

Commerce Commission Investigation of Interest Rate Swaps

Questions and Answers

1. What is the current scope of the Commission's investigation?

The Commission is investigating the promotion and sale of interest rate swaps marketed by various banks to rural customers. The investigation is being conducted under the Fair Trading Act 1986. The Fair Trading Act prohibits misleading and deceptive conduct in trade, including the making of false and misleading representations. The Commission is primarily considering whether interest rate swaps were marketed in ways that may have misled customers as to their true risk, nature and suitability.

2. What is an interest rate swap?

An interest rate swap is a financial derivative product that allows a borrower to manage the interest rate exposure on their borrowing. An interest rate swap allows a borrower to exchange with another party (for example, a bank) an obligation to pay a floating reference interest rate for an obligation to pay a fixed base interest rate (commonly referred to as a 'borrower swap') or vice versa (commonly referred to as an 'investor swap').

3. How is the investigation progressing?

The Commission is collecting and assessing information from various parties who were involved with the sale and promotion or purchase of interest rate swaps.

4. What are the timeframes for the investigation?

This phase of information collection is expected to last several months. This website will be updated as we are able to report further progress on the investigation.

5. What do I need to do if I have information relevant to the Commission's investigation?

If you entered into an interest rate swap, please download and complete the questionnaire attached to this webpage. You can post it back to the Commission at PO Box 2351 Wellington, or scan it and email it to swaps@comcom.govt.nz. We may contact you if we require any additional information.

If you are still in possession of documents and emails that relate to your involvement with interest rate swaps, please secure these in a safe place in case the Commission asks to see them.

If you did not enter into an interest rate swap but have information relevant to the investigation, please contact us at swaps@comcom.govt.nz

6. I have signed confidentiality terms with my bank about this matter. Can I still assist the investigation?

Depending on what you have signed, you may be limited in the disclosures and voluntary assistance that you can give to the Commission. But the Commission is able to issue to you a notice under s47G of the Fair Trading Act 1986 requiring you to produce swap records and other information, so the Commission may be able to access some information in that way.

7. What if I have further questions on the Commission's investigation?

Please email us with your questions at swaps@comcom.govt.nz