



2014 §165(d) Tailored Resolution Plan

**Australia and New Zealand Banking Group Limited**  
**Public Section of 2014 §165(d) Tailored Resolution Plan**



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### **Public Section**

#### **(i) Executive Summary**

##### **Requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act**

Section 165(d) of the Dodd-Frank Act ("DFA") and its implementing rules require, among other things, that any company covered by section 165 (d) is required to produce a resolution plan (such plan for Australia and New Zealand Banking Group Limited ("ANZBGL") being this "Resolution Plan") to provide for such company's rapid and orderly resolution in the event of material financial distress or failure. The implementing rules (collectively, the "Rule") were jointly issued by the Federal Reserve System (the "Board"), codified at 12 C.F.R. Part 243, and the Federal Deposit Insurance Corporation (the "FDIC" and together with the Board, the "Agencies"), codified at 12 C.F.R. Part 381, on November 1, 2011. ANZBGL is considered a "Covered company" under the Rule and must file this Resolution Plan with the Agencies. References to the Rule contained herein are to 12 C.F.R. Part 243 as promulgated by the Board.

Under the requirements of the Rule, Covered companies are required to assess their U.S. banking operations for the presence of "Material entities", "Critical operations", and "Core business lines". ANZBGL performed this assessment and determined that there were no Material Entities, Critical operations or Core business lines as defined in the Rule. Therefore, the focus of this Resolution Plan is the orderly resolution of the New York Branch ("ANZ NYB") as an extension of the covered company, ANZBGL, in the U.S.

##### **Description of ANZBGL**

ANZBGL is a public company limited by shares, incorporated in Australia. Its principal ordinary share listing and quotation is on the Australian Securities Exchange ("ASX") and its ordinary shares are quoted on the New Zealand Stock Exchange ("NZX"). ANZBGL's registered office, and head office, is located in Melbourne, Australia. ANZBGL also operates in a number of other countries, including the United Kingdom and the United States of America and across Asia.

ANZBGL's long-term credit ratings are as follows: Moody's Investor Service, Aa2, Standard & Poor's, AA-, and Fitch Ratings, AA-

ANZBGL reported its annual results for fiscal year end on September 30, 2013. It had total consolidated assets of approximately AUD 701 Bn and annual operating income of approximately AUD 18.45 Bn. At December 31, 2013, ANZBGL employed approximately 47,500 people located primarily in Australia and New Zealand.

In the United States, ANZBGL is regulated by the OCC as a Foreign Banking Organization, and is supervised by the Federal Reserve Board as a Financial Holding Company. Because ANZBGL total consolidated global assets exceed \$50 billion, it is a Covered company under Regulation QQ and must submit a resolution plan that covers its U.S. operations.

##### **Overview of the New York Branch**

ANZBGL maintains a licensed branch in New York ("ANZ NYB"). In the United States, ANZBGL is regulated by the Office of the Comptroller of Currency (OCC) as a Foreign Banking Organization, and by the Federal Reserve as a Financial Holding Company. Because ANZBGL's total



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consolidated global assets exceed \$50 billion, it is a covered company under Regulation QQ and must submit a resolution plan that covers its U.S. operations.

ANZBGL's New York office was opened in December 1968 and today operates as a branch of Australia and New Zealand Banking Group Limited. The main focus of the New York office's banking activity is specialist strategic and financial advisory services to major companies, institutions and governments. Working as an offshore partner with ANZBGL's key clients, the New York-based team supports trade and investment flows between clients in America with Australia, New Zealand and Asia. Through ANZ, clients receive access and expertise in the key global financial markets. ANZ NYB operates three business lines:

**Global Loans:** provides lending facilities to institutional customers (e.g. multinational corporate clients or financial institutions and governments).

**Global Markets:** provides a full range of integrated specialist services including risk management in foreign exchange, currency options, credit and interest rate derivatives and fixed-income capital funding to corporate and institutional customers. It accepts wholesale deposits that are used to fund lending by the other business units. It also has a Balance Sheet Management function to manage liquidity and interest rate risk for the Branch.

**Transaction Banking:** provides trade finance products including trade loans, standby letters of credit, and other trade related guarantee products for customers trading in commodity flows in and out of the Americas and the Asia-Pacific region, as well as exports to and from Australia and New Zealand.

ANZ NYB has no retail customers and its deposits are not insured by the Federal Deposit Insurance Corporation.

**(ii) Consolidated or segment financial information regarding assets, liabilities, capital and major funding sources**

The ANZ group consolidated balance sheet in AUD at September 30, 2013, its fiscal year end, is set forth in the Annex.

**(iii) A description of derivative activities and hedging activities**

Derivatives presently are not a material component of ANZ NYB's balance sheet. In the case of collateralized derivatives positions, the collateral is pledged pursuant to ISDA Credit Support Annex (CSA) agreements with swap counterparties. Collateral is managed by ANZBGL in Melbourne with secondary management in London.

**(iv) A list of memberships in material payment, clearing and settlement systems**

ANZ NYB is not a member of any material payment, clearing or settlement system other than Swift.



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### **(v) A description of foreign operations**

ANZBGL has no foreign operations that would be material to the resolution of ANZ NYB.

