. New text is underlined and deleted text is struck through.

### **DEFINED TERMS**

E23 For the purposes of this appendix the following terms are defined.

**credit exposures to  
an individual  
counterparty or a  
group of closely  
related  
counterparties**

**deposit taker** means ‘deposit taker’ as defined in the Reserve Bank of New Zealand Act 1989 (the Act)\*.

**financial asset  
acquired through  
the enforcement of  
security** ...

**~~financial institution~~** ~~means any entity whose principal activity is to obtain funds with the objective of lending or investing in financial assets other than equity instruments, but excluding:~~

~~(a) entities which are wholly funded and controlled by a related party or parties and which do not engage in activities that give rise to material unrecognised financial liabilities with counterparties which are not related parties;~~

~~or~~

~~(b) general insurers, life insurers and retirement benefit plans.~~

~~Financial institutions are traditionally identified as those entities which accept funds from individuals and organisations with the objective of lending the funds obtained to other parties, or otherwise investing the funds, so as to generate returns to the entity. Banks, building societies, credit unions, finance companies, money market dealers and merchant banks are typical examples of financial institutions.~~

~~The term “obtaining funds” includes within the scope of funding activities investment securities issued by unit trusts and other managed funds, as well as equity instruments that represent in substance deposits, such as shares issued by building societies and credit unions (shares issued by these entities are normally fixed in amount, and redeemable on demand at the option of the holder).~~

~~The definition also includes other types of entities which are broadly involved in financial intermediation; for example, entities which undertake a primary function of borrowing funds for on lending to related parties with the ultimate objective of reducing the cost of borrowing for those entities. This means that intra group financiers are normally regarded as financial institutions. However, entities which are wholly funded (excluding trade creditors in the normal course of business) and controlled by related parties are not financial institutions unless such entities have material unrecognised financial liabilities with unrelated counterparties.~~

~~The definition of financial institution refers to investment in~~

---

\* A deposit taker is defined in section 157C of the Act and means a person who (a)(i) offers debt securities to the public in New Zealand; and (ii) carries on the business of borrowing and lending money, or providing financial services, or both; and (b) includes: (i) a building society as defined in section 2(1) of the Building Societies Act 1965, unless the building society is a registered bank; and (ii) a credit union as defined in section 2 of the Friendly Societies and Credit Unions Act 1982; and (iii) a person or class of persons that is declared by regulation to be a deposit taker for the purposes of this Part [Part 5D of the Act] of the Act; but (c) does not include: (i) an issuer of a collective investment scheme; (ii) a registered bank; (iii) a local authority; (iv) the Crown (as defined in section 2(1) of the Public Finance Act 1989); (v) a person or class of persons that is declared by regulation not to be a deposit taker for the purposes of this Part [Part 5D of the Act]. For the purposes of this Part [Part 5D of the Act], a reference to an offer of debt securities to the public has the same meaning as an offer of securities to the public as set out in section 3 of the Securities Act 1978.

~~financial assets, but excludes investment in the equity instruments of other entities. Financial assets comprise a wide range of assets, including loans and receivables, investments in securities, and unrecognised assets relating to financial contracts. This means that entities such as unit trusts whose principal activity is to undertake mortgage lending, or to manage cash, are covered by the scope of the definition. However, entities which raise funds principally for investment in physical assets, such as real estate or plant and equipment, or for exploration or production activities, are not financial institutions.~~

~~Entities which invest principally in equity instruments are not regarded as financial institutions. Entities which hold shares in related entities as their principal activity, as well as entities which principally invest in or trade equity instruments, are not financial institutions.~~

New paragraphs BCE5A to BCEF are added.

## Basis for Conclusions – Appendix E

### Rationale for additional disclosures

BCE5 ....

BCE5A On 6 August 2010 the Reserve Bank issued its consultation document *Review of Disclosure Requirements for Registered Banks*. One of the matters raised in this consultation document was the need to retain Appendix E. The FRSB acknowledged the view held by some that Appendix E was no longer required and noted the evidence contained in the Reserve Bank’s consultation document to support this view. The FRSB considered that it was appropriate to consult with its own constituency on the need to retain Appendix E. The FRSB therefore issued, on 27 September 2010, Exposure Draft 123 Proposed Amendments to NZ IFRS 7 *Financial Instruments: Disclosures; Removal of Appendix E New Zealand-specific additional disclosure requirements applicable to financial institutions* (ED 123). The FRSB acknowledged that there may be correlation between those parties responding to the Reserve Bank and those responding to ED 123. Consequently, ED 123 included reference to the Reserve Bank’s consultation document.

