Reserve Bank of New Zealand
Te Pūtea Matua

Deposit Takers 'Near Final' Draft Standards and Group Supervision Policy

Summary of Submissions for tranche 1 Standards:

- Liquidity Standard
- Depositor Compensation Scheme Standard
- Lending Standard
- Incorporation outside New Zealand Standard
- Group Supervision Policy for Deposit Takers

14 September 2026

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Introduction

The Reserve Bank of New Zealand – Te Pūtea Matua (the **Reserve Bank**; **RBNZ**; **we**) is undertaking a multi-year programme of work to implement the Deposit Takers Act 2023 (the **DTA**). The DTA standards will replace existing prudential requirements to form a new set of rules for deposit takers.

Our consultation on Tranche 1 of the DTA standard exposure drafts and accompanying guidance covered the Liquidity, Depositor Compensation Scheme (**DCS**), Lending, and Incorporation outside New Zealand (**IoNZ**) Standards.

We received a total of 18 submissions over the consultation period of 30 October 2025 to 30 January 2026, from a broad representation of stakeholders including banks, non-bank deposit takers (**NBDTs**), industry bodies, and other interested parties.

This document includes a summary of the submissions that we received and our responses. We thank respondents for their carefully prepared submissions. The feedback has been considered, and we have updated the Tranche 1 exposure drafts (now called tranche 1 'near final' draft standards) and guidance to reflect our responses to feedback. We consider the quality of the documents has improved as a result of this process.

In addition to the general and specific issues identified through consultation, we have also taken the opportunity to clarify the language in certain places and correct any minor errors in the original drafts. These changes are also marked in the relevant exposure draft and guidance documents but are not otherwise separately highlighted in this document.

References to clauses in the standards refer to the exposure drafts of the standards as published for the tranche 1 consultation on 30 October 2025, unless otherwise stated. The updated versions of the draft standards may have different clauses and/or clause numbers given the amendments discussed in this document.

One area of feedback on tranche 1 was a request to stagger the issuance of standards or publish updated exposure drafts ahead of issuing the standards in May 2027. In response to this, alongside our responses, we are publishing 'near final' draft standards and accompanying guidance for tranche 1. This is intended to support implementation work ahead of the standards being issued. We do not expect further comments on these updated exposure drafts. These documents are still subject to change as we respond to feedback across all tranches and ensure consistency of drafting across the standards.

We will also be releasing 'near final' versions of the tranche 2 standards.

The remaining key milestones for issuing the DTA standards are outlined below.

<table>
<tr><th>Timing</th><th>Key milestone</th></tr>
<tr><td>September 2026</td><td>Publication
Near final Tranche 1 draft standards and guidance:
Liquidity
DCS
Lending
IoNZ
Consultation
Feedback closes on tranche 3 exposure drafts</td></tr>
</table>

Timing	Key milestone
December 2026	Publication Near final tranche 2 standards and guidance: • Governance • Risk Management • Business Transfers, Holding Entity and Restricted Activities • Reporting
May 2027	DTA Standards issued by 31 May (all but crisis preparedness).

Refer to the RBNZ website for further information on the timeline: DTA timeline - Reserve Bank of New Zealand - Te Pūtea Matua.

Contents

Cross-cutting issues

We have identified some issues raised by respondents that are relevant across all the standards. These cross-cutting issues are summarised in the table below, alongside our responses.

