

Non-bank Deposit Takers Association's submissions on the *Deposit Takers (Depositor Compensation Scheme) Standard exposure draft*

Submission to the RBNZ on the Deposit Takers (Depositor Compensation Scheme) Standard exposure draft

INTRODUCTION

1. This submission is made by the Non-Bank Deposit Takers Association (the **NBDTA**) in response to the Reserve Bank of New Zealand's (the **RBNZ**) tranche 1 of the *Deposit Takers Act 2023* standards consultation package, *Deposit Takers (Depositor Compensation Scheme) Standard exposure draft* (the **Standard**) and *Deposit Takers (Depositor Compensation Scheme) Standard Guidance Note draft* (the **Guidance**).
2. Our submission focuses on five key areas of the Standard. Please see the below summary of our key submission points.

Summary of key points

Our submissions are, in summary:

- (a) as a general comment, we note that in the time available we have not been able to do a thorough review or scoping of the technical standards. Accordingly, we request that there is ongoing dialogue and openness to provide additional guidance/adjustments throughout the implementation process as issues arise.

SDV

- (b) we seek clarification on mandatory and non-mandatory SDV data requirements, to address the apparent inconsistency between clauses 30(2) and 32 of the Standard and the designation of certain fields as "mandatory" in Schedule 2. In particular, we welcome clarity or specific guidance whether:
 - (i) a blank "mandatory" field complies with the Standard, to the extent that the deposit taker does not have that data;
 - (ii) deposit takers are expected to retrospectively collect "mandatory" information for existing accounts;
 - (iii) deposit takers must take reasonable steps to collect "mandatory" information when onboarding new depositors; and
 - (iv) postal address becomes the primary contact method for DCS purposes where email and mobile phone information is not available.
- (c) there are significant compliance challenges and legal risk associated with identifying and obtaining correct underlying information for relevant arrangements, temporary accounts and complex account structures (such as powers of attorney, deceased estates, minor accounts and incorporated society accounts), which require substantial interpretation and judgement. Accordingly, we propose either:
 - (i) (our preferred position) a simplified approach for Group 3 deposit takers permitting the use of estimates for complex structures; or

- (ii) (as an alternative) significantly more detailed guidance on relevant scenarios and their treatment.

Limits on use of DCS Logo

- (d) the restriction on DCS logo use to specific product pages or communications creates an unnecessary compliance burden for Group 3 deposit takers whose investment product offering is (typically) solely protected deposits. Accordingly, we propose that Group 3 deposit takers be permitted to use the DCS logo at the brand level, with restrictions applying only to advertisements or communications relating exclusively to unprotected products.

Alternate models

- (e) the alternate model is highly prescriptive and lacks clarity regarding transition triggers between the alternate model and the DCS depositor page model as deposit takers grow or diversify their offerings. Accordingly, we propose greater regulatory flexibility in the alternate model framework, including a principles-based approval pathway for alternative mechanisms, and clear guidance on transition triggers, timing, grace periods, data migration expectations and depositor communication requirements.

DETAILED SUBMISSIONS

Single depositor view

3. The SDV will be a significant operational undertaking for the Group 3 deposit takers and implementation may be a multi-year project. As you know, compared to Group 1 and 2 deposit takers we have much more limited project management capacity, budgets and access to specialised legal, compliance and technical expertise. We acknowledge the significant work undertaken by the RBNZ to resolve some of the critical uncertainties around technical specifications. However, there are several areas where we are seeking additional clarity or simplicity, which are the focus of this section of our submission.

Mandatory and non-mandatory requirements

4. We note that clause 30(2) in the exposure draft of the standard requires the SDV to include all SDV information known by the deposit taker and that clause 32 provides that deposit takers are “*not required to obtain information from [a depositor] for the purpose of including SDV information in a single depositor view*”.

5. We interpret this to mean that:

- (a) if a deposit taker does not hold data on an existing depositor, there is no obligation to obtain that data (i.e., there is no data remediation requirement); and
- (b) there is no obligation to proactively collect SDV information when onboarding depositors.

We strongly support this approach, as avoiding the exercise of data remediation would significantly ease our compliance burden and as noted in previous submissions, there may be circumstances where we cannot obtain certain mandatory SDV information.

6. However, schedule 2 of the Standard designates certain fields as 'mandatory' and the above interpretation seems at odds with paragraph 49 of the guidance which provides that “*Where fields are mandatory information must be provided. For non-mandatory fields information is to be provided where the information is held by the depositor*”.

7. We would welcome additional clarity or specific guidance on whether:

- (a) a blank “mandatory” field complies with the Standard (noting that we can now see that this is technically possible) to the extent that the deposit taker does not have that data;
- (b) deposit takers are expected to retrospectively collect “mandatory” information for existing accounts;
- (c) deposit takers must take reasonable steps to collect “mandatory” information when the Standard comes into force; and
- (d) postal address becomes the primary contact method for DCS purposes where email and mobile phone information is not available.

