

ASB Submission

RBNZ Deposit Takers Standards – Tranche 1

30 January 2026

Chapter 1: Liquidity Standard

Q1: Does the exposure draft accurately set out the Reserve Bank's liquidity requirements (both qualitative and quantitative), including decisions taken as part of the LPR? If not, what areas of the exposure draft may require revision?

Q2: Would the exposure draft and draft guidance, as currently drafted, create any unintended outcomes? If so, please specify any issues and potential solutions.

Treatment of Ineligible Depositors

Designating government agencies and insurance companies as ineligible depositors with a 100% run-off rate may create several unintended effects:

- Liquidity outflows that exceed the actual risk profile of these entities.
- Additional operational complexity in maintaining an up-to-date government agency list.
- Inconsistency with the size-band treatment applied to other large depositors, potentially leading to competitive distortions.

Our recommended solution is to apply the size-band methodology to these depositors – see Q4.

Calculation Risks and Complexity

Caps on cash inflows (e.g., 0.1% of total assets of all NZ deposit takers) under Clause 17 (2) differ from previous BS13 standards, introduces an external data requirement, and adds unnecessary complexity.

These changes increase compliance and monitoring burden without a clear resilience benefit and introduce modelling and data-sourcing risk. If retained, these caps should be calculated on a low-frequency basis (e.g., annually) to reduce operational risk.

Q3: Do you have comments on the formulation of caps in the Liquidity Standard, such as caps in relation to cash inflows, undrawn committed lines, and various components of liquid assets?

See Q2 above.

Q4: Do you have any views on what deposits from government agencies (if any) should be subject to a 100% run-off rate or the size band approach under the MMR?

We do not support applying a blanket 100% run-off rate to all government agency deposits. While we acknowledge that certain agencies may exhibit higher withdrawal volatility, a uniform approach is disproportionate and introduces unnecessary complexity.

Our recommendation:

- Government agency deposits should follow the size-band approach applied to other wholesale depositors. This ensures operational simplicity, consistency across the industry, and alignment with the Liquidity Standard's risk-based principles.

- If specific agencies demonstrate behaviour akin to callable funds (e.g., short-term treasury accounts with immediate withdrawal rights), these could be considered for higher run-off assumptions. However, this should be based on clear, risk-based criteria rather than a blanket rule.

Rationale:

- It reflects actual liquidity risk more accurately and avoids penalising stable government deposits that behave similarly to other corporate funds.
- A size-band methodology reduces calculation risk and removes the need for maintaining an exhaustive and up-to-date government agency list.

Q5: Do you have any other comments on the attached exposure draft of the Liquidity Standard?

Our main concern remains the proposed 100% run-off treatment for deposits from government agencies and insurance companies. This treatment is disproportionate and introduces operational complexity that is not justified by the liquidity risk profile of these entities. Applying the size-band methodology to both categories would improve risk alignment, enhance operational simplicity, and reduce calculation risk.

Q6: Do you have any other comments on the attached draft of the Guidance to support the Liquidity Standard?

We welcome the clarity of the Guidance and support its intent to ensure consistent implementation of the Liquidity Standard. We strongly support developing further guidance on breach reporting and recommend adopting a materiality-based approach to ensure proportionality and clarity. Given the regularity, complexity, and granularity of reporting obligations under the Standard, a materiality threshold would help distinguish between minor technical breaches and those with substantive prudential impact. This approach would reduce unnecessary reporting burden while maintaining transparency and regulatory confidence. Clear guidance on what constitutes a material breach, supported by practical examples, would assist deposit takers in meeting compliance expectations effectively.

We also request that the RBBZ provide guidance (or a formal definition) as to what should be classified as a revolving credit facility to ensure consistency of application across the industry for paragraph 16(1)(h) of the Liquidity Standard exposure draft. Without further guidance ASB intends on including personal overdrafts and credit cards within this definition (and stating this within its assumptions) as per BS13 allowances.