Issue	RBNZ response
A concern was raised that the Guidance for each Standard may end up being applied more prescriptively than intended, potentially leading to inconsistent or overly cautious compliance approaches across the industry. It was requested that we clarify how the Guidance for each Standard will be used in supervision and enforcement.	As explained in the introduction section to the Guidance for each Standard, the purpose of the Guidance is to assist deposit takers to interpret and comply with the Standards. Guidance does not establish new obligations beyond those set out in the Standards. While the Standards themselves are secondary legislation made under the DTA, Guidance does not have formal status. In the event of any conflict between the text of the Standard and the Guidance, the Standard prevails. The Guidance supports a consistent interpretation of the Standards, but supervisory and enforcement decisions will ultimately be made against the requirements of the Standards themselves, taking into account the specific facts and circumstances of each case.
Some respondents queried whether deposit takers will be consulted on any changes to the guidance or simply notified.	The Reserve Bank will periodically review and update the Guidance. We may change our guidance or our interpretation of the Standard if we consider this appropriate. We do not do this lightly and will endeavour to notify deposit takers in advance if we are considering amending the content of the Guidance. There may be times where we consider it appropriate to consult with relevant stakeholders on changes to the guidance.
Some respondents requested more detailed guidance around what deposit takers could do to better ensure compliance with the standards.	Based on the feedback received through the consultation process, we have updated the guidance to ensure consistency with the standards and to help with interpretation and compliance. This is explained in more detail in the following chapters.
One respondent requested that Standards should include clear materiality thresholds so that only material non-compliance is reportable, rather than all technical breaches.	Registered banks currently operate under a breach reporting and publication regime that requires event-based reporting of material breaches, as well as periodic reporting of both material and non-material breaches. The Reserve Bank intends to review this regime to assess how it should operate under the DTA. Section 116 of the DTA introduces an obligation for a deposit taker to report any contravention of a prudential obligation, but only if it believes the contravention is material.

Chapter 1

Deposit Takers Liquidity Standard

Summary of Submissions on the exposure draft

14 September 2026

Non-technical summary

Background

The Liquidity Standard exposure draft and draft Liquidity Guidance was released for consultation on 30 October 2025, with a comment deadline of 30 January 2026. 14 submissions relating to liquidity were received and are available on our website.

A document with supporting information on the Liquidity Standard exposure draft and draft Liquidity Guidance was also released on 30 October 2025. This document included some specific questions from the Reserve Bank that stakeholders could respond to.

Summary

This document summarises and responds to submissions received on the Liquidity Standard exposure draft and draft Liquidity Guidance.

The summaries of feedback and our responses are largely set out in tables and categorised into the following groups:

- feedback that resulted in changes to the Liquidity Standard;
- feedback that resulted in changes to the Liquidity Guidance;
- feedback that resulted in no change to the Liquidity Standard or Liquidity Guidance; and,
- other feedback.

More detailed responses on feedback that resulted in material changes to previous policy decisions are provided in a non-table format.

The updated drafts of the Liquidity Standard and Liquidity Guidance have been published under separate covers.

Next Steps

The updated drafts of the Liquidity Standard and Liquidity Guidance are being released to provide further information on how we have responded to submissions on the exposure draft and draft guidance, and to support understanding as deposit takers consider implementation of the standard. These are 'near-final drafts'.

The Liquidity Standard and Liquidity Guidance will not be finalised until they are issued (expected to be in May 2027) and are subject to further revisions, for example to ensure consistency of drafting across all standards and guidance as they are finalised.

1.1. Introduction

The purpose of the Deposit Takers (Liquidity) Standard (the Liquidity Standard) is to set out both the qualitative and quantitative liquidity requirements for deposit takers. These requirements help ensure that deposit takers are appropriately and prudently managing their liquidity risk and can meet their financial obligations when they come due.

Since 2010, banks have been subject to the Reserve Bank's Liquidity Policy (BS13) and Liquidity Policy Annex: Liquid Assets (BS13A). In 2021, the Reserve Bank conducted a thematic review of banks' compliance with this policy. This review provided us with deeper insights into the banking industry's practices relating to the management and monitoring of liquidity risk. From 2022 to 2025, the Reserve Bank conducted a comprehensive review of the policy, known as the Liquidity Policy Review (LPR). As part of the LPR, some significant policy decisions were made, which include the tightening of eligibility criteria for liquid assets, the retention of our quantitative liquidity requirements, and the application of our liquidity requirements in a proportionate manner.

The Liquidity Standard, which will reflect the policy decisions taken as part of the LPR, replaces both BS13 and BS13A. Additionally, Liquidity Guidance will complement the Liquidity Standard by providing more detail around some of the requirements in the Liquidity Standard, as well as outlining some good prudential practices that deposit takers may wish to consider in managing liquidity risk. The Liquidity Guidance does not contain any requirements for deposit takers.

