

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

<https://consultations.rbnz.govt.nz>

30 January 2026

Submission on the Deposit Takers Standards – Tranche 1 Consultation Paper

1. We are Rabobank New Zealand Limited (“**Rabobank**”). We welcome the opportunity to provide feedback to RBNZ on its consultation paper “Deposit Takers Standards – Tranche 1” (the “**Consultation**”).¹ We consent to the publication of this submission.

About Rabobank and our policy

2. Rabobank has been operating in New Zealand since 1998. Our mission is to support New Zealand agribusiness. There are two sides to what we do. Rabobank lends to New Zealand’s farmers and producers, and we work with these rural businesses to help them be successful, resilient and sustainable. New Zealanders can also save with us, knowing that 100% of the money they deposit with us goes in to help fund New Zealand agribusiness. That money is helping grow agribusinesses and support rural communities. Town and country, growing a better New Zealand together. Today, Rabobank is one of the leading banks supporting New Zealand farmers and other food production.²
3. As it is Rabobank’s policy to lend only to farmers and other agribusiness, we do not offer consumer credit³ or residential mortgages.
4. This submission is supplemental to the concurrent submission made by the New Zealand Banking Association (which includes Rabobank).

Submission in connection with the Lending Standard – the definition of “residential housing loan”

5. We refer to the definition of “residential housing loan” under the exposure draft of the Lending Standard. It also follows the Second tranche of Deposit Taker Regulations under the Deposit Takers Act (DTA) consultation paper⁴ in relation to section 3.3 (Classes of lending in relation to lending standard) of that consultation and Rabobank’s submission thereto (the “**Second Tranche of Deposit Taker Regulations Submission**”).

¹ https://consultations.rbnz.govt.nz/dta-and-dcs/dta-standards-exposure-drafts-tranche-1/user_uploads/cover-document-consolidated-for-tranche-1.pdf

² See <https://www.rabobank.co.nz/>

³ Per the meaning of “consumer credit contract” under the [Credit Contracts and Consumer Finance Act 2003](#)

⁴ https://consultations.rbnz.govt.nz/dta-and-dcs/deposit-takers-regulations-second-tranche/user_uploads/consultation-paper-second-tranche-of-deposit-takers-regulations.pdf

Definitions under BS19/BS20

6. Currently, Rabobank's lending does not attract mandatory compliance with loan-to-value ratios ("LVRs") under BS19⁵ or debt-to-income ratios ("DTIs") under BS20.⁶ This is because "residential mortgage loan" (RML) is defined in BPR131⁷, which provides:

C3.2 Meaning of RML

1. **RML** means a loan secured by a first ranking mortgage over a residential property used primarily for residential purposes by the mortgagor, a related party of the mortgagor, or a tenant of the mortgagor.
2. A loan may not be classified as a **RML** if the mortgaged property is predominantly used for farming or commercial activities.
3. A property will be considered to be predominantly used for farming or commercial activity if, for example,—
 - a. the mortgaged property would be marketed as a farm or a commercial property; or
 - b. the principal or interest payments are predominantly serviced from the income generated by the use of the property for farming or commercial activity, except where that income is rental income and the property is used for a residential purpose.
4. For the purpose of this section, predominantly means more than 50%.

The specific exclusion for farm loans, including where a loan is predominantly serviced from income generated by the use of farming property, is key to Rabobank policy.

Outcome of the Deposit Takers Non-Core Standards consultation

7. Following the Deposit Takers Non-Core Standards consultation, RBNZ has notified its Summary of submissions and policy decisions⁸ in connection with the Lending Standard (p 150):

⁵ <https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/regulation-and-supervision/banks/banking-supervision-handbook/bs19-lvr-restrictions-framework.pdf>

⁶ <https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/consultations/banks/debt-serviceability-restrictions/dti-framework.pdf>

⁷ <https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/regulation-and-supervision/banks/banking-supervision-handbook/bpr131-standardised-credit-risk-rwas-1-july-2024pdf.pdf>

⁸ https://consultations.rbnz.govt.nz/prudential-policy/deposit-takers-non-core-standards/user_uploads/dta-non-core-standards-summary-of-submissions-and-policy-decisions.pdf

Comment

We consider that it is appropriate for the Lending Standard to only apply to residential mortgage lending as this type of lending is the main source of potential systemic risk to New Zealand's financial system at present. This approach would also be consistent with our current macroprudential policy for borrower-based measures.

