

29 May 2012

Dear Mr. Conway,

The Reserve Bank of New Zealand welcomes the opportunity to provide its views on two of the questions asked in your recent issues paper: Strengthening economic relations between Australia and New Zealand. We welcome and support your current report. However, we also believe that it is important that we build on what we have already achieved and that any proposals for further integration and harmonization rest on a sound cost benefit analysis and that potential risks are properly taken into account.

Our submission focuses on the two issues that are of most direct relevance to the Reserve Bank: question 16 on the advantages and disadvantages of a currency union with Australia and question 27 regarding further alignment of the Australian and New Zealand banking regulation frameworks.

The Reserve Bank would be happy to engage with you further if that would be helpful and looks forward to your final report in December this year.

Kind Regards,

Toby Fiennes

Head of Prudential Supervision
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