In early 2026, we conducted a Quantitative Impact Study (QIS) on the draft Liquidity Standard in order to assess the calibration of our quantitative liquidity requirements following the changes made as part of the LPR. The QIS results confirmed to us that no further changes to the calibration of our quantitative liquidity requirements are needed.

1.2. Response to issues raised and questions asked in the exposure draft consultation

1.2.1. Government Agency Deposits

Issue

Many submitters suggested that government agency deposits should not be subject to a 100% run-off rate as this would not accurately reflect the liquidity risk of these deposits. Instead, it was suggested that government agency deposits be subject to the size band approach.

Comment

Under the Reserve Bank's existing liquidity policy (BS13), government agency deposits are subject to the run-off rates contained in the size band approach.

The decision to apply a 100% run-off rate to government agency deposits was consistent with a desire to move away from the use of ANZSIC codes in BS13 and to align with the definition of an 'eligible depositor' in the Deposit Takers Act (as defined for the purposes of the Depositor Compensation Scheme). We acknowledge that this decision did not necessarily reflect the expected behavioural nature of these deposits in a stress scenario.

After reviewing the feedback provided to us as part of this consultation process and through other engagements with deposit takers, we agree that the run-off rates provided under the size band approach are more appropriate for government agency deposits than a single 100% run-off rate.

Response

The updated exposure draft removes government agency deposits from being subject to a 100% run-off rate under the MMR. Instead, these deposits are subject to the size band approach under clause 16(d).

The draft Liquidity Guidance has also been updated accordingly.

1.2.2. CLF as an eligible liquid asset under the sMMR

Issue

Many submitters suggested that the CLF should be an eligible liquid asset under the simplified Mismatch Ratio (sMMR). They noted that potential access to the CLF would provide them with more flexibility in meeting their sMMR requirement and could result in increased holdings of CLF-eligible assets by Group 3 deposit takers over time.

Comment

We previously decided that eligibility for use of the CLF in meeting liquidity requirements would be restricted to deposit takers that are subject to the MMR (Group 1 and Group 2 deposit takers) and are domestic markets counterparties of the Reserve Bank. This decision was made, in part, due to the ability of Group 3 deposit takers to hold demand deposits at other deposit takers as a liquid asset under the sMMR (this would be a cash inflow under the MMR) and the minimal amount of existing holdings of CLF-eligible assets by Group 3 deposit takers.

However, Group 3 deposit takers have suggested that the ability to utilise the CLF as a liquid asset may encourage some Group 3 deposit takers to increase their holdings of CLF-eligible assets in future. It may also better prepare them for any transition towards being a Group 2 deposit taker that is subject to the MMR.

Group 3 deposit takers also noted that term deposits are not an eligible liquid asset under the sMMR, which represents a tightening of liquid asset eligibility for many of them relative to the status quo. As such, potential access to the CLF would help offset this tightening.

After considering this feedback, we do not believe there are any strong reasons to restrict access to the CLF to only Group 1 and Group 2 deposit takers that are subject to the MMR.

Response

The updated exposure draft includes the CLF as an eligible liquid asset under the sMMR under clause 28(1)(f). The eligibility of the CLF towards a deposit taker’s liquid assets will be subject to cap, which may be set in a deposit taker’s condition of licence. The draft Liquidity Guidance has also been updated accordingly.

It is important to note that access to the CLF is subject to agreement by the deposit taker and the Reserve Bank, which includes the deposit taker meeting the required criteria and paying the CLF fee.

1.2.3. Run-off rate for DCS-protected deposits due to be repaid into another deposit taker upon maturity under the sMMR

Issue

Many submitters suggested that the 100% run-off rate for deposits that are due to be repaid into another deposit taker upon maturity is too high and doesn't reflect the historical reinvestment rates of these deposits.

Comment

We acknowledge that, even during a stress scenario, some deposits that are repaid into another deposit taker upon maturity may be reinvested back into the Group 3 deposit taker. While this may be the case, we continue to believe that a 100% run-off rate should continue to apply to non DCS-protected deposits, as depositors may wish to avoid reinvesting non DCS-protected deposits into a Group 3 deposit taker under stress.