Relevant arrangements, suspense accounts and complex account structures

8. Identifying relevant arrangements (where deposits are held for underlying beneficiaries) and obtaining the necessary information about underlying depositors in these arrangements and for temporary accounts and accounts with complex structures (such as powers of attorney, deceased estates, minor accounts with guardians, and incorporated society accounts) requires significant interpretation and judgement which creates compliance uncertainty and legal risk for deposit takers and is particularly challenging for Group 3 deposit takers that do not have large in-house legal teams.
9. Our strong preference would be to have the option of a simplified approach for Group 3 deposit takers that uses estimates in case of some of these more complex structures. We consider this to be

more proportionate approach and, given our size, would be unlikely to have a material adverse effect on the functioning of the scheme. We would be happy to work with you on an alternative approach as we did for the alternative model to the DCS depositor page.

10. Alternatively, we request significantly more detailed guidance on relevant scenarios and how they should be handled to support compliance and reduce the regulatory burden and legal risk associated with these complex matters that are subject to interpretation and judgement.

Implementation

11. As noted above, implementation of the SDV requirements will be a significant project that will span both significant changes to both our technology platforms and business processes. We will need sufficient time to plan implementation, particularly in light of the cumulative burden of implementing the full suite of Deposit Takers Act 2023 standards and the need to work with our third-party core platform providers. For this reason, early release of the final standards will be incredibly helpful. If we are implementing based on the exposure draft, any material changes to this may involve reworking systems and processes.
12. In the time available we have not been able to do a thorough review of the technical standards. We request that there is ongoing dialogue and openness to provide additional guidance/adjustments throughout the implementation process as issues arise.

Limits on depositor compensation scheme logo use

13. For most Group 3 deposit takers (typically smaller, community-based, or niche-focused institutions) the risk of consumer confusion arising from the DCS logo is minimal because their investment product offerings are fundamentally simple. Unlike large retail banks that provide complex, non-protected investment products, Group 3 entities generally offer only deposits that fall within the definition of *protected deposits*. In practice, the institution and its investment products are almost entirely aligned with the scheme's coverage.
14. Requiring these entities to display the logo only on specific product pages therefore creates an unnecessary and disproportionate compliance hurdle. A more appropriate approach would be to allow Group 3 deposit takers to use the logo at the brand level, with restrictions applying only to advertisements or communications relating exclusively to unprotected products, particularly the need to navigate edge cases, for example when a single advertisement relates to a number of products, not just protected deposits.
15. Permitting brand-level use of the DCS logo would materially help level the playing field for Group 3 deposit takers within the New Zealand financial sector. For smaller institutions, the ability to lead with the DCS brand represents a powerful signal of institutional soundness and RBNZ oversight — an assurance historically associated only with “banks”.
- 16.
17. Ultimately, broader use of the DCS logo by deposit takers supports the long-term success of the scheme by promoting the visibility and public understanding required for it to function as an effective prudential tool (by way of comparison, we refer to the use of the Financial Services Compensation Scheme's “protected badge” in the United Kingdom which is required to be used at brand level in certain circumstances). A compensation scheme only achieves its purpose if the public is aware of it *before* a crisis occurs.
18. To meet consumer protection objectives, restrictions should be tightly targeted: the logo should be prohibited only in advertisements or communications relating solely to *non-insured* products. This approach prevents any misleading association with products outside the scheme, while still fostering public awareness of the scheme itself and of the institutions whose products are covered. Any residual risk of customer confusion can be effectively managed through measures already in use or proposed, including clearly disclosing on the institution's website which products are protected and providing DCS information at the point of investment. In addition, the general application of the laws prohibiting misleading and deceptive concept also provide adequate consumer protection (and this

would be consistent with the regulation of non-regulated entities when promoting the indirect coverage of the DCS for funds held with them).

Alternate models

19. The current design of the alternate model is prescriptive, reflecting the specific operational practices of today's smaller Group 3 deposit takers that have used alternative models under the transitional standards. While this prescriptiveness ensures clarity, it risks locking deposit takers into a single, static method for collecting alternate account information, even as technology, customer expectations, and business models evolve. The alternate model would benefit from a degree of regulatory flexibility, allowing the Reserve Bank to approve alternative mechanisms that achieve the same policy intent. For example, a deposit taker may in future adopt new digital channels, automated verification tools, or hybrid account-management systems that do not neatly fit the current definition of the alternate model but could nonetheless produce more accurate, timely, or secure depositor information. A principles-based approval pathway would future-proof the framework and avoid forcing deposit takers to redesign operational processes solely to comply with rules that may not reflect modern practice.
20. These issues are underscored by the boundary cases that many Group 3 institutions will inevitably face. As deposit takers grow or diversify, they may move from a simple term-deposit-only model to one that includes limited-function savings products, or eventually to full internet banking. It remains unclear at what point these enhancements require a mandatory transition from the alternate model to the DCS depositor page model. Without explicit transition triggers, deposit takers risk either moving too early, incurring unnecessary cost, or too late, creating compliance gaps. Equally important is clarity on whether transitional or dual-model operation is permissible. Some institutions may introduce account software only for new customers while legacy customers continue to operate through manual channels. The rules do not currently indicate whether both models can operate concurrently or whether all customers must be migrated immediately once account software exists.
21. These transitional uncertainties highlight the need for clear, practical guidance covering trigger events, expected timing, grace periods, data-migration expectations, and depositor communication requirements. A flexible and well-defined transition framework would ensure that deposit takers can adapt their operations as they scale, while maintaining the integrity and accuracy of depositor information for the DCS.