

Deposit Takers Depositor Compensation Scheme Transitional Standard

Summary of Submissions and Policy Decisions

16 May 2025



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Background

In December 2024, we published a consultation paper, *Deposit Takers Depositor Compensation Scheme Transitional Standard*,¹ containing the policy proposals for the collection of depositor information in order to facilitate payment under the Depositor Compensation Scheme (DCS). The DCS, established under the Deposit Takers Act 2023 (DTA), will provide depositors with compensation of up to \$100,000 per eligible depositor, per deposit taker, in event of deposit taker failure.

We proposed that depositors will need to have an account with an alternate deposit taker to receive compensation payments in relation to the failed deposit taker. The Reserve Bank will need a means for receiving depositors' contact and alternative account details. Our preferred option is that depositors would log in to their internet banking platform with the failed deposit taker and provide the details through a DCS depositor page.

We proposed to issue a Depositor Compensation Scheme Transitional Standard (DCS Transitional Standard) to support DCS payments. This standard would require deposit takers to develop a DCS depositor page leveraging their existing internet banking platforms. The intention is that the page can be quickly activated in the event of failure.

The DCS Transitional Standard would exclude deposit takers from these requirements if they do not have an internet banking platform. It would also offer flexibility if deposit takers identify that they can collect alternate account details in a more effective or efficient manner. Because of the short time for finalising and issuing the DCS Transitional Standard, an exposure draft was included with the consultation paper.

The policy proposals were organised using the DTA Proportionality Framework,² which splits locally-incorporated deposit takers into 3 groups:

- **Group 1** – deposit takers with total assets of NZ\$100 billion or more. This group comprises the domestic systemically important banks (D-SIBs).
- **Group 2** – deposit takers with total assets of NZ\$2 billion or more, but less than NZ\$100 billion.
- **Group 3** – deposit takers with total assets less than NZ\$2 billion.

Consultation process

The consultation opened on 6 December 2024 and closed on 7 February 2025. It sought stakeholder feedback on implementation of the DCS Transitional Standard including the exposure draft and asked some specific questions.

The Reserve Bank received 10 submissions, comprising of:

- seven from deposit takers
- three from industry bodies on behalf of their members.

¹ https://consultations.rbnz.govt.nz/dta-and-dcs/depositor-compensation-scheme-transitional-standar/consult_view/

² <https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/regulation-and-supervision/dta-and-dcs/the-proportionality-framework-under-the-dta.pdf>

Proposed approach for Group 1 deposit takers

Prepositioned website requirements

Issue

Our preferred option is that each deposit taker (unless the deposit taker is excluded) is required to preposition a DCS depositor page that can be activated in a DCS compensation event. This page would be accessed from the deposit taker's existing internet banking functionality and using the depositor's existing internet banking credentials.

The DCS depositor page would collect the account details for an account with another deposit taker into which the depositor's DCS entitlement can be paid. The DCS depositor page would also allow for the depositor to provide their contact details (such as their email address and phone number), so that we can contact them if further information is required or if there are issues with making the payment.

We sought feedback on whether requirements for deposit takers to pre-position a DCS depositor page can be met in time for DCS go-live on 1 July 2025, or whether these requirements should only apply as part of the Core DCS Standard from the end of the licensing period in 2028. Our initial understanding was that this development work will generally not require much resource and is relatively simple for deposit takers to complete quickly.

The DCS Transitional Standard sets out development requirements for the DCS depositor page, but the DCS depositor page is only to be activated (i.e. made readily accessible to the public) in the event of the deposit taker failing. We proposed that the DCS depositor page will be activated after the Reserve Bank issues a "specified event notice" to that deposit taker³ and we determine activation is necessary for a DCS payment.

It is important that depositor information is securely captured by the DCS depositor page and transmitted to the Reserve Bank so that payment can occur. Information collected through the page should be able to be connected to the records of the deposit taker using a unique ID for each depositor. No specific data formatting requirements for collecting the information are proposed in the Transitional Standard.