However, for DCS-protected deposits, we agree that some depositors may be comfortable reinvesting these funds into the Group 3 deposit taker (despite the institution being under stress), given they are DCS-protected. After examining historical 'business-as-usual' (not stress) reinvestment rates of Group 3 deposit takers, we have determined that applying a 50% run-off rate for DCS-protected deposits due to be repaid into another deposit taker upon maturity would be appropriate under the sMMR.

Response

The updated exposure draft applies a 50% run-off rate (instead of 100%) for DCS-protected deposits that are due to be repaid into another deposit taker upon maturity in the sMMR under clause 30(a). The draft Liquidity Guidance has also been updated accordingly.

1.3. Minor and technical issues

1.3.1. Feedback resulting in changes to the Liquidity Standard

Issue	RBNZ Response
Many submitters noted that the exposure draft contains definitions from other legislation (e.g., the Credit Contracts and Consumer Finance Act (CCCFA)), which may not be appropriate for the purposes of liquidity and may not be appropriate over time. This could occur, for example, if such definitions contained in other legislation change in future. Additionally, submitters suggested that it may be beneficial to carry over some well-established terms from the Reserve Bank's existing liquidity policy (BS13) into the Liquidity Standard, such as 'market funding' and 'undrawn committed lines'.	We are aiming for drafting that is legally effective, enforceable, provides certainty, describes legal and industry concepts conventionally, uses words and phrases in a consistent way and aligns with the modern approach to legislative drafting (including statutory interpretation). The updated exposure draft now defines an 'inflow undrawn committed line' and an 'outflow undrawn committed line'. These terms appear in clauses 16, 17, 30, and 31 of the updated exposure draft.
In the exposure draft, a deposit taker may rely on an assumption where it believes, on reasonable grounds, that the assumption is necessary to make the calculation in a timely and prudent manner. Many submitters noted that this condition may present an unnecessarily high threshold for deposit takers, as it may be difficult for deposit takers to demonstrate that the assumption is 'necessary'. Instead, it was suggested that it may be more suitable for deposit takers to demonstrate why an assumption is 'appropriate'.	The updated exposure draft replaces, in clause 5(1), the condition for relying on an assumption with the condition that the deposit taker is reasonably of the view that relying on the assumption is prudent and the costs of making the calculation without the assumption are disproportionate to the benefits of making the calculation without the assumption. This more closely reflects the policy intent of the clause. The Liquidity Guidance has been updated accordingly in paragraph 18.
A submitter noted that the exposure draft could potentially be clearer that the 25% limit for holdings of Local Government Funding Agency securities (LGFAs) and Kauri bonds is an aggregate limit for holdings of both securities.	The updated exposure draft has been revised to make clearer, in clause 14(2), that the 25% limit is an aggregate limit.
Many submitters noted that for the calculation of cash outflows, the requirement that amounts from certain debt securities include amounts from 'any associated person' is not consistent with the Single Depositor View (SDV) approach that has been decided.	We agree that this is not consistent with the SDV approach that has been decided. As such, the updated exposure draft has removed the reference to 'any associated person'. The updated exposure draft also provides greater clarity, in clauses 16(2)(b), 16(2)(c), 22(2)(b), and 22(2)(c) on how SDV should be applied in the case

Issue	RBNZ Response
	of a debt security held by, for, or on behalf of 2 or more persons (including for partnerships).
Many submitters noted that for the calculation of cash inflows, the exposure draft excludes all revolving credit contracts from certain cash inflows, whereas BS13 (paragraph 48) excludes only outstanding credit card balances and amounts drawn under retail overdraft facilities. Submitters noted this difference would result in a more restrictive outcome for deposit takers than intended.	We agree. The updated exposure draft has been revised, in clause 17(1)(c) and 31(1)(c), to be consistent with BS13.
A submitter suggested that the cap on undrawn committed lines of 0.1% of the total assets of all deposit takers incorporated in New Zealand introduces an external data requirement, adds unnecessary complexity, and increases the compliance and monitoring burden.	To reduce the compliance burden on deposit takers, the updated exposure draft has changed the date that '0.1% of the total assets of all deposit takers incorporated in New Zealand' is to be assessed, from 'the end of the period most recent to the calculation' to 'the end of the most recent calendar year' (see clause 17(2)(b)(ii)).
A few submitters requested greater clarity on the term 'total lending of money'. Additionally, it is our own view that this term is too broad and lacks precision.	To improve consistency with BS13, the term 'total lending of money' has been replaced with the term 'total lending'. Additionally, a new clause (clause 23) that sets out the calculation of total lending has been added to the exposure draft.
It was noted that certain clauses in the calculation of core funding would double count any debt securities due to be repaid in exactly one year.	We agree. Clause 22 of the updated exposure draft has been corrected to avoid this potential double counting.

