



FINANCIAL SERVICES FEDERATION

30 January 2026

Liquidity Draft Standard & Guidance
Reserve Bank of New Zealand – Te Pūtea Matua

By email: dta@rbnz.govt.nz

Reserve Bank of New Zealand Consultation on Exposure Draft of Liquidity Standard for Deposit Takers

Thank you for the opportunity for the Financial Services Federation (the FSF) to submit on the exposure draft of the liquidity standard for deposit takers (the Consultation).

By way of background, the FSF is the industry body representing specialist lenders operating in New Zealand. We have around 100 members (a list of which is attached as Appendix A) which include motor vehicle finance providers, fleet leasing providers, specialist housing lenders, Deposit Takers, the larger finance companies operating in New Zealand, commercial asset leasing and finance providers, credit-related insurers and Affiliate members which include internationally recognised legal and consulting partners.

Our members provide their products and services to more than 1.7 million New Zealand consumers and businesses. Data relating to the extent to which FSF members (excluding Affiliate members) contribute to New Zealand consumers, society and the economy is attached as Appendix B.

Introductory Comments:

Before commenting on the content of the Consultation, the FSF submits that the practical implications of licensing will have a massive impact on the implementation of the standards. As a result, it is hard to give definitive answers at this stage in the process. As there is currently no clarity over this process and any conditions that could possibly be attached to licenses it is hard for entities to plan how the standards will affect them.

We strongly submit that RBNZ should be consulting with industry now on a licensing framework in order to provide clarity and predictability to the relicensing process. This should cover topics such as:

- the criteria to which they will have regard in each prudential area
- how they plan to assess whether a deposit taker will be able to comply with the new prudential standards
- what conditions could be imposed on deposit taker licenses
- will the conditions be publicly disclosed (we strongly submit in favour of public disclosure to ensure the effect of the conditions is not anti-competitive)

As relicensing will require a significant amount of resources from deposit takers it is important that the RBNZ ensures that deposit takers are able to be as prepared as possible. We note existing issues with the process such as the significant amount of time required for fit and proper approval from the RBNZ. This is causing issues within deposit takers as many applicants do not want to accept a key role with a deposit taker until RBNZ has completed their fit & proper assessment (currently 4-6 weeks). This should be a much quicker process in order to ensure that good applicants can be hired into the deposit taking sector rather than losing out due to administrative delay.

It is important to note that deposit takers are still having to carry on business as usual on top of preparing for the new deposit takers' regime to fully come into force. As such transparency and predictability are going to be incredibly important in ensuring that resources are able to be used as efficiently as possible.

This particularly applies to the relicensing process for deposit takers that are not banks as they will be supervised under an entirely different structure when they are licensed as opposed to the existing models that requires them to have a Trustee and a Trust Deed. Clarity with respect to what licensing will entail is essential sooner rather than later, in order to ensure deposit takers are not paying both their current Trustee and the RBNZ for supervision at any time.

As the association for specialist lenders, we have a key strategic priority of ensuring that regulation is proportional and fit for purpose. As such we would like to note that we appreciate that a simplified approach has been proposed for group 3 deposit takers in order to ensure proportionality.

Consultation Questions

- 1. 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?**

There are a few sections which we believe would benefit from further clarification or revision.

Clause 26 of the draft Liquidity Standard empowers the RBNZ to apply variations to the sMMR to individual Group 3 deposit takers by condition to its licence. A similar provision applies in Part 3 of the Liquidity Standard to Group 1 and Group 2 deposit takers.

These variations include the potential to require a deposit taker to comply with a higher sMMR than the standard one specified in the Liquidity Standard (i.e. higher than 100%). The variations also include the possibility of the RBNZ requiring a change to the quantum by which a deposit taker must multiply the following when calculating its simplified mismatch ratio: (i) all liquid assets, particular liquid assets, or a class of liquid assets; and (ii) all cash outflows or cash inflows, particular cash outflows or inflows, or a class of cash outflows or inflows.

