

30 January 2026

The Reserve Bank of New Zealand – Te Pūtea Matua
(RBNZ)

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By Email

Submission on the Deposit Takers Standards – Tranche 1 Consultation Paper

1 This submission is made on behalf of the following registered banks, each of which is a New Zealand-incorporated member of the New Zealand Banking Association (NZBA) that expects to be licensed under the Deposit Takers Act 2023 (DTA) as a "Group 2 deposit taker"¹:

- Bank of China (New Zealand) Limited
- China Construction Bank (New Zealand) Limited
- The Co-operative Bank Limited
- Heartland Bank Limited
- Industrial and Commercial Bank of China (New Zealand) Limited
- Kiwibank Limited
- Rabobank New Zealand Limited
- Southland Building Society
- TSB Bank Limited

(the *Submitting Banks*).

2 The Submitting Banks welcome the opportunity to provide feedback to RBNZ on its consultation paper "Deposit Takers Standards – Tranche 1" (the *Consultation*).

3 The Submitting Banks have contributed to and support the NZBA's response to the Consultation. Set out below is a separate and additional matter supported by each of the Submitting Banks.

4 We consent to the publication of this submission. If you would like to discuss any aspect of this submission, please contact:

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Partner
Chapman Tripp
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¹ As defined in the Proportionality Framework dated March 2024 issued under s77 of the DTA.



Clause 17(2)(a) and (b)(i) of the Liquidity Standard should be amended to reflect RBNZ policy decisions, and not apply to Group 2 deposit takers

- 5 The Submitting Banks submit that the exposure draft of the Liquidity Standard should be amended so that the restrictions in sub-clauses 17(2)(a) and (b)(i) do not apply to Group 2 deposit takers. This change would reflect the express policy decisions (*2025 RBNZ Policy Decisions*) made by the RBNZ following consultation on the Core Standards.²
- 6 The 2025 RBNZ Policy Decisions included decisions to:
- (a) limit reliance by Group 1 deposit takers on undrawn committed lines (*UCLs*) when calculating the mismatch ratio (*MMR*) for liquidity purposes; but
 - (b) not impose such limits on Group 2 deposit takers. The reasons noted for this decision include that reliance on UCLs by Group 2 deposit takers would not impose material contagion risk, but imposing limits would disproportionately affect Group 2 deposit takers.
- 7 However, the exposure draft of the Liquidity Standard contradicts these policy decisions and imposes the same reliance limits on both Group 1 and Group 2 deposit takers.
- 8 For the reasons discussed in relation to the 2025 RBNZ Policy Decisions (and summarised again below) **the Liquidity Standard should be amended to remove those restrictions in relation to Group 2 deposit takers.**
- 9 Clause 17(2)(a) and (b)(i)³ of the exposure draft of the Liquidity Standard limits a deposit taker's ability to include undrawn committed lines (*UCLs*) from other financial institutions as part of 'cash inflows' for the purpose of calculating the mismatch ratio (*MMR*). These limits set relevant maximums of:
- (a) 10% of liquid assets in the case of a single creditor (clause 17(2)(a)); and
 - (b) 30% of total liquid assets (clause 17(2)(b)(i)).
- (the *Relevant Thresholds*).
- 10 The reasons given by the RBNZ for including the Relevant Thresholds have focused on reducing contagion risk in a Group 1 deposit taker stress scenario. We understand this contagion risk is considered to exist for Group 1 deposit takers as over-reliance by such a deposit taker (*Deposit Taker A*) on UCLs for its liquidity could lead to a liquidity shortfall in case any of Deposit Taker A's creditors are

² Deposit Takers Core Standards Summary of Submissions and Policy Decisions for the Liquidity, Depositor Compensation Scheme and Disclosure Standards (1 May 2025), https://consultations.rbnz.govt.nz/dta-and-dcs/deposit-takers-core-standards/user_uploads/deposit-takers-core-standards.pdf

³ An additional maximum limit is included in clause 17(2)(b)(ii), of 0.1% of total assets of all deposit takers incorporated in New Zealand. The Submitting Banks do not oppose this limit applying to Group 2 deposit takers.



themselves distressed. Deposit Taker A's consequent liquidity shortage, in turn, could adversely affect any other deposit taker (*Deposit Taker B*) which is relying on Deposit Taker A as a creditor of a UCL to Deposit Taker B for its liquidity.

- 11 In section 2.3.8 of the 2025 Policy Decisions, the RBNZ noted that:

Given the size of Group 1 deposit takers, we are concerned about the potential for contagion risk should they use these facilities to meet MMR requirements in the future. As outlined in the Consultation Paper, our proposal aims to reduce the risk that liquidity shortages in one deposit taker cause liquidity shortages in other institutions. While this risk exists to some extent with any credit facilities, ***facilities used by Group 1 deposit takers could potentially present a material risk to financial system stability*** and other DTA purposes.

That being said, it is unclear that we need to exclude undrawn committed lines from MMR altogether in order to manage this risk. As discussed in section 2.4.2, we do not share the same concern regarding Group 2 deposit takers given that they are smaller. Moreover, there may be scenarios where a Group 1 deposit taker's use of undrawn committed lines to meet MMR does not present material contagion risks.

[...]

*We will not proceed with [a proposal in the Consultation Paper to no longer include UCL amounts as a cash inflow in the MMR]. However, as outlined in the analysis section of the Consultation Paper, **the potential for contagion risk remains a concern (particularly the use of undrawn committed lines by Group 1 deposit takers)**.* We will consider how to address these concerns over potential contagion risk, which we will clarify further during the exposure draft phase.

(emphasis added)

- 12 Further, in section 2.4.2, the RBNZ stated that:

*We agree that undrawn committed facilities held by Group 2 deposit takers with Group 1 deposit takers should generally not pose the same level of contagion risk as they would if these facilities were held between Group 1 deposits takers given that Group 2 deposit takers are smaller. **Our assessment is that the benefits of allowing Group 2 deposit takers to continue to use undrawn committed lines outweigh the potential risks. This is because Group 2 deposit takers are smaller than Group 1 deposit takers and these facilities allow for greater diversity in their funding options.***

(emphasis added)



- 13 However, this policy decision has not been reflected in the exposure draft of the Liquidity Standard.
- 14 The Submitting Banks strongly submit that the reasoning discussed and considered in the previous consultation on the Core Standards, which resulted in the 2025 Policy Decisions, continue to apply. Group 2 deposit takers do not pose the same contagion risks as Group 1 deposit takers, have considerable smaller liquidity needs and in practice would not be material UCL creditors to other deposit takers. Allowing Group 2 deposit takers to use UCLs without such unnecessary restriction would further allow such deposit takers to maintain greater diversity of funding options.

Yours sincerely

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Partner