Comment

Submitters were supportive of a prepositioned DCS depositor page. Larger deposit takers questioned whether proportionality had been applied to the proposals and whether the DCS depositor page could be prepositioned only for a deposit taker's key digital platform on the basis that open banking resolution (OBR) is more likely than a DCS payment for larger deposit takers. They also expressed difficulty in pre-positioning a DCS depositor page for certain legacy systems and mobile applications.

Response

Aside from the exceptions and alternate model discussed below (which are not restricted to a particular Group), the DCS Transitional Standard is not scaled for the size of deposit takers or their probability of failure. The DCS will apply to all deposit takers equally, so it is desirable that the same requirements apply. There is a base level of information that we need to calculate and make

³ Section 194 of the DTA generally, or clause 5 of Schedule 1 of the DTA during the transitional period.

payments, but the DCS Transitional Standard builds in flexibility, particularly for smaller deposit takers, in the way that can be achieved.

We note that, given the size of Group 1 deposit takers, even a small proportion of their depositors being on a legacy platform can still be a large number of depositors if they needed to be individually contacted by the Reserve Bank. This is addressed further under the alternate solutions heading below.

We acknowledge the difficulty in prepositioning a DCS depositor page for mobile applications and propose that the standard will include a delay of 6 months for a deposit taker that can preposition its DCS depositor page on internet banking for that account software so it does not need to preposition a DCS depositor page for its mobile applications until 1 January 2026.

Exclusions

Issue

The requirement to have a prepositioned DCS depositor page was proposed to not apply to a deposit taker if it already collects the alternate account information for all of its depositors. We are aware that most finance companies currently only offering term deposit products already routinely collect alternate account information for their depositors, so there is no advantage to requiring the separate development of a DCS depositor page. We also noted that these firms do not currently offer internet banking, so it may be disproportionate to require them to undertake this development. While this group currently only includes Group 3 deposit takers, we proposed that this exclusion would be available to all deposit takers that meet these requirements.

Comment

No submissions were received on this question from Group 1 deposit takers.

Response

As all Group 1 deposit takers offer internet banking the exclusion is not expected to apply to them.

Alternate solutions

Issue

Deposit takers may be able to develop an alternate⁴ solution for collecting depositor information which is more appropriate or effective. We do not wish to discourage such solutions and proposed that the DCS Transitional Standard allow for the Reserve Bank to approve an alternate solution.

The proposed process for this was that:

1. The deposit taker develops and submits a proposal to the Reserve Bank.
2. The Reserve Bank approves the proposed solution if it would still enable the deposit taker to collect depositors' alternate account details.

⁴ Note that this has been renamed. In the consultation documents it was referred to as an alternative model rather than an alternate model.

3. If the alternate solution is approved, similar obligations to activate the solution in the event of a failure apply.

Given the proposed timing of the issuance of the DCS Transitional Standard, deposit takers may not be able to develop and obtain approval of an alternate solution before the commencement of the standard. However, this flexibility is important to ensuring that in the longer term the standard applies appropriately.

Comment

Group 1 deposit takers did not address alternate solutions in their submissions on this question but in their general response discussed above, as well as discussions with the Reserve Bank, identified that they may have difficulty in prepositioning a DCS depositor page for certain legacy platforms that cater for a relatively small proportion of their customers.

Response

We will amend the proposals so that the alternate model can apply to some or all of a deposit taker's account software rather than being required to apply to all of its account software as was included in the exposure draft.

We will also reduce the requirements for an alternate model so that the Reserve Bank must take the identified criteria into account rather than requiring all criteria to be met. This will provide additional flexibility to approve alternate models that do not meet all criteria but the Reserve Bank is reasonably satisfied that the deposit taker has suggested a satisfactory alternate given the resources, constraints and other features available to them.

Proposed approach for Group 2 deposit takers

Issue

We proposed that the approach for Group 2 deposit takers is the same as the approach for Group 1 deposit takers. The DCS will apply to all deposit takers equally, so it is desirable that the same requirements apply in respect of collecting alternate account numbers and other information. Consistent requirements will simplify communications with depositors and the systems and processes required for a payment to occur.