The draft Standard and Guidance Note are silent on the factors to which the RBNZ would have regard when deciding whether to impose variations to the standard sMMR requirements on particular deposit takers and the nature of any varied requirements. We submit that both the draft standard and the guidance note should provide greater clarity on this matter through specifications such as requiring the RBNZ to provide a deposit taker with specific reasons for any proposed changes the RBNZ seeks to make to the sMMR requirements for a particular deposit taker and to consult the deposit taker and have proper regard to its views before any decisions are made on the matter. The Guidance Note should also set out the factors to which the RBNZ would have regard when determining whether and how to apply the provisions of clause 26.

RBNZ needs to be held to a high level of transparency and accountability on these matters and should be required to avoid a competitively non-neutral approach to liquidity requirements being applied to deposit takers. Any variation to the standard sMMR should be justified by risk-based considerations that are explained fully to a deposit taker, and which are subject to proper consultation.

Arbitrariness of sMMR calculations rules

Clause 27(1) of the Standard. This clause includes in the definition of a liquid asset a debt security denominated in New Zealand dollars repayable to the deposit taker on demand by a licensed deposit taker with a current credit rating that is investment grade. It is not obvious why there is a reference to the credit rating of a deposit taker and why the RBNZ has selected the arbitrariness of the cut-off point being 'investment grade' given that the implicit default rate does not suddenly increase markedly between BBB- (the low end of investment grade) and BB+. Rather, the implicit default rate progressively increases the lower is the credit rating. It is not common for an equivalent provision to apply to the LCR (the equivalent of the MMR and sMMR) in Basel III compliant jurisdictions. Moreover, the credit rating requirement ignores the presence of the Depositor Compensation Scheme (DCS), such that a deposit held with a deposit taker in the DCS, up to an aggregate amount of \$100,000, is protected by the DCS regardless of the credit rating of the deposit taker. We submit that the credit rating requirement be removed or at least that it applies only to deposits in deposit takers above the \$100,000 DCS cap.

Clause 28 of the Standard. This states that a deposit taker's net cash outflows are the difference between:

- (a) the deposit taker's cash outflows; and
- (b) the lesser of:
 - i. the deposit taker's cash inflows; and
 - ii. 75% of the deposit taker's cash outflows.

It is not obvious why the RBNZ has selected 75% of a deposit taker's cash outflows as being the lower figure in calculating the net cash outflow. Logically, if the net cash inflows are required to be calculated on a conservative basis (as is intended by the

Standard), then the net cash outflow figure should be the difference between the net cash outflow and net cash inflow, without the need for an arbitrary 75% default minimum. We submit that RBNZ should explain the rationale behind this proposal or remove it altogether.

Clause 29 of the Standard. This clause sets out the rules for the calculation of cash outflows over a 30-day period. It includes some arbitrary quantitative requirements, including:

- In clause 29(c) a requirement that the cash outflow include 50% of the principal sum of a debt security not within scope of paragraph (a) or (b) of the clause; and
- In clause 29(g) 15% of any money to be provided by the deposit taker when requested by the debtor in accordance with certain types of credit contracts.

We submit that RBNZ should explain why these arbitrary figures have been selected and what the rationale is for them, as opposed to allowing deposit takers to calculate cash outflows based on historical data or a combination of historical data and cash outflows calculated under stressed conditions.

Clause 30 of the Standard. This clause sets out the rules for calculating cash inflows. Again, it contains some arbitrary quantitative limits for calculating cash inflows, such as in subclause 2, which states that:

“The following money that the deposit taker and its subsidiaries (if any) have the right to be provided is excluded from the calculation of cash inflows:

(a) money exceeding 10% of the deposit takers liquid assets to be provided by any one creditor;

(b) money exceeding 30% of the deposit taker's liquid assets.”

