

**POST-CABINET PRESS CONFERENCE: MONDAY, 5 NOVEMBER 2018**

**PM:** OK, good afternoon. Nice to see everyone, and thanks for those who joined us in Dunedin. Let me first give you an overview of the busy week ahead for the Government. Tonight, I will be presenting the inaugural public service medals here in the Banquet Hall before heading to Massey University for the Vodafone New Zealand Music Artisan Awards, where I'll be presenting the first ever Music Teacher of the Year award—note Jon Toogood and the Adults are playing at that event as well, for anyone who I can entice to come along.

Tuesday—normal sitting day. Wednesday, I'm travelling to Rātana to be part of their 100<sup>th</sup> anniversary celebrations. Those who have visited before will know and understand this will be a historic day, both for Rātana but also for the Labour Party and our special relationship with the church. On Thursday, I will be in Auckland to attend the first meeting of the Business Advisory Council, and I will also meet with the APEC Business Advisory Council to be briefed on some of their views and perspectives before I travel to APEC next week. And, in the evening, I will be presenting the Women in Leadership Award at the New Zealand International Business Awards. On Friday, I will be visiting Whakatāne with my Minister of Arts, Culture and Heritage hat on, and, on Sunday, I will be attending the 100<sup>th</sup> anniversary of Armistice commemoration at Pukeahu National War Memorial Park here in Wellington.

I just want to make a few introductory comments around the review of bank conduct released today by the Financial Markets Authority and the Reserve Bank, and, for the purposes of questions, I have both the Minister of Finance and Minister Faafoi here, both having some jurisdiction over this area for questions afterwards.

The findings are a concern to the Government. We want a fair banking system that operates in the interests of all New Zealanders. We're of the view that banks do need to lift their game to be much better at identifying problems and risks early on and fixing them. Now, while the report identifies problems, unlike Australia, they don't appear to be quite as widespread. However, there are clearly weaknesses within bank systems and processes that have resulted in some instances of poor conduct and, as a result, customers have been worse off. This isn't good enough.

Legislative work is already under way to ensure our financial services sector is fit for purpose and delivering the best outcomes for customers. We will be taking a good, hard look at the gaps in regulation and the banking system so we can avoid wider systemic problems as seen in Australia. However, we expect banks to do much better at identifying problems and risks early in the piece. They will be receiving an individualised work programme from regulators with a report back date of March 2019, when they must provide their plan for dealing with their shortfalls. I want to see better checks and balances in place to ensure banks do better at looking after the interests of New Zealanders. We will be watching this closely and expect to see tangible improvements in the culture and conduct of banks.

We will, I should add, also look closely at the findings from the Australian royal commission, anticipated to be released in February 2019, and we will be asking the Reserve Bank and the FMA to study the final report to determine if further action is needed in New Zealand. So it is fair to say today's report is not the end of the line on this issue; in fact, in some ways, it is the beginning of closer oversight and scrutiny. Banks, of course, should remember that it is a privilege, not a right, to operate, and customers' needs must come first.

Happy to take questions on that issue.

**Media:** What kind of further action would you anticipate taking after the Australian royal commission reports back?

**PM:** Well, look, that would be a bit too soon to say. What we've determined is that we do want to at least flag that we will be looking at the findings of that report in February, because there may yet be further learnings from that piece of work in Australia.

**Media:** Prime Minister, the Reserve Bank and Financial Markets Authority concluded that there was a regulatory gap when it came to banks' conduct. This is the same with insurance, and the insurance contracts law review is, hopefully, going to address that. Do you plan to address this gap with any sorts of new legislation, or a sort of revamp of existing legislation?

**PM:** Fair to point out that the insurance work is ongoing and is an issue too, and we expect further activity in that space. But for the action around the regulatory gap that's been identified in this report, I'll hand over to the Minister.