Comment

Two submissions were received from Group 2 deposit takers. These were broadly consistent with submissions from Group 1. Group 2 deposit takers have tended to consider their compliance costs for technical changes to be the most disproportionate and have indicated potential complexity for their systems.

Response

Proposed changes discussed above will apply equally to Group 2 deposit takers. We are in discussions with a number of Group 2 deposit takers about potential application of an alternate model.

Proposed approach for Group 3 deposit takers

Issue

In general, we propose that the same approach is taken to Group 3 deposit takers as for Group 1 and Group 2. However, we note that excluded deposit takers are likely to be Group 3 deposit takers who only offer term deposits. Therefore, we expect that the requirements will apply differently for a significant number of Group 3 deposit takers.

Comment

As well as specific detailed submissions discussed separately below, the primary focus of submissions by Group 3 deposit takers were around the exclusion from application of the standard and the alternate model.

Response

Proposed changes discussed above will apply equally to Group 3 deposit takers. In particular, we note the proposed changes discussed above which will extend the potential application of the alternate model.

The standard is also proposed to apply to all deposit takers (other than overseas licenced deposit takers) who provide internet access to view or manage deposits. This is consistent with the policy consultation document but is a change from the exposure draft which would have applied only to deposit takers who provide internet access to manage deposits. The exposure draft was amended to align with policy intent.

Exposure draft submissions

Issue

Given the short timeframes for developing and issuing the DCS Transitional Standard an exposure draft of the standard was also consulted on.

Comment

Submitters provided a number of useful suggested changes to the exposure draft. These are summarised in the table below. This table does not include submissions already discussed above.

Response

Comment	Response
Authorised individuals should include individuals who are not authorised by law	Authorised individuals will cover a person who can pay money to another person or an account with another deposit taker

Comment	Response
Online software should only include those that support a user interface E.g. it should exclude secure email	The standard will not apply to a deposit taker who only provides secure email
The DCS depositor page should only require being accessed from online banking rather than being contained within it	A deposit taker will be able to provide access to a DCS depositor page that is not contained within their online banking
It should not be necessary for the DCS depositor page to confirm contact details	A DCS depositor page is intended to collect contact information rather than confirm it. There is no expectation that a deposit taker will prepopulate contact or other details from their existing systems.
Deposit takers should not be required to provide extra capacity to the DCS depositor page above that provided during business as usual	We will reduce this requirement compared to the exposure draft, so deposit takers do not need to provide greater capacity than they had in the usual course of business. We expect that if a deposit taker reduces their capacity pre-failure as a cost saving mechanism it should be able to re-access this capacity to support its DCS depositor page.
The information request provisions in part 4 duplicate those in the DTA	Information request provisions that duplicate those available in the DTA will be removed where they are not required
Information gathering powers should not be used to request single depositor view information in advance of the core DCS standard applying	We acknowledge that less information will be expected to be available until the single depositor view is introduced in the Core DCS standard
If a depositor wants to update information already provided, they should contact the Reserve Bank	If a deposit taker provides two sets of information because the depositor has provided it twice the Reserve Bank will not overwrite the first information and will store the second for audit purposes. If a depositor wants to correct information they should contact the Reserve Bank

Comment	Response
It should not be mandatory to collect a contact email address and phone number and a free text box should be provided	It will be mandatory for a DCS depositor page to provide fields for the depositor to provide an email address and phone number but there is no requirement the depositor actually does so. The standard will set out the minimum fields required but will not restrict the deposit taker from seeking additional information
There needs to be a hierarchy for individuals who can access to prevent second contact details overwriting the first. Alternatively multiple contacts could be collected but the Reserve Bank will need to reconcile this to review for duplication and conflicts.	The Reserve Bank's systems will use the first contact or account details provided. If second or subsequent details are provided these will be recorded for audit purposes but will not overwrite the first information.
The Reserve Bank should outline the process for applying for an alternate model	The basic process is to submit a written proposal describing the proposed alternate model. We wish to keep the process as flexible as possible.
Provide clarity on what credentials can be used to access a DCS depositor page	It is intended that the same credentials that could have been used to access online banking, or a mobile application, should continue to be available to access the DCS depositor page
The requirement to activate and deactivate a page should refer to authorised individuals instead of the public	While the DCS depositor page to collect details will require the depositor to be verified, and therefore will not be available to all members of the public, the login page will still be accessible to the public. The term public will be retained to maintain consistency across the activate and deactivate requirements.
A DCS depositor page should not be required for customers who only have view access	We expect that many deposit takers who provide view only access may not be able to collect information through a DCS depositor page. However, it is still important that these deposit takers have a process for collecting alternate accounts and we recommend they