### **(vi) The identities of material supervisory authorities**

ANZ NYB is supervised by the following authorities:

- (1) OCC; and
- (2) Federal Reserve Bank of New York.

In Australia, ANZBGL is supervised by

- (1) The Australian Prudential Regulatory Authority ("APRA"), the statutory authority overseeing banks, credit unions, building societies, and parts of the insurance industry; and
- (2) The Reserve Bank of Australia, the Central Bank of Australia.

### **(vii) The identities of the principal officers of ANZ NYB**

- (1) Truett Tate, Chief Executive Officer
- (2) Markus Schmalhoffer, Chief Financial Officer
- (3) Hayden McNamara, Chief Operations Officer
- (4) Pamela Couch, Chief Risk Officer

### **(viii) A description of the corporate governance structure and processes related to resolution planning**

The Resolution Plan is subject to annual review to include changes in ANZ NYB's business, operations, and entities, as well as regulatory developments. The process includes challenge by senior management and subject matter experts both within ANZ NYB and at ANZBGL group level, which culminates in annual approval by the ANZBGL Management Board, the body with delegated authority from the ANZBGL Board Risk Committee to approve the Resolution Plan. This delegation of authority by the Board Risk Management Committee is consistent with its role as advisor to the Board of Directors with respect to business, market, credit, equity and other investment, financial, operational, liquidity and reputational risk management and for the management of ANZBGL compliance obligations.

ANZBGL was required by APRA to develop a 'Recovery Plan' in 2012, which contains measures designed to enable a bank to survive a destabilizing event or severe distress and to restore itself to a sound financial position and minimize adverse systemic impacts and the need for taxpayers assistance. There may be limited intersection of the Recovery Plan and this Resolution Plan except to the extent that ANZBGL liquidates branches to keep the global bank solvent.

### **(ix) A description of material management information systems**

ANZ NYB uses several material management information systems to process ANZBGL's transactions and updates its records; process Swift payments; capture and report derivatives trades as well as related risk management; manage client and country risk limits and exposures;



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and calculate counterparty credit risk for customers and accounts.

**(x) A description, at a high level, of the Covered company’s resolution strategy, covering such items as the range of potential purchasers of the Covered company, its Material entities and Core business lines.**

The resolution of ANZ NYB will, on the basis of a ‘jump to default’ assumption, be a relatively straightforward receivership whereby assets will be liquidated and distributions made to creditors.

Upon determination and issuance of a declaration of insolvency, the OCC will appoint a receiver to take possession of all U.S. assets of ANZBGL, including those not owned by the Material Entity. The commencement of a receivership will not affect the rights of parties to secured transactions, who will retain the right to liquidate collateral in which they have a secured interest. Any balances remaining after satisfaction of their claims must be transferred to the receiver.

After taking possession, the receiver is responsible for the orderly liquidation of ANZBGL’s assets within the United States financial system. While this is happening, notice must be sent to those that may have a claim against the branch. Claims may be proven to the OCC’s satisfaction, or where parties disagree, adjudicated in a court of competent jurisdiction. Either way, the validity and credibility of claims is assessed as if the branch were a separate entity apart from the foreign parent. The receiver must then make pro rata distributions, respecting the general principles of debtor/creditor law, to parties determined to have valid claims against ANZ NYB.

After all claims are satisfied, because the ANZBGL does not have any other U.S. branches, excess proceeds are returned to ANZBGL’s home office for treatment under Australia’s resolution framework. As noted in the plan, one of the potential challenges of the receivership may be liquidating assets due to the potential for competing claims due to the cross-border nature of ANZBGL’s business.

### **ANNEX – ANZ Consolidated Statement of Financial Position at 30 Sept 2013**

	<b>A\$m</b>
<b>Assets</b>	
Liquid assets	39,737
Due from other financial institutions	22,177
Trading securities	41,288
Derivative financial instruments	45,878
Investment securities	28,135
Net loans and advances	469,295
Regulatory deposits	2,106
Due from controlled entities	0
Shares in controlled entities	0
Shares in associates and joint venture entities	4,123
Current tax assets	20
Deferred tax assets	721
Goodwill	7,690
Investments relating to insurance business	32,083



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Other assets	7,574
Premises and equipment	2,164
<b>Total assets</b>	<b>702,991</b>
<b>Liabilities</b>	
Due to other financial institutions	36,306
Deposits and other borrowings	439,674
Derivative financial instruments	47,509
Due to controlled entities	0
Current tax liabilities	972
Deferred tax liabilities	14
Policyholder liabilities	32,388
External unit holder liabilities (insurance funds)	3,511
Payables and other liabilities	12,594
Provisions	1,228
Bonds and notes	70,376
Loan Capital	12,804
<b>Total liabilities</b>	<b>657,376</b>
<b>Net Assets</b>	<b>45,615</b>
<b>Shareholders' equity</b>	
Ordinary share capital	23,641
Preference share capital	871
Reserves	(907)
Retained Profits	21,948
Share capital and reserves attributable to members of the company	45,553
Outside equity interests	62
<b>Total shareholders' equity</b>	<b>45,615</b>