



Submission to the
Reserve Bank of New Zealand

by

Citibank, N.A. New Zealand

on

**Deposit Takers Standards – Tranche 1 Consultation
Paper – Deposit Takers (Incorporation outside New
Zealand) Standard**

30 January 2026

Introduction

- 1 Thank you for the opportunity to make submissions on the *Deposit Takers Standards – Tranche 1* (the **Consultation**) dated 30 October 2025.
- 2 Citibank, N.A. New Zealand Branch (**Citi**) supports the submissions made by The New Zealand Banking Association on the Consultation. In this document we set out further submissions in the context of Citi's business.
- 3 As a branch of an overseas incorporated bank (**branch bank**) Citi operates within a global framework including its processes for onboarding and reviewing clients. There are aspects of the exposure draft of the Deposit Takers (Incorporation outside New Zealand) Standard (**IoNZ Standard ED**) that we submit should be amended to provide appropriate flexibility, remove bottlenecks, limit operational strain and minimise the potential for negative customer outcomes when assessing the wholesale status of customers.
- 4 Citi would be pleased to discuss any aspect of our submission further with the RBNZ.

Background

- 5 The IoNZ Standard ED restricts the New Zealand business of branch banks to wholesale clients (with further restrictions imposed on branch banks that also have a New Zealand incorporated subsidiary bank).
- 6 As defined in clause 6, there are a range of categories of "wholesale client", including (among others):
 - 6.1 any person in the business of providing a financial service under section 6 of the Financial Service Providers (Registration and Dispute Resolution) Act 2008 (**FSP Act**);
 - 6.2 a person who is a wholesale investor under clause 3(2) of the Financial Markets Conduct Act 2013 (**FMCA**), which includes "large" persons, "government agencies" and "investment businesses";
 - 6.3 "eligible investors" who provide a certificate under clause 41 of Schedule of the FMCA or section 49A of the FSP Act (**Certified Customers**).
- 7 Clauses 8 to 11 and Schedule 1 set out various rules to assess whether customers meet the "wholesale client" definition, including that:
 - 7.1 new customers must be tested immediately before they become a customer (clause 8(2)), and existing customers must be tested on the day on which the IoNZ Standard comes into force (Schedule 1); and
 - 7.2 ongoing periodic assessments must be carried out every second financial year, as soon as reasonably practicable after financial statements are available (clause 9). This provides an effective 'safe harbour' for changes of circumstance within such two year period; and
 - 7.3 assessments must rely on financial statement information "if the information is relevant to the assessment" (clause 11).

Assessment timings require more flexibility to remove unnecessary bottlenecks and friction and minimise the potential for negative customer outcomes

- 8 The assessment timing requirements described above are inflexible, are likely to impose significant (and unnecessary) bottlenecks on branch banks and their customers and have the potential for negative customer outcomes.
- 9 For instance, as drafted:
- 9.1 Branch banks will need to assess their entire existing customer base on a single day (the day that the standard comes into force) regardless of when the assessment was previously undertaken. The periodic assessments of that existing customer base will then generally all fall around the same time, as they will be on the same two-financial year cycle.
- 9.2 Assessments will need to be undertaken every two years, however this will generally not align with other periodic customer reviews. As a branch of an overseas bank many customers are located outside New Zealand and hold accounts in a number of jurisdictions (not just New Zealand). In order to minimise customer impact and avoid duplication due diligence is generally refreshed for a customer in relation to all accounts they have in New Zealand as well as overseas at the same time. This would include AML information for any New Zealand customers as well as any AML or wholesale classification or other documents required in relation to overseas accounts held by the customer. We note that AML reviews in New Zealand are able to be undertaken on a risk based time period. If the Standard includes a rigid 2 year refresh period for wholesale reviews in New Zealand, the customer will need to have their wholesale status reviewed out of cycle with all other reviews.
- 9.3 Tying periodic assessments to the release of financial statements will mean reassessment of customers will generally fall within a few “reporting seasons”, rather than being able to be spread through the year. This approach also:
- (a) ignores the general rule under the FMCA and FSP Act that the certificates of Certified Clients may be relied on for 2 years *from the date of the relevant certificate*; and
 - (b) effectively requires all customers to provide financial statements, even where such financial statements would not ordinarily be provided.
- There is only a limited subset of categories for which financial statements are directly relevant (in particular, the “large” category and “large corporate and institutional customers” for dual operating banks). There is no reason to generally link assessment of other categories to this timing.
- 10 In Citi’s experience the risk that a client would meet the wholesale criteria at a point in time and then fall outside the criteria within 2 years is extremely low. The types of clients who use overseas banks are typically multinational clients who are attracted to the services offered by the overseas bank in more than one country. Citi’s client base comprises large corporates and institutions and government. These clients are unlikely to fall close to the line in terms of meeting the wholesale criteria. Requiring reassessments for these customers every two years will incur significant compliance costs, whilst providing limited benefit for the purpose of

ensuring all branch customers meet the wholesale client definition. As such we submit that 3 years rather than 2 years is a more appropriate reassessment timeframe to consider.

- 11 More generally inflexible assessment requirements will create unnecessary operational strain and negatively affect customer outcomes. Customers may need to provide similar information to branch banks at multiple times during a year for varying purposes (such as customer due diligence), rather than being efficiently managed together.

Amendments to the IoNZ Standard ED can be made relatively easily to provide such flexibility

- 12 To address the issues described above, we submit that:

- 12.1 Clause 9(2) of the IoNZ Standard ED should be rewritten to provide a safeharbour to branches where an assessment has been made within the last 3 years rather than set a rigid requirement around the timing of an assessment. This would enable branches to determine, on a risk basis, the timing of reassessments and allow branch banks to more generally align such assessments with other customer reviews that the branch bank may be undertaking for customer due diligence or other purposes. If for example a branch had a customer who was a very large multinational corporation, they may determine that a reassessment is not required within the 3 year period as their assets and turnover is many thousand times the thresholds for a "large" wholesale client. In this example the risk would still sit with the branch to ensure they met the requirement to ensure all customers are wholesale clients.
- 12.2 Clause 9(2) of the IoNZ Standard ED should not be linked to a review of financial statements and branch banks should be permitted to rely on other objective or external information, with a similar 3 year safe harbour. For instance, if a branch bank relies on an assessment that a customer is an investment business, it should be permitted to rely on this until its next periodic review.
- 12.3 Clause 11 of the IoNZ Standard ED should be rewritten so that a branch bank should be permitted (but not required) to review and rely on customer financial statements to satisfy itself that a customer is a wholesale client. This would enable flexibility in situations where a customer may not have publicly available financial statements.
- 12.4 For existing customers, the first review should be permitted any time in the 3 year window before the IoNZ Standard comes into force. This would enable branches of overseas banks to retain their existing review cycle for the customer.

- 13 The above amendments would ensure that the substantive goals of the IoNZ Standard are still achieved but would significantly reduce operational strain and allow customer engagement to be managed more effectively.
- 14 Citi would welcome the opportunity to discuss the submission with the RBNZ and provide you with specific examples of the impact of the current proposals in the Consultation.