**Hon Kris Fafoi:** I think you can expect that. I think the report made it pretty clear that there's no obligation for the banks to report on their culture or their conduct. So as the Prime Minister said, we'll be looking at that, speaking to the FMA about that, as they work through their processes with individual banks themselves too, but, of course, watching very closely the recommendations from the Australian royal commission, February next year.

**Media:** Prime Minister, you've said the findings are a concern. Do you think that the inquiry should have been broader than the conduct and culture review? Should we have had something—would you even look at doing something like a royal commission?

**PM:** Look, I think it's identified that we don't have the same level of issues as Australia, but we do have our own issues to fix. We're going to make sure that the Government plays our role in fixing the regulatory gap, but it's also up to the banks to respond to that individual findings of this report as well. You know, they operate on social licence and they need to make sure that they're fulfilling their customers' expectations as well.

**Media:** What are the specific areas the Government thinks needs tightening up?

**Hon Kris Fafoi:** Well, obviously, there's major concerns about most of the banks in terms of their culture and their conduct. We don't want to pre-empt exactly what that might look like. I think, as I say, we'll speak to the regulators post their review, but also watching, obviously, very closely what is going to be put upon the Australian-based banks to see what is going to be expected of them when those royal commission recommendations come out.

**Hon Grant Robertson:** Maybe just to add, I mean one of the things that I think is a good development over the period of time of the royal commission is the fact that the incentive practices around sales practices inside banks are being wound back. The report's very clear that they are to be reviewed and removed. That work is well under way, and I think that's well past time for that to happen. So, clearly, that's an area where we want to see that come to fruition. More broadly, I do think there are issues around the amount of information customers have when they are in front of bank officers. Financial literacy remains a long-term issue for New Zealand, but, equally, there have to be obligations on the banks themselves to be clear about the financial advice they're giving alongside products that they're selling. They're the kinds of issues where if there are regulatory gaps, we should close them. They're also the kinds of issues where banks need good processes in place, and I think both of those are mentioned in the report.

**Media:** What do you think it says about New Zealand banks that at the same time that they're reporting record profits, the FMA, the Reserve Bank, and the Government have come out and said that they need to up their games and they need to be doing better by their customers?

**PM:** I think there's two issues in that, though. I mean, obviously what the Reserve Bank and the FMA were interested in were issues of conduct, and on that they've come back with some very specific findings and areas of improvement for individual banks as well, and learning to play our part in closing whatever regulatory gap may exist there. But

otherwise, some consumers might be looking at those record profits, and that might actually be more of an issue around competition. And so there are two separate issues there. We need to deal with what's been put in front of us around conduct issues, and our intention is that we will.

**Media:** Are you comfortable with how much money banks are making?

**PM:** Look, I think when consumers look at some of those profits I think they're certainly significant, and that's why I make the point—you know, this is an issue of social licence here as well, and banks, I think, need to be mindful of that with their customers. We need to make sure that when they're interacting with individual customers, they are behaving appropriately, that they are not looking at the short term. It's not just whether they're fulfilling the requirements when issuing, for instance, a mortgage, but the long-term relationship they have with that individual over the life time of that mortgage, for instance. So there are a number of, I think, issues here that banks will need to work through, and that feeds in directly, I think, to that social licence issue, which, again, I'd say banking profits come down to as well.

**Media:** The FMA said today that if the recommendations of the report are not ultimately followed through on—they name and shame banks that don't follow through, but that still achieves nothing—the ultimate response could be the recommendation to you of a legislative response to banks. Would you take them up on that if that is what they recommend?

**PM:** Yeah, I mean, look, if that's what the FMA comes back with, of course we have to be open to that. In the meantime, you know, they're indicating there are existing regulatory gaps that we need to deal with.

**Media:** You could also nominate, now that the Commerce Commission—the bill that's come through; you'd be in the position where you'd be able to nominate them from a market study if you don't think that they're, as you said before, you said there might be some issues around competitiveness. Is that an issue that's being talked about or something that you could consider?