1.3.2. Feedback resulting in changes to the Liquidity Guidance

Issue	RBNZ Response
Many submitters requested that, for the application of liquidity requirements to branches, the Reserve Bank clarify whether the guidance relating to 'sufficient consideration' (of liquidity risk in New Zealand) would be satisfied if the relevant group processes, documents and other arrangements explicitly cover the branch and the branch is accordingly included in relevant calculations and stress testing under those processes and arrangements.	We acknowledge that 'sufficient consideration' may be unclear in this context. As such, the updated Liquidity Guidance clarifies the Reserve Bank's expectations in this area in paragraph 11.

Issue	RBNZ Response
Many submitters noted that the Liquidity Guidance refers to deposit takers 'generally' not needing to calculate their ratio(s) at multiple times throughout the day or on non-business days. Submitters considered that it would be a challenging and complex compliance issue for deposit takers, involving significant cost, if the Reserve Bank were to require deposit takers to carry out any intra-day calculations (or calculations on non-business days). It was suggested that the Liquidity Guidance remove the word 'generally' from this part.	We recognise that the draft Liquidity Guidance may not have provided enough context in this area. As such, the updated Liquidity Guidance clarifies the circumstances under which deposit takers may be expected to provide calculations intra-day or on non-business days in paragraph 13.
A submitter noted that for deposit takers with overseas subsidiaries, greater clarity on the eligibility and valuation of liquid assets that are acceptable by a host regulatory authority could be provided.	We recognise the desire for greater clarity in this area. The updated Liquidity Guidance provides more detail in footnote 3.
A submitter considered that in paragraph 37.3 of the Liquidity Guidance, it is unclear what 'deterioration in the quality of collateral' refers to and suggested further clarity on this term is provided.	The updated Liquidity Guidance clarifies this phrase in paragraph 37.3.
A submitter requested greater clarity on the circumstances in which the Reserve Bank would vary conditions of licence.	Section 25 of the DTA sets out the process for the Reserve Bank to modify a deposit taker's conditions of licence. This process requires the Reserve Bank to give the deposit taker notice of its intention, a reasonable opportunity to make submissions, and requires the Reserve Bank to have regard to those submissions. The notice given to the deposit taker must contain, or be accompanied by, a statement of the Reserve Bank's reasons for proposing such modifications. The updated Liquidity Guidance provides greater clarity on the circumstances in which the Reserve Bank would vary conditions of licence in paragraphs 61, 97 and 106.
Many submitters requested that the Liquidity Guidance specify that GAAP can be used to determine the market value of iRMBS and other securities with no observable market price.	The updated Liquidity Guidance clarifies how iRMBS and other securities without an observable market price can be valued in paragraph 64. This valuation approach is consistent with the Reserve Bank's approach to valuing iRMBS for its liquidity facilities.