Comment	Response
	discuss an appropriate alternate model with the Reserve Bank.
Clarify what support a deposit taker must provide to depositors when completing a DCS depositor page	This will be fact specific and can be discussed with the Reserve Bank and the deposit taker if a DCS depositor page is required
Depositors should be able to leave the DCS depositor page and come back to submit information later	This is consistent with the intent of the exposure draft and will be clarified.
Unique scenarios, such as fraud, should be dealt with by the Reserve Bank rather than the deposit taker	The standard cannot address fact specific scenarios like the one suggested. However, we agree that the Reserve Bank would be best placed to resolve such issues.
Depositors should not be required to preposition an alternate account for the deposit taker to have an alternate model	While having a list of alternate accounts may be the easiest way to develop an alternate model there is no requirement to do this. Deposit takers who seek an alternate model can develop a process that works for their situation while still achieving the intended effect.
Deposit takers should not be required to provide access to the DCS depositor page for depositors who did not have online banking access	We agree that it would be inefficient, and likely ineffective, to attempt to onboard depositors without internet banking or mobile access solely to access a DCS depositor page. These depositors can provide details through other channels directly to the Reserve Bank.
The commencement date should be extended to provide additional time for deposit takers to comply	The commencement date of the DCS has already been confirmed as 1 July 2025 and it is important that there is a credible mechanism to collect alternate account details from this date.
Additional flexibility should be provided to the revocation clause in case the transitional standard needs to be extended	The revocation date will be linked to the end of the transitional period, being when section 10 of the DTA comes into

Comment	Response
	force (requirement for deposit taker to hold a DTA licence).
The standard should be redrafted using a more principles-based approach	There is insufficient time to develop and consult on a substantive redraft of the standard. We consider the current approach provides benefits of certainty and flexibility of requirements.
The clauses around communication with depositors on the DCS depositor page are too specific and should be removed	The information in clauses 9 and 10 of the standard are considered the minimum necessary and are shorter than may have otherwise been required given the shorter implementation time.
There is an overlap with the crisis resolution tools when requiring a deposit taker to deactivate their webpage	We acknowledge that there may be overlaps with other requirements
The deposit taker should have more time to deactivate the DCS depositor page when instructed to do so	It is important that the DCS depositor page is deactivated in a timely manner once it is no longer required
Deposit takers should not be required to develop a mobile application in order to provide a DCS depositor page	It is not intended that any deposit taker would be required to develop a mobile application that they did not operate in the usual course of business
Director due diligence in clause 3(2) of Schedule 1 of the DTA should not be brought in by this standard.	The Reserve Bank cannot comment on director due diligence

Annex A: Consolidated questions

- Q1** Do you agree with the proposed requirement that deposit takers develop a prepositioned DCS depositor page?
- Q2** Can the functionality to confirm the depositor's alternate account and contact details be delivered by July 2025 or is more time required?
- Q3** Do you have any comment on transmitting depositor information to the Reserve Bank in a DCS payout event?
- Q4** Do you agree with our proposed exclusion for deposit takers who already have alternative account information for all of their depositors?
- Q5** Do you have any comment on our proposal to allow for alternative solutions to be developed by deposit takers?
- Q6** Do you have any comment on the attached exposure draft for the DCS Transitional Standard?
- Q7** Do you agree with the same approach being taken for Group 1 and Group 2 deposit takers?
- Q8** Do you agree with the same approach being taken for Group 3 deposit takers as for other deposit takers