Chapter 2: Depositor Compensation Scheme Standard

Q7: Do you agree that a DCS depositor page should accept alternate account details from any authorised individual even if that person could not manage that account without approval from another person (n to sign)? If not, please provide suggestions on how this could be cost effectively managed by deposit takers.

ASB agrees that a DCS depositor page should accept alternative account details from any authorised individual even if that person could not manage that account without approval from another person (n to sign), provided that at the time of submission they confirm that they are authorised to submit the relevant information.

Q8: Do you agree with the proposal that the alternate model would only be available to deposit takers who do not offer transactional accounts, and the proposed approach to identify which deposit takers offer transactional accounts?

ASB does not agree that the alternate model provisions should only be available to deposit takers who do not offer transactional accounts, nor do we consider that the longer implementation time of the DCS Standard compared to the Transitional Standard has sufficiently reduced the need for an alternate model to be offered for larger deposit takers. To ensure the implementation of efficient and effective solutions to collect depositor information, ASB recommends that the alternate model provisions - or other suitable alternatives - are made available to all deposit takers, in at least some limited circumstances such as:

- Where the account software for which the alternate model is proposed is being actively degraded or decommissioned;
- Where the proposed alternate model is a DCS depositor page in its own right;
- Where only a small number of customers are impacted; and
- Where use of the alternate model is unlikely to result in a stressful or disorderly customer experience.

Furthermore, we note that requiring deposit takers to invest time, effort, and resources building solutions for software that is being decommissioned is inefficient and risks diverting critical resources away from the large-scale implementation work required by other aspects of the DTA.

Q9: DCS depositor page data will be provided to the RBNZ as it is received (for example, every 24 hours). Will you have any system constraints if subsequent transfers contain only depositor data that is new since any previous data transfers (delta data)?

No.

Q10 Account authority SDV variables have been included as an account level variable to reflect submissions on the consultation document. We expect that some or many

authorities may be provided at the depositor level and welcome submissions on the appropriate treatment.

For ASB, authority on account will be able to be identified at account level where it applies. All account authority type descriptions will be able to be combined at depositor level into one data field if required.

Q11 Do you foresee any difficulty in identifying temporary accounts as identified in row 36 of the table in the Guidance? Are there any further actions the DCS Standard could include that would assist, for example a delay in collating this information compared with the other SDV variables, and if so how long would be appropriate?

We seek further guidance from the Reserve Bank on its submission requirement for these accounts taking into consideration the following factors and recommendations:

- These accounts would be at an aggregate level and might not always hold attributable customer details readily available, if at all. Identifying and providing the list of the aggregate balances by appropriate account grouping in deposit takers system can be implemented within the proposed timelines. However, if the requirement is to identify individual depositors within those aggregate balances it will require a significant time and effort.
- Due to their nature, suspense accounts may not easily fit into the format of the SDV (e.g. product information, account details etc) and including them within the SDV file directly could be challenging and may make the reconciliation process more difficult.
- If the information is required, ASB would recommend that suspense account information is reported separately from the aggregate SDV information.

Q12 As referred to in the data submission guidelines, are there any technical or non-technical constraints that would prevent your institution from implementing asymmetric encryption?

We do not foresee any constraints in delivering asymmetric encryption. We note that the submission delivery process is not fully automated end-to-end, given that the last step to upload the encrypted file to Box.com account is via a manual step. Our preference is for automated end-to-end process for the delivery of the report.

Q13 Do you have any other comments on the attached exposure draft of the DCS Standard?

Q14 Do you have any other comments on the attached draft of the Guidance to support the DCS Standard?

Part 1 Information about the depositor compensation scheme

Requirement that a deposit taker must display at least 1 DCS logo on each product page:

It would be helpful if the DCS Standard or associated Guidance clarified whether this requirement is only for product pages that exist and does not require a product page to be developed for each protected

deposit. ASB does not have product pages for certain protected products (i.e., for complex corporate products, or off sale), whereby product pages are not used as part of customer communications.