**PM:** Again, when it comes to market studies, there's a statutory process for the Minister to go through, and we need to lead him to go through that process. Obviously, I've already flagged the one area of a market study that I'm interested in. Beyond that, the Minister, as I say, has a process he has to follow.

**Media:** Prime Minister, do you think customers are being ripped off?

**PM:** Oh, look, there are obviously concerns that have been raised here around conduct, and, look, while they made not be as widespread as what has been seen in Australia, I think, you know, banks would do well to pay heed to the guidance that they've been given around upping their game.

**Media:** You've talked a lot about the fact that they should be upping their game and that there are some issues and some risks that they've identified, but are you a little bit pleased that they haven't found systemic issues like the ones that were found in the royal banking commission in Australia?

**PM:** Look, we want our environment to be robust, so of course no one wants there to be problems within a system, of course, that's such an incredibly important part of our markets. But, ultimately, there are still issues. Regardless of how it compares to Australia, we need to deal with the issues that we have as well.

**Media:** Prime Minister, do you accept that the FMA might need some more resourcing if it's going to play a greater part in regulating conduct, whether it's through new legislation or just currently?

**PM:** Minister?

**Hon Grant Robertson:** Look, we'll always keep under review the resourcing of the regulators, because they rely on the resources they have to be able to do the job that New Zealanders want. So we'll take a look at that. The Minister of Finance has many calls on the amount of money that we've got available, but we need a strong, functioning regulatory system, so as this washes through, we'll take a look at those ideas.

**Media:** Minister, on that note, actually, last time, last week, the second stage of the Reserve Bank annual review kicked off, and they're looking at how banking is regulated within that legislation. You're known not to favour a change from the status quo of the organisation of the Reserve Bank and the FMA. Would this review change your mind on that?

**Hon Grant Robertson:** Not particularly, no. I mean, I think what we've seen here is that the bank and the FMA have actually worked very well together in this process, and the different structures in Australia are not ones that we are actively pursuing. We think that both organisations do a fair job. The review of the Reserve Bank's wide ranging because it's, effectively, a once in a 30-year review. I haven't seen anything in this report that changes my mind about that position, but, obviously, that's open for consultation at the moment, so we'll listen to the views of people who submit.

**PM:** Are there any other questions on that?

**Media:** On market studies, it sounds like there's a long sort of queue of things—

**PM:** Not necessarily!

**Media:** —that you want to do market studies on. Would you look at extra resource for the Commerce Commission so that they can, perhaps, conduct simultaneous—[16:15:53]

**PM:** Ha, ha! No, no.

**Hon Grant Robertson:** The Minister of Finance has a lot of calls on his Budget.

**PM:** Look, that's an issue for the Minister to pursue as part of the usual Budget process. All right, thank you—thank you both.

**Media:** Would you ban fireworks from public sale?

**PM:** It's not something that's currently under consideration by the Government. I have some sympathy for the issues that have been raised in the public domain, and have been for a number of years, but it's not something that's under current consideration.

**Media:** Are you happy with the regulations around them at the moment?

**PM:** Are we—sorry?

**Media:** Are you happy with the general regulations around firework sales, etc.?

**PM:** We haven't—you know, fair to say, I certainly haven't taken anything under active review. I can't say whether or not the Minister in her own portfolio has, for any reason, had a trigger for her to have a look at those issues herself, but it's not something the Government, as far as I know, is currently considering. I have looked at whether or not council could look at this issue as an individual council, and my understanding is that they could.

**Media:** If councils applied more pressure on the Government to regulate from central Government, would you look at it again?

**PM:** Look, they are always free to raise concerns at a local level that they might have with the regulations as they currently stand.

**Media:** And would you take another look at whether or not to ban fireworks if they did?

**PM:** Look, if they came and presented to us a case that they wanted us to consider. We have good working relationships with local government, but they haven't done that to date.

**Media:** An Australian Government Minister, Steve Ciobo, says sending refugees from—

**PM:** You're always in the same spot. I don't know why I scan around. James stood there, too.

**Media:** Yes, yes. We've had that debate.

**PM:** We have. Same height.

**Media:** Debatable. Steve Ciobo says sending refugees from Nauru to New Zealand would be a giant magnet for people smugglers. Is that a valid concern?