We acknowledge the feedback regarding clarity on the definition of residential mortgage lending and exactly what should be included in that definition. We also note that there may be some specific types and sub-classes of lending (such as community/government housing developments and SME lending) where deposit takers would benefit from further clarity on whether this constitutes residential mortgage lending.

The definition of residential mortgage lending in the current policy (i.e., BS19 and BS20) is taken from the Capital Adequacy framework to ensure consistency across policies. The capital and macroprudential frameworks have a similar intent in terms of addressing financial stability risks from lending secured by residential property. We will therefore take the same approach when drafting the Lending Standard and ensure that there is consistency in implementation across standards. We will consider this further during the exposure draft.

Response

The definition of residential mortgage lending set out in the draft Lending Standard will be consistent and align with other standards (i.e., the Capital Standard). We will consider if the definition of residential mortgage lending can be made clearer in terms of the sub-classes of lending it includes or excludes. We may supplement this with guidance.

Given the scope of the Lending Standard will be prescribed in regulations, we will need to ensure that the definition of residential mortgage lending in the final standard is consistent with those regulations.

The definition of "residential housing loan" under the draft Lending Standard

8. The draft Lending Standard refers to a "residential housing loan":

residential housing loan means a credit contract secured by a first mortgage over residential land on which a dwellinghouse is erected or, if no dwellinghouse is erected, the credit provided under the loan is to be used, in whole or in part, for the erection of a dwellinghouse

Unlike the definition of "residential mortgage loan" in BPR131, the definition of "residential housing loan" in the draft Lending Standard does not clearly exclude farm loans.

Suggested approach

9. RBNZ's policy decision is to maintain a consistent approach. Therefore, the Lending Standard should, among others, clearly exclude farm loans, including where a loan is predominantly serviced from income generated by the use of farming property, from the definition of "residential housing loan", so that farm loans do not attract compliance with mandatory LVRs or DTIs.
10. Additionally or alternatively, Rabobank has submitted in the Second Tranche of Deposit Taker Regulations Submission that the regulation made under section 83 of the DTA, specifying that the Lending Standard applies to residential mortgage lending only, should define residential mortgage lending so that it clearly excludes farm loans.

11. The foregoing would be consistent with RBNZ's stated policy and would help support New Zealand agribusiness.

Submissions in connection with the Liquidity Standard

I. Application of run-off/discount rates for DCS Debt Securities

12. This submission refers to the concept of run-off/discount rates applying to a debt security "in respect of which a levy is payable under section 235 of the Act (which relates to the depositor compensation scheme)" (for the purpose of this submission, a "**DCS Debt Security**"). We are not sure that the mechanics relating to that are adequately clear.
13. Each of clauses 16(1)(c), 22(1)(c)(i) and 29(b) refers to a DCS Debt Security. Each of clauses 16(1)(d), 22(1)(e) and 29(c), respectively, refers to a debt security that is not (among others) in the scope of a DCS Debt Security. In clauses 16 and 29, the references are for prescribing the run-off rates for the calculation of cash outflows (for the mismatch ratio and simplified mismatch ratio, respectively). In clause 22, the references are for prescribing the discount rates for the calculation of core funding. (For the purpose of this submission, the prescribed run-off rates and discount rates will be referred to as the "**Prescribed Rates**"). Please clarify, in each case, whether the Prescribed Rate in respect of a DCS Debt Security (which in all cases comprises a protected deposit) applies (1) to the entire amount of that debt security; or (2) only to the first \$100,000 of that debt security. If (2) is the correct approach, then please also clarify whether, in each of clauses 16(1)(d), 22(1)(e) and 29(c), the "total principal sum" of the debt securities is to be calculated net of \$100,000 in respect of debt securities which include a protected deposit.
14. To illustrate:

Let there be a protected deposit in the amount of \$1,000,000.

- Is the 3% run-off rate under clause 16(1)(c) applied to the entire \$1,000,000, yielding a calculated cash outflow of **\$30,000**?

Or –

- is the 3% run-off rate under clause 16(1)(c) applied to the first \$100,000, yielding a calculated cash outflow of **\$3,000**;

in which case, is the 5% run-off rate under clause 16(1)(d) applied only to the remaining \$900,000, yielding an additional cash outflow of **\$45,000**?

Summary and suggested approach

15. We seek clarification in the form of amended wording to the Liquidity Standard and/or amended guidance that will resolve the points indicated in the above paragraphs 12-14.

II. Excluding revolving credit contracts from cash inflows

16. This submission refers to clause 17(1) of the exposure draft of the Liquidity Standard, relating to the calculation of cash inflows that may be taken into account when calculating the mismatch ratio (MMR).