Part 2 DCS depositor page

Preferred method of contact

The definition of contact details in the DCS Standard has been expanded from the DCS Transitional Standard to include *preferred method of contact*, noting that Clause 12 (1) of the DCS Standard requires that a DCS depositor page must be configured so it can collect contact details. ASB submits that this additional requirement adds little value and is unlikely to materially improve any communication outcomes for customers in relation to payout should they chose to provide this information. We note here that the associated Guidance Note clarifies that only account details must be collected, and that providing a contact email address and phone number is optional for the customer. The Guidance Note is silent on the “preferred method of contact” creating inconsistency between the Standard and its Guidance. Removing the requirement from the definition in the Standard would align with the practical intent of the Guidance.

ASB also considers that the requirement for the customer to provide a contact email address and phone number should be made mandatory. This would ensure that the RBNZ is provided with updated contact details for each customer and would be in the best interests of customers to facilitate their payout.

Authorised Individuals

ASB acknowledges the Reserve Bank’s non-concern regarding the business banking customers who have administrator rights providing depositor information via the DCS depositor page. We recommend refining the definition of authorised individual with the DCS Standard to better reflect this position. In ASB’s case, administrators’ rights include the following:

- Ability to add new users, including those that have full transaction permissions - subject to AML verification and second factor authentication arrangements;
- Ability to modify a user’s profile (including the ability to reset a user’s password); and
- Modify functionality and account permissions of existing users including adding full transaction permissions – subject to AML verification and second factor authentication arrangements.

Given the above, ASB would be comfortable for the definition to be expanded to include individuals that can create Authorised Individuals to be Authorised Individuals themselves (even if they cannot transact).

Identification and collection of information for each depositor (see paragraph 63 of the Deposit Takers Standards – Tranche 1 – Supporting information)

[REDACTED]

[REDACTED]

ASB proposes that these circumstances be limited to DCS depositor pages for business-specific account software, where the primary entity for the login has already been identified and provided. This approach ensures deposit takers can implement efficient and effective solutions to collect depositor information without introducing unnecessary effort or complexity.

Part 4 Single depositor view

Temporarily high balances implementation

Note that this requirement will be very complex to implement in practice, and even more so inadequate time is provided to implement. We highly recommend the RBNZ engage with deposit takers on this requirement well in advance of any compliance requirement date.

Compensation amount estimates for relevant arrangement balances

Under Sch2 para 1(d)(i) **relevant arrangements** should be excluded from the SDV compensation amount calculated for each depositor. Notwithstanding that this amount is to be excluded in the SDV file, given this deposit type is in scope for DCS entitlement, we would appreciate clarification on how we should calculate the associated compensation amounts. This is important as the overall protected deposit balance will form the base for calculating the DCS levy for all deposit takers. In addition, some deposit takers are required to disclose insured and uninsured deposit balances to comply with overseas regulatory requirements.

Testing outcomes

Part 4 para 33 (a) sets out a requirement to notify the Bank of the outcome of the testing **within 20 working days**. In the absence of guidance on what the testing result submission requirements will be we cannot ascertain whether 20 working days timeframe is achievable.

Paragraph 59 of Guidance

Clearer guidance on what is considered 'reasonably accurate' (para 59) would be helpful.

Chapter 3: Lending Standard

Q15 Do you have comments on the structure of the attached exposure draft of the Lending Standard?

ASB appreciates the Reserve Bank's efforts to provide a more unified and transparent regulatory framework by integrating LVR and DTI requirements into a single Lending Standard. While the new structure is intended to streamline compliance and enhance clarity, we note that the more prescriptive approach to loan classification and qualifying credit calculations may result in some additional operational complexity, as well as the need for updates to systems, processes, and staff training.

Considering these changes, ASB would welcome confirmation from the Reserve Bank that the intent of the new Lending Standard is to fundamentally mirror the regulatory requirements and compliance expectations of BS19 and BS20, rather than to introduce new obligations or a greater compliance burden. Such reassurance would help deposit takers focus their implementation efforts and ensure a smooth transition. If there are areas where the new Lending Standard is intended to go beyond the existing frameworks, we would appreciate clear identification and rationale for those changes to support effective planning and resource allocation.