**PM:** About sending refugees from?

**Media:** Nauru to New Zealand—if Australia accepted New Zealand's refugee resettlement offer, that's a concern.

**PM:** Look, this has been raised from time to time, and the point that I would make is that this offer has been on the table for a number of years now. I do not believe that that should be a matter of concern. The offer remains, but as I've always said, it's still a matter for the Australian Government.

**Media:** Are you concerned by the health of some children on Nauru, and should there be a certain level of urgency to get those children off?

**PM:** Look, we've made the offer because it's our view that we are a member of the region, that it's one way that we could offer some support, and we continue to make the offer. But, as I've said, it is still for the Australian Government to determine whether they take it up.

**Media:** Prime Minister, is there a date when we can expect the release of the Haumaha report?

**PM:** As many of you will be aware, the Minister over the weekend received the report. I'm yet to see it myself personally. The Minister briefed Cabinet just with an oral item and we discussed a little bit the process from here. Our hope and expectation is that it will be released sooner rather than later, but the Minister is currently looking at the process that she needs to go through around its release to individuals who are involved with the report itself. But our expectation is that it'll be released very shortly.

**Media:** What are your thoughts heading to Rātana for its centenary?

**PM:** Yeah, so the process—I'll be there on the day that's considered the day for politicians to be involved with those celebrations. So alongside our pō'hiri I'll also be spending a little bit of time with rangatahi who, as they did when I last visited Rātana, will take me around the site and spend a little bit of time with me. It's fair to say that there's a huge amount of symbolism attached to Labour's relationship with Rātana, and I say that in the way that historically the relationship has been always treated with huge weight around the symbolism. So I'm very mindful of that, and the importance placed on that relationship even now. So that's something I'm really thinking about with the words that I choose to share on the day.

**Media:** On Friday, you gave Immigration New Zealand a little bit of a hurry-up in terms of the Karel Sroubek case and you said that you wanted to see them come back with an answer quicker than the 3-week time frame that Iain Lees-Galloway came out with. Can you give us any indication—

**PM:** He shares that view as well. Of course he wants to see this resolved as quickly as possible too. I don't have a firm time line that I can share at this point, but my expectation is that it will be earlier than three weeks.

**Media:** So are we looking at one week, a week and a half?

**PM:** Again, I want to be cautious around that, but my understanding is it will be earlier than three weeks.

**Media:** What were your thoughts about the new Jami-Lee Ross tape that was released this morning?

**PM:** Same thoughts that I've had through most of the discussion around this particular issue—that issues around leadership or issues around the management of personnel are issues for Simon Bridges rather than myself.

**Media:** When you travel around the country and meet voters, meet the public, do you get the sense that this is a story that the public's interested in?

**PM:** You know, look, when you're a politician, there's a natural assumption that you'll want to discuss all things political, but I've tended to give the same response that I've given all of you—that issues around Simon Bridges' handling of personnel and his team are still matters for him. Always happy to talk to voters around issues of public policy or things within my control.

**Media:** And has Labour given any thought to standing or who might be put forward if there is a by-election in Botany?

**PM:** Look, that's something that is, you know, once the views of Jami-Lee Ross were known, around his view of whether or not he would trigger a by-election—it's not something that we've spent time considering since that point.

**Media:** Has there been any progress or an update on any formal moves from the Czech Republic with regard to the extradition—

**PM:** No, not since I was last asked questions; not since Minister Little gave an update on that—as far as I understand.

**Media:** And just in terms of the Business Advisory Council meeting on Thursday, have you asked Shane Jones to perhaps keep his opinions to himself this week?

**PM:** No.

**Media:** Have you ever asked him to keep his opinions to himself?

**PM:** One would be foolhardy to make such a suggestion. All right; thanks, everyone.

**conclusion of press conference**