Issue	RBNZ Response
A submitter considered that the Liquidity Guidance is unclear on its expectations for the diversification of liquid assets.	We acknowledge that the level of diversification in the portfolio of liquid assets may differ across deposit takers based on individual circumstances. The updated Liquidity Guidance better acknowledges these potential differences in paragraph 66.
Many submitters noted that it would be helpful if the Liquidity Guidance could explain what is meant by 'prepositioning' and what securities are CLF-eligible assets.	The updated Liquidity Guidance now further explains prepositioning in footnote 14. The Liquidity Guidance states that '*CLF-eligible assets are securities that are repo-eligible with the Reserve Bank, including but not limited to iRMBS, corporate securities, and bank securities, where they meet certain criteria. Further details on CLF-eligible assets are available on the Reserve Bank's website*.'
A submitter suggested that any application of 'set-off' between deposits and loans should be made explicit.	We agree that guidance on 'set-off' may be helpful. The updated Liquidity Guidance now addresses 'set-off' in paragraph 80.
For undrawn committed lines (UCLs) as a cash outflow, a submitter requested greater clarity on what criteria needs to be met for UCLs to be included in the MMR (e.g., whether a UCL exists if the borrower has yet to agree to terms of the loan contract).	We agree that further guidance on when a UCL exists may be helpful. The updated Liquidity Guidance now provides greater clarity on this matter in footnote 15.
Many submitters suggested that it could be helpful to define 'readily tradable' in the Liquidity Standard or clarify its meaning in Liquidity Guidance.	The updated Liquidity Guidance provides further information on determining which debt securities are 'readily tradable' in paragraph 81.
Some submitters suggested the guidance could include an example of how run-off rates should be applied for deposits greater than the $100,000 DCS-protected amount.	We agree that providing such an example may be helpful. The updated Liquidity Guidance now provides an example of how this should be calculated in paragraph 83.
A couple submitters suggested that guidance should be provided on the treatment of deposits to account for any 'cooling off period'.	We agree that providing guidance to account for any 'cooling off period' may be helpful. The updated Liquidity Guidance now addresses any 'cooling off period' provided by deposit takers in paragraph 86.
Many submitters sought clarification on the calculation of cash outflows and that clause 17(1)(d) of the exposure	The updated Liquidity Guidance adds greater clarity on this matter in paragraphs 89 and 90,

Issue	RBNZ Response
draft applies to undrawn committed lines only (and not to other cash inflows) and that 17(2) applies to only 17(1)(d) only.	which supplements the addition of inflow commitments and outflow commitments being defined terms in the updated exposure draft.
For the calculation of core funding, a submitter requested clarity on how dividend distributions and redemptions should be accounted for in the value of the deposit taker's tier 1 capital.	The updated Liquidity Guidance adds greater clarity on this matter in footnote 20.
Many submitters sought clarity that, under the sMMR, demand deposits held in trust at a licensed deposit taker qualify as a liquid asset under clause 27(1)(c).	The updated Liquidity Guidance adds greater clarity on this issue in paragraph 110.
Many submitters suggested that Group 3 deposit takers should have an option in the method used to calculate amounts of DCS-protected and non-DCS protected deposits during the 30-day sMMR window, as building detailed SDV reporting with depositors' maturity profiles is overly complicated and costly. These submitters suggested that the Liquidity Guidance should therefore clarify that Group 3 deposit takers can choose between: • a detailed depositor maturity profile; or • an assumed overall DCS-protected vs non-DCS protected ratio.	The updated Liquidity Guidance adds greater clarity, in paragraph 114, on when Group 3 deposit takers may rely on assumptions when determining what deposits are DCS-protected for the purposes of the sMMR.

1.3.3. Feedback resulting in no change

Issue	RBNZ Response
Many submitters requested that the Reserve Bank support deposit takers implementing new model changes.	Ultimately it is for deposit takers to decide how they implement the new liquidity requirements. We have addressed a number of issues in the Liquidity Guidance that should support deposit takers in implementing the Liquidity Standard. However, should deposit takers have further questions, they may contact their allocated supervisor.
A submitter requested guidance be provided on how to model the haircut on securities that are maturing within the next 30 days.	The approach to calculating haircuts in the Liquidity Standard has been aligned with the approach used for the Reserve Bank's liquidity facilities, which applies haircuts on securities that are maturing within the next 30 days.
A few submitters suggested that the CLF has the potential to distort capital markets. They suggested that a CLF cap that is uniform across deposit takers may give rise to unintended consequences to the extent that there are differences in balance sheet structures across deposit takers. These submitters also noted that the level of the CLF standing fee has the potential to distort CLF-eligible capital markets and introduce unintended consequences.	The parameters around the CLF have been the subject of a separate consultation by the Reserve Bank and these matters have been taken into consideration as part of that consultation (RBNZ Summary of Submissions and Key Decisions from Liquidity Management Consultation).
A submitter suggested that the 5% lower limit of the CLF cap range is too low, would be restrictive, and could limit the diversity of liquid assets. This submitter suggested that this lower limit should be increased to at least 15%.	The 5% lower range of the CLF cap allows the CLF to exist at that level, even when the need for the CLF may be minimal. Increasing the lower minimum range for the CLF could prevent the CLF from existing when it is needed or make it larger than needed (e.g., if the CLF should be 10% based on the availability of truly liquid assets in New Zealand, but the lowest range of the CLF were set at 15%).
A submitter requested further guidance on how deposits should be categorised under clause 16 of the exposure draft.	We believe the Liquidity Standard provides sufficient clarity on the categorisation of cash outflows and that providing further guidance may create confusion and uncertainty.
A submitter suggested that the treatment of government agency and insurance company deposits with a 100% run-off rate may overestimate the risk of these entities, create operational complexity in maintaining an up-to-date government agency list, and create inconsistency	The treatment of insurance companies is consistent with BS13 and decisions taken as part of the Liquidity Policy Review.