BCE5B The Reserve Bank is developing its new regulatory reporting regime in two stages. The first stage focused on Registered Banks and resulted in the issuance of an Order in Council *Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2011*. This Order is effective for periods ended 31 March 2011. The second phase due to be completed in late 2011 will apply to non-bank deposit takers.

BCE5C In response to ED 123 the FRSB received two comment letters. To inform its due process the FRSB also considered the non-confidential comment letters received by the Reserve Bank in response to its consultation document. All respondents who commented to the FRSB and to the Reserve Bank generally agreed that Appendix E was no longer required. Those respondents who supported the full withdrawal of Appendix E commented that:

- (a) Appendix E overlaps with other requirements;
- (b) of the information required by Appendix E, only a few of the disclosures remain relevant to readers;  
and

- (c) removing Appendix E would align New Zealand internationally.

BCE5D In its comment letter to the FRSB the Reserve Bank noted that the withdrawal of Appendix E would create a temporary reporting vacuum for non-bank deposit takers, until such time as the Reserve Bank had introduced its new reporting regime for this group. The Reserve Bank requested that the FRSB retain Appendix E for non-bank deposit takers until the new reporting regime for this group had been finalised.

BCE5E The FRSB acknowledged the views supporting the removal of Appendix E and the request from the Reserve Bank regarding non-bank deposit takers. The FRSB therefore decided to limit the scope of Appendix E to non-bank deposit takers until the Reserve Bank has introduced its new reporting regime for this group. The FRSB also agreed to recommend that Appendix E be withdrawn in its entirety once the regulatory reporting regime for non-bank deposit takers is established by the Reserve Bank.

BCE5F As a consequence of the decision to limit the scope of Appendix E to non-bank deposit takers, all references to the term ‘financial institution’ in Appendix E were replaced with the term ‘deposit taker’ as defined in the Reserve Bank of New Zealand Act 1989. Non-bank deposit takers are subsumed within the definition of deposit taker in that Act.

BCE6 ....

## Consequential amendments to other pronouncements

### Proposed Amendment to Appendix C Amendments to other NZ IFRSs of NZ IFRS 9 *Financial Instruments* (2009 and 2010)

#### NZ IFRS 9 *Financial Instruments*

Paragraph NZ C11.1 is amended (deleted text is struck through and new text is underlined).

NZ C11.1 In Appendix E of NZ IFRS 7 paragraph C2.1A is added as follows:

C 2.1A Where a ~~financial institution~~ deposit taker has early adopted NZ IFRS 9 *Financial Instruments*, all references to NZ IAS 39 *Financial Instruments: Recognition and Measurement* shall be read as including a reference to NZ IFRS 9 *Financial Instruments*.

#### NZ IFRS 9 *Financial Instruments* (2010)

Paragraph NZ C14.1 is amended (deleted text is struck through and new text is underlined).

NZ C11.1 In Appendix E of NZ IFRS 7 paragraph C2.1A is added as follows:

C 2.1A Where a ~~financial institution~~ deposit taker has early adopted NZ IFRS 9 *Financial Instruments* (2010), all references to NZ IAS 39 *Financial Instruments: Recognition and Measurement* shall be read as including a reference to NZ IFRS 9 *Financial Instruments* (2010).

**Proposed Amendments to the *Framework for Differential Reporting for Entities Applying the New Zealand equivalents to International Financial Reporting Standards Reporting Regime***

Appendix 1 is amended (deleted text is struck through and new text is underlined).

**NZ IFRS 7 *Financial Instruments: Disclosure* (partial exemption)**

Qualifying entities are given several concessions to the requirements of this Standard (as identified in the Standard).

Qualifying entities, other than ~~financial institutions~~ deposit takers as defined in Appendix E to the Standard, or entities complying with NZ IFRS 4 *Insurance Contracts*, are not required to comply with:

- paragraph 14, .....

Qualifying entities which are also ~~financial institutions~~ deposit takers as defined in Appendix E to the Standard, may apply the differential reporting concessions identified in NZ IFRS 7 above, except to the extent that Appendix E of that Standard refers to those disclosure requirements.