We are relying on RBNZ's intent not to change the regulatory requirement, except as clearly noted. We have not done the very detailed work to find if there are other unintended changes, introduced through drafting, or otherwise. Our consultation response should not be interpreted as ASB having completed a detailed assessment of the standard and reaching a conclusion that there are no additional changes to obligations.

Q16 Does the attached exposure draft of the Lending Standard and the draft Guidance set out LVR and DTI exemptions clearly enough (noting that these are now framed as 'nature of lending' categories)?

While the reframing of exemptions as "nature of lending" categories is conceptually sound, the evidentiary requirements associated with certain categories, particularly "new build finance" and "new build purchase," may present significant operational challenges. For example, the Lending Standard requires that new build finance loans be entered into before substantive construction and that a Code of Compliance Certificate (CCC) be issued within two years of the first advance. Similarly, new build purchase loans must be entered into within six months of the CCC being issued.

In practice, there are circumstances where a build may be delayed due to factors outside the control of the borrower or the lender (e.g., supply chain disruptions, consent delays, or unforeseen construction issues). The Lending Standard does not provide clear guidance on the implications if the build does not occur within the specified timeframe or if the CCC is not obtained as required. It is unclear whether such loans must be re-classified as "ordinary finance" and, if so, whether this re-classification would be retrospective and require recalculation of qualifying credit and potential breach of LVR/DTI speed limits.

ASB recommends that the Reserve Bank clarify the evidentiary requirements and provide explicit guidance on the process and consequences for re-classification when a build does not meet the prescribed criteria. This should include whether re-classification is required, how it should be reported, and whether any transitional or grandfathering provisions apply. Without such clarity, there is a risk of inconsistent treatment across the industry and unintended compliance breaches due to circumstances beyond the control of deposit takers or their customers.

Q17 Do you have comments on the changes to LVR and DTI exemptions (noting that these are now framed as ‘nature of lending’ categories)?

The shift from explicit exemptions to “nature of lending” categories has resulted in some nuanced changes, particularly for new build, refinancing, and remediation loans. The removal of the “loan granted in error” exemption, for example, eliminates a safety valve for process errors, potentially increasing compliance risk. We recommend the Reserve Bank consider whether a limited error tolerance or alternative remediation mechanism could be retained to address genuine administrative mistakes without undermining policy intent.

The new requirement that all “DTI undetermined” loans (except equity release) must be treated as high-DTI and included in speed limits creates a strong incentive for lenders to determine DTI in every case. While this may improve data quality, it also increases operational burden and may disadvantage borrowers with complex structures (e.g., trusts, companies, multiple borrowers) where DTI calculation is genuinely difficult. There is a risk of unintended credit contraction or reduced access for non-standard borrowers. We recommend the Reserve Bank consider providing additional guidance or limited flexibility for genuinely complex cases to mitigate these impacts.

Q18 Do you have comments on including a range of high-LVR and high-DTI thresholds and speed limits, without increments?

The move to threshold ranges for LVR and DTI, with specifics set by licence conditions, provides flexibility but may introduce uncertainty for business planning and system configuration. The absence of fixed increments could result in frequent recalibration and increased operational overhead. We encourage the Reserve Bank to provide advance notice and clear rationale for any changes to threshold settings, and to consider industry consultation prior to making adjustments that could materially impact lending operations.

Q19 Do you have comments on the approach to anti-avoidance?

ASB supports robust anti-avoidance provisions to uphold the integrity of macroprudential policy. However, the current drafting may create uncertainty for legitimate lending structures, particularly where arrangements are complex but not intended to circumvent regulatory requirements. We recommend the Reserve Bank supplement the Standard with practical guidance and illustrative scenarios to help deposit takers distinguish between avoidance and acceptable structuring, thereby reducing the risk of inadvertent non-compliance.

Q20 Do you have comments on the proposed transitional arrangements?

The bank is generally comfortable with the proposed transitional arrangements for the Lending Standard. However, we note that further DTA consultation, particularly Tranche 3 (which will include Capital), may introduce additional requirements or interpretations that could affect the bank’s current understanding which has informed our response to the Lending Standard, which in turn could impact implementation if further clarity is necessary. We recommend the Reserve Bank provide clear guidance on the treatment of loans originated during the transition period and confirm that no retrospective compliance will be required. Ongoing flexibility and communication will be important as the full regulatory framework is finalized.