Issue	RBNZ Response
with other large depositors. The submitter suggested that these deposits should be subject to the size bands.	Government agency deposits, however, will be subject to the size band approach under the Liquidity Standard (as noted above).
Many submitters suggested that deposits from Group 3 deposit takers should not be subject to a 100% run-off rate under the MMR.	The run-off rate of licensed deposit takers under the Liquidity Standard is consistent with BS13. This matter was consulted on as part of the Liquidity Policy Review, and it was decided that no change would be made to this approach. The exposure draft reflects this policy intent.
Many submitters argued that 'look through' treatment should be extended beyond just 'relevant arrangements', to all arrangements where it may be appropriate for 'look through' treatment to apply.	We do not believe it is necessary to extend 'look through' treatment beyond relevant arrangements at this time.
A submitter requested that the exposure draft reflect situations where deposit takers support multiple consortiums for a public private partnership or infrastructure deal that does not result in multiple cash outflows for undrawn committed lines.	This issue is a policy matter and was not considered as part of the Liquidity Policy Review. It is not obvious that the outcome under the exposure draft is inappropriate. However, this matter could be considered in the future.
Some submitters argued that the (75%) cap on cash inflows is not needed for smaller deposit takers and does not appropriately account for the agency banking arrangements of several smaller deposit takers.	The cap on cash inflows helps ensure that deposit takers are holding a minimum amount of liquid assets in meeting their liquidity requirements. It also prevents the metric from having a negative denominator. Additionally, a heavy reliance on demand deposits held at other deposit takers to meet liquidity requirements may demonstrate a high level of counterparty credit risk. The QIS results showed that a 75% cap on cash inflows was not binding on the vast majority of deposit takers. For those deposit takers that were impacted by the 75% cap on cash inflows, it did not impact their ability to comply with the MMR or sMMR.
A submitter suggested that the 75% cap on cash inflows is arbitrary, and the rationale should be explained.	We previously explained the rationale for the cap on cash inflows in response to the Core Standards consultation (2025). We stated: *'Given that we are adopting a MMR with a natural minimum of 100%, we will place a limit on the maximum amount that cash inflows can be used to offset cash outflows.*

Issue	RBNZ Response
	This will ensure that deposit takers are required to hold at least some liquid assets (including CLF) and there are not cases where the denominator is negative (cash inflows exceed cash outflows). The BCBS LCR places a 75% maximum on the amount that cash inflows can be used to offset cash outflows, which may be a good starting point for the MMR. However, we will analyse and determine the appropriate size of this 'cap' on cash inflows as part of the QIS, which will follow the release of the exposure draft.' After analysing the results from the QIS, we believe a 75% cap on cash inflows is appropriate.
Some submitters suggested that the exposure draft does not distinguish between Group 1 and Group 2 deposit taker use of UCLs and does not reflect policy decisions taken. These submitters also suggested that the limits for UCLs as a cash inflow (from one provider and from all providers) are more restrictive under the Liquidity Standard than under BS13.	The Reserve Bank had originally proposed that UCLs be eliminated as a cash inflow entirely. However, we subsequently decided to continue to allow the use of UCLs as cash inflow, while addressing contagion risk posed by Group 1 deposit takers, stating: *'We will not proceed with this proposal. 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.'* We did not indicate that any limits on UCLs would not apply to Group 2 deposit takers. While the constraints/limits for UCLs as a cash inflow are the same for Group 1 and Group 2 deposit takers, the total cap on UCLs of 0.1% of total assets of all deposit takers incorporated in New Zealand is more likely to be binding for Group 1 deposit takers. With the absence of 'total funding' as a concept under the Liquidity Standard, the existing limits for UCLs (from one provider and from all providers) is calculated relative to total liquid assets under the Liquidity Standard. The calibration of the UCL limit