The approach under BS13

17. Currently, cash inflows that may be taken into account when calculating the MMR are addressed in BS13⁹:

48. Contractual inflows due within one week / one month is defined as amounts of principal and interest due, and payments contractually due on derivative contracts, within the specified period, but excluding the following:
- (a) any amount contractually repayable within the period from outstanding credit card balances and from amounts drawn down under retail overdraft facilities;
 - (b) any interest payment due from any borrower within the period that will be debited directly to an account held by the borrower with the bank;
 - (c) demand balances held at other banks and ESAS balances at the Reserve Bank (these are treated separately as primary liquid assets);
 - (d) any repayment of principal due on any other asset which is separately included in the calculation of the ratio as a primary or secondary liquid asset;

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- (e) principal or interest payments which the bank assesses that it is unlikely to receive because the borrower is facing repayment difficulties;
- (f) any other amounts of principal or interest due within the period that the bank chooses to exclude from the calculation of the mismatch ratios; and
- (g) amounts due from receipt of fees and commissions.

Among others, BS13 excludes principal and interest due on credit card balances and retail overdraft facilities from cash inflows.

The draft Liquidity Standard

18. In contrast to BS13, the draft Liquidity Standard provides:

⁹ <https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/regulation-and-supervision/banks/banking-supervision-handbook/bs13-liquidity-policy.pdf>

17 Calculation of cash inflows under Part 3

- (1) In this Part, a deposit taker's cash inflows are any of the following that are, on demand or within 30 days of the calculation, payable or repayable to the deposit taker or its subsidiaries (if any):
- (a) a money consideration under a derivative:
 - (b) a debt security that is not a liquid asset under clause 14 nor impaired in accordance with generally accepted accounting practice:
 - (c) principal and interest under a credit contract other than a revolving credit contract or a non-performing loan:

Whereas BS13 specifically excludes principal and interest due on credit card balances and retail overdraft facilities from cash inflows, the draft Liquidity Standards excludes payments of principal and interest under **all** revolving credit contracts from cash inflows.

The Deposit Takers Core Standards consultation

19. The Deposit Takers Core Standards consultation paper¹⁰ related to potential modifications to MMR metrics.¹¹ However, broadening the cash inflow exclusion, from principal and interest due on credit card balances and retail overdraft facilities to principal and interest due on all revolving credit contracts, was not proposed.

20. Indeed, the consultation paper touches on the components of cash inflows when discussing quantitative metrics for Group 3 deposit takers:¹²

Definition of cash outflows and cash inflows under the cash-flow coverage ratio

683. We propose that cash outflows and cash inflows be defined in broadly the same manner as those for Group 1 and Group 2 deposit takers, apart from the treatment of term deposits as outlined in section 4.2.4 below.

684. This means that cash inflows would cover contractual inflows (that is amounts of principal and interest due within the specified period) but **excluding** certain matters, for example:

- any amount contractually repayable within the period from outstanding credit card balances and from amounts drawn down under retail overdraft facilities
- principal or interest payments that the deposit taker assesses it is unlikely to receive because the borrower is facing repayment difficulties
- amounts due from receipt of fees and commissions.

That is, the consultation paper clearly indicates that the components of cash inflows would remain consistent with BS13.

Summary and suggested approach

21. The wording of clause 17(1)(c) of the draft Liquidity Standard broadens the exclusions from cash inflows for the purpose of calculating the MMR, from excluding principal and interest due on

¹⁰ https://consultations.rbnz.govt.nz/dta-and-dcs/deposit-takers-core-standards/user_uploads/deposit-takers-core-standards-consultation-paper-1.pdf

¹¹ Ibid, see Chapter 2 (Deposit Takers Liquidity Standard), section 2 (Proposed approach for Group 1 deposit takers), sub-section 2.2 (Quantitative requirements – modifications to MMR and CFR), pp 114-130. The policy proposal was to apply the same quantitative liquidity requirements to Group 2 deposit takers (p 131).

¹² Ibid, p 138

credit card balances and retail overdraft facilities to excluding principal and interest due on **all** revolving credit contracts. Although certain modifications to the MMR were proposed in consultation, that modification was not among the proposals. Excluding cash inflows from all revolving credit contracts would be detrimental to Rabobank and other deposit takers, as it would make liquidity more costly. We submit that the Liquidity Standard, in this respect, should remain consistent with BS13.

Contact details

22. If you would like to discuss any aspect of this submission, please contact:

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