Q21 Do you have any other comments on the attached exposure draft of the Lending Standard?

When BS20 was originally developed and consulted on, the RBNZ was clear that its intention was to avoid any impact on affordability calculations. This was a direct response to the experience with CCCFA changes, which had tightened lending criteria and created operational challenges for both lenders and borrowers. During the BS20 process, RBNZ was notably flexible and repeatedly assured the industry that banks could continue to use affordability assessment processes that met CCCFA requirements, with the numerator and denominator for DTI calculations largely derived from those same processes.

However, there is a risk that the new Lending Standard, as currently drafted, may be less flexible in practice. Some lenders may now be required to make changes to their processes, potentially increasing operational burden and reducing the alignment with established CCCFA-based affordability assessments. It would be helpful for the Reserve Bank to clarify whether the original intent of maintaining flexibility and minimising disruption to affordability calculations remains, and to provide guidance on how this should be reflected in the implementation of the new Lending Standard.

A related area of concern from the above point, relates to the treatment and verification of borrower income. Under current practice, most deposit takers only verify the income necessary to demonstrate that a borrower meets servicing criteria, consistent with CCCFA requirements. The draft Lending Standard introduces ambiguity regarding whether all income must be verified and included for DTI purposes (see Q22 (2.) below for a fuller discussion and recommendation on this point.)

Q22 Do you have any comments on the attached draft of the Guidance to support the Lending Standard?

1. We note that while the Guidance Note is not legally binding, it is likely to be used by supervisors and enforcement teams as an authoritative reference for interpreting the Lending Standard. This can create a practical expectation for deposit takers to align with the Guidance Note, even in areas where the Lending Standard is silent or ambiguous. To support transparency and consistency, we recommend that the Reserve Bank clarify how the Guidance Note will be used in supervision and enforcement and provide a clear process for updating or clarifying the Guidance Note in response to industry feedback or operational challenges. This will help ensure that compliance expectations are well understood and that the Guidance Note remains a practical and proportionate tool for industry.
2. Carried on from Q21 (2.) - A key area of concern relates to the treatment and verification of borrower income under the draft Lending Standard and its accompanying Guidance Note. Under current practice, most deposit takers verify only the income necessary to demonstrate that a borrower meets servicing criteria for a particular loan, in alignment with the Credit Contracts and Consumer Finance Act (CCCFA). This approach is efficient, customer-friendly, and proportionate to risk.

However, the draft Lending Standard introduces ambiguity by stating that a deposit taker “may include” certain types of income in the DTI calculation, without specifying whether all income must be verified and included, or only that which is material to the lending decision. The Guidance Note is largely silent on this point and does not provide additional clarity. Under the previous BS20 framework,

banks were permitted to apply a “materiality threshold”, allowing minor or immaterial income sources to be excluded from verification and DTI assessment. This provided operational flexibility and ensured that compliance efforts were proportionate to risk.

If interpreted strictly, the new Lending Standard could be read as requiring the verification and inclusion of all possible income sources for every borrower, regardless of whether that income is needed to meet servicing requirements. This would create significant complexity and impose additional burdens on both customers and lenders. Customers may be required to provide documentation for minor or irregular income streams that are not relevant to their loan application, potentially leading to frustration, delays, and even reduced competition as some borrowers may be discouraged from applying.

ASB strongly encourages the Reserve Bank to expand the Guidance Note to address this issue directly. The Guidance Note should clarify whether discretion remains for deposit takers to verify and include only those income sources that are material to the servicing of the loan, consistent with prudent lending practice and CCCFA requirements. Providing practical examples and confirming that immaterial or unused income streams do not require verification would support consistent, efficient, and customer-centric implementation across the industry. This would ensure the Lending Standard remains risk-based and proportionate, and avoids unnecessary compliance costs or negative impacts on customer experience and market competition.