Issue	RBNZ Response
	of 30% of liquid assets from all providers was tested as part of the QIS. While this limit is more restrictive than the equivalent limit under BS13, the QIS results showed that this limit did not have an impact on deposit takers' ability to comply with the MMR. We also believe these limits to be prudent, as they limit potential overreliance on UCLs.
A submitter requested that additional guidance be provided on 'amounts that could be received from future funding where that is not from a UCL' being excluded as a cash inflow.	This approach and exclusion is consistent with BS13 and the decisions taken as part of the Liquidity Policy Review. The statement in guidance is a factual representation of the draft Standard.
A submitter sought confirmation on whether paragraph 88.4 of the draft Liquidity Guidance (exclusion of the cashflow associated with the far leg of reverse repo transactions as a cash inflow) was intended to align with APRA's APS 210.	Paragraph 88.4 (now paragraph 92.4) of the draft Liquidity Guidance is intended to avoid any 'double counting' of liquid assets and cash inflows that may occur with reverse repo transactions.
A submitter suggested that the Liquidity Standard should explicitly confirm that liabilities are assessed at their *earliest exercisable date*, where depositor optionality exists, and clarify the contractual/behavioural distinction.	This aspect of the Liquidity Standard reflects the policy decisions taken. We acknowledge that depositors may in some cases have optionality that could mean actual run-off rates could exceed those assumed for MMR purposes. However, the MMR is ultimately based on a stylised stress and accounting for all potential liquidity risks would introduce undue complexity. The requirements in Part 2 of the standard are intended to address liquidity risks that are not captured in the quantitative metrics.
Many submitters suggested that Group 3 deposit takers should have the option of complying with the sMMR or a requirement like APRA's Minimum Liquidity Holdings (MLH) approach.	As part of the Liquidity Policy Review, the Reserve Bank consulted on whether a sMMR-type metric or MLH-type metric would be more appropriate.[1] It was decided that a sMMR-type metric would be more appropriate, which was consistent with feedback from many Group 3 deposit takers.
A submitter suggested that, for the sMMR, it is not clear why demand deposits held at a licensed deposit taker require that deposit taker to have an investment grade credit rating to be eligible as a	An investment grade credit rating is a commonly used threshold of creditworthiness, and one used by the Reserve Bank for applications to be RBNZ domestic markets counterparties. Additionally,

[1] APRA recently announced that it intends to consult on a more risk-sensitive framework for the MLH to incentivise better liquidity risk management practices. See APRA's roadmap for capital and liquidity reforms for authorised deposit-taking institutions (ADIs) \| APRA.

Issue	RBNZ Response
liquid asset. This submitter suggested that this requirement does not reflect the existence of the DCS.	such deposits held by Group 3 deposit takers are not eligible for DCS protection.
Many submitters suggested that under the sMMR, the 50% run-off rate is too high and instead an alternative size band approach should be used for non-DCS protected deposits.	As part of the Liquidity Policy Review, for the sMMR, the Reserve Bank consulted on either having a single run-off rate for non-DCS protected deposits or using a size band approach. It was decided that a single run-off rate for non-DCS protected deposits would be more appropriate. The run-off rate for non-DCS protected deposits was calibrated to help ensure there was no material weakening in liquidity requirements for Group 3 deposit takers. This calibration was tested and determined to remain appropriate as part of the QIS.
A submitter suggested that under the sMMR, the 50% run-off rate for non-DCS protected deposits and the 15% factor for undrawn committed lines are arbitrary.	The 50% run-off rate for non-DCS protected deposits was calibrated to help ensure there was no material weakening in liquidity requirements