We submit that these are arbitrary and RBNZ should explain the rationale for them. We also recommend that the proposed quantitative restrictions be removed and that deposit takers be permitted to calculate cash inflows using historic data or, at the least, that the above quantitative limits be adjustable on a risk-based basis, such that the lower the assessed risk of the counterparty, the higher is the allowable amount of assumed cash inflow.

Other Points

- How does the RBNZ intend to determine whether deposit takers are complying with the proposed requirement to have sufficient liquidity to meet financial obligations, and will further guidance will be provided by the RBNZ to assist deposit takers? It would be helpful if the Guidance Note could be expanded to provide more guidance on the arrangements that the RBNZ would expect a deposit taker to have in place to meet each of the requirements set out in Part 2 of the Liquidity Standard.
- We believe it would be helpful if the Guidance Note could be expanded to provide more guidance on the arrangements that the RBNZ would expect a

deposit taker to have in place to meet each of the requirements set out in Part 2 of the Liquidity Standard.

- It would also be helpful if the Guidance Note provided more detailed guidance on what the RBNZ expects of deposit takers in respect to the processes, controls and internal audit arrangements needed for cash flow projections under normal and stressed conditions, including what degree of stress the RBNZ would expect deposit takers to incorporate into these projections.
- We also recommend that the Guidance Note be expanded to include more guidance on the factors to which the RBNZ would have regard when assessing the sufficiency of a deposit taker's contingency funding plan, as this would help deposit takers in the development of the plans.
- We submit that the Standard and Guidance Note should provide greater clarity as to how the RBNZ intends to apply clause 26 of the Standard (to vary sMMR requirements for particular deposit takers), such that the RBNZ is required to provide a deposit taker with specific reasons for any proposed changes the RBNZ seeks to make to the sMMR requirements for a particular deposit taker and to consult the deposit taker and have proper regard to its views before any decisions are made on the matter. The Guidance Note should desirably set out the factors to which the RBNZ would have regard when determining whether and how to apply the provisions of clause 26.
- We also note that more specific guidance on the kinds of assumptions that deposit takers should be making would be incredibly useful.

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

There is a risk of competitive non-neutrality in the application of MMR, CFR and sMMR requirements if the RBNZ varies these requirements or specific elements of the requirements for individual deposit takers by way of conditions of their licence. The FSF submits that there is a need for greater clarity on the criteria to which the RBNZ would have regard when exercising this power, as well as the need for the RBNZ to have regard to competitive non-neutrality impacts, and for the RBNZ to consult and have regard to the views of deposit takers, and respond in writing to any submissions made by deposit takers, before any power is exercised to vary the MMR, CFR or sMMR requirements for any individual deposit taker.

The application of inherently arbitrary quantitative restrictions in the calculation of the MMR, CFR and sMMR create the potential for undesirable regulatory distortions to deposit takers' liquidity risk management policies and practices, particularly to the extent that the arbitrary quantitative restrictions in the calculation rules depart from a deposit taker's risk-based assessment or stress testing framework.

3. 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 our points raised above about the arbitrary quantitative caps in the calculations of the sMMR.

4. 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 have no comment on this.

5. Do you have any other comments on the attached exposure draft of the Liquidity Standard?

The sMMR will still impose significant compliance costs on Group 3 deposit takers and the burden will be greater for them relative to their budgets and administrative capacity than for Group 1 and Group 2 deposit takers. We note that APRA, under its prudential standard APS 211 – Liquidity Risk, recognises the compliance burdens of LCR requirements (being the broad equivalent of MMR requirements) for small deposit takers and therefore allows many small deposit takers, such as credit unions and building societies, to be exempted from the LCR requirement and instead applies a simple High Quality Liquid Asset (HQLA) to total liabilities ratio. Under this approach, small deposit takers in Australia are not required to build and maintain the systems and controls needed to calculate cash inflows and outflows for 30-day periods under the LCR, but instead merely need to hold HQLA relative to total liabilities above a minimum level specified by APRA (generally 9%, but sometimes applied at a higher level).

We strongly recommend that RBNZ give Group 3 deposit takers the option of either complying with the sMMR requirement or alternatively complying with a simple HQLA/total liabilities ratio requirement.

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

A further comment we have is in regard to the guidance on the simplified MMR. We note that it becomes unclear as to how the DCS system applies between the modelled cash outflows. Specifically in situations where the depositor is above the \$100,000 threshold it becomes unclear as to how to allocate the balance between the core fund and the \$100,000 threshold.

A simple example of where more clarity is needed is where a depositor has \$100,000 on call and \$100,000 on a TD. Entities question whether you would assume the \$100,000 on TD is the most stable and the \$100,000 on call is the most volatile as opposed to apportioning between the two.

In essence we would like more detailed guidance on what kind of behaviour assumptions should entities be making in order to adhere to the standard.

More guidance would also be appreciated on what point you determine money to be

in/ out in terms of liquidity as it is never finite. It would be useful to elaborate on how predictable deposit takers need to be in terms of the predictions of cash flows.

Please do not hesitate to contact me if you have any queries.

Yours sincerely,

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9(2)(a)

Legal and Policy Manager
Financial Services Federation

Appendix A



FSF Membership List as at October 2025

Non-Bank Deposit Takers, Specialist Housing/Property Lenders, Fleet Leasing Providers	Vehicle Lenders	Finance Companies/ Diversified Lenders	Finance Companies/ Diversified Lenders contd./ Social Impact Lenders, Credit-related insurers	Insurance Premium Fundors, Affiliate Members	Affiliate Members contd.
<u>Non-Bank Deposit Takers</u> Finance Direct Limited ➤ Lending Crowd General Finance (BB) Mutual Credit Finance (B) Welcome Limited <u>Credit Unions/Building Societies</u> First Credit Union (BB) Nelson Building Society (BB+) Police and Families Credit Union (BB+) <u>Specialist Housing Lenders</u> Basecorp Finance Limited First Mortgage Managers Ltd. Pepper NZ Limited Resimac NZ Limited <u>Fleet Leasing Providers</u> Custom Fleet Euro Rate Leasing Limited Fleet Partners NZ Ltd ORIX New Zealand SG Fleet	Auto Finance Direct Limited BMW Financial Services ➤ Mini ➤ Alpha Financial Services Community Financial Services Daimler Truck Financial Services AU Pty Ltd Honda Financial Services Kubota New Zealand Ltd Mercedes-Benz Financial Motor Trade Finance Nissan Financial Services NZ Ltd ➤ Mitsubishi Motors Financial Services ➤ Skyline Car Finance Onyx Finance Limited Scania Finance NZ Limited Toyota Finance NZ ➤ Mazda Finance Yamaha Motor Finance	AfterPay American Express Avanti Finance ➤ Branded Financial Basalt Group Blackbird Finance Caterpillar Financial Services NZ Ltd Centracorp Finance 2000 DebtManagers De Lage Landen Limited Finance Now Future Finance Geneva Finance Harmony Humm Group Instant Finance ➤ Fair City ➤ My Finance Latitude Financial Lifestyle Money NZ Ltd Mainland Finance Limited Metro Finance	Nectar NZ Limited NZ Finance Ltd Partners Finance Personal Loan Corporation Pioneer Finance Prosper NZ Ltd Speirs Finance Group (L & F) ➤ Speirs Finance ➤ Speirs Corporate & Leasing ➤ Yoogo Fleet Turners Automotive Group ➤ Autosure ➤ East Coast Credit ➤ Oxford Finance UDC Finance Limited <u>Yes Finance Limited</u> Zip Co NZ Finance Limited <u>Social Impact Lenders</u> Money Sweetspot Ltd <u>Credit-related Insurance Providers</u> Protecta Insurance Provident Insurance Corporation Ltd	Arteva Funding NZ Ltd Clearmatch Elantis Premium Funding NZ Ltd Financial Synergy Limited Hunter Premium Funding IQumulate Premium Funding Rothbury Instalment Services <u>Affiliate Members</u> Alfa Financial Software AML Solutions Limited Buddle Findlay Chapman Tripp Credisense Ltd Deloitte EY FinTech NZ Finzsoft Happy Prime Limited KPMG Loansmart Ltd	Match me Money Ltd Motor Trade Association Odessa Technology Inc. PWC Sense Partners Simpson Western Solifi Pty Limited Symphonix <u>Credit Reporting, Debt Collection Agencies.</u> Centrix Credit Corp ➤ Baycorp ➤ Collection House Creditworks Indebted (was Debtworks) Equifax Gravity Credit Management Limited Illion Quadrant Group (NZ) Ltd Recoveries Corp NZ Ltd Total 99 members



FINANCIAL SERVICES FEDERATION (FSF) THE SPECIALIST LENDING SECTOR - 2025



57%

NON-BANK

BANK

of personal consumer loans are financed by the **specialist lending sector** represented by FSF members

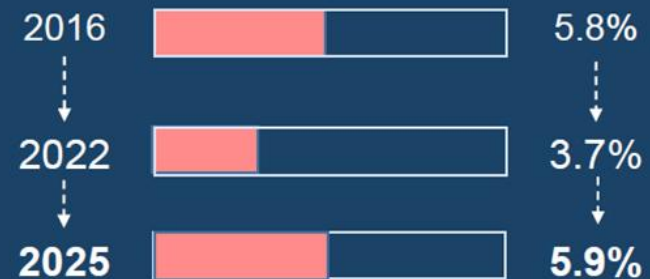
*Setting industry standards for responsible lending,
promoting compliance and consumer awareness.*

Percent of Loan Requests Approved

50%



Percent of Loan Book in Arrears



KEY FACTS: THE SPECIALIST LENDING SECTOR

FSF Members (as at 31 Mar 2025)

Number of Members	100
Number of Employees	3,162
Total Value of Loans	\$22.25B
Applications Processed	1,187,492
Loan Requests Approved	588,671
Percent of Loan Book in Arrears	5.9%
Loan Disputes Upheld	TBC

Bank Sector (as at 31 Mar 2025)

Value of Mortgage Loans	\$369B
Value of Consumer Loans	\$7.6B
Value of Business Loans	\$127B

Specialist Lending Sector Share (Mar 2025)

% of Total Mortgage Loans	0.5%
% of Total Consumer Loans	57.2%
% of Total Business Loans	7.4%

Insurance Credit Related (as at 31 Mar 2025)

Number of Employees	174
Number of Policies	285,371
Gross Claims (annual)	\$13.2M

Consumer Loans (as at 31 Mar 2025)

Total Value of Loans	\$12.0B
Number of Customers	1,383,344
Number of Loans	1,488,692
Average Loan Size	\$8,070

Total Value of Loans:

Mortgage	\$1,839M
Vehicle Loan	\$4,850M
Unsecured	\$4,772M
Other Security	\$541M
Lease Finance	\$11M

Average Value of Loan:

Mortgage	\$293,661
Vehicle Loan	\$15,719
Unsecured	\$4,280
Other Security	\$9,244
Lease Finance	\$38,981

Business Loans (as at 31 Mar 2025)

Total Value of Loans	\$10.2B
Number of Customers	137,075
Number of Loans	226,820
Average Loan Size	\$45,146

Total Value of Loans:

Mortgage	\$3,033M
Vehicle Loan	\$3,033M
Unsecured	\$441M
Other Security	\$1,960M
Lease Finance	\$1,773M

Average Value of Loan:

Mortgage	\$824,431
Vehicle Loan	\$35,177
Unsecured	\$29,182
Other Security	\$42,184
Lease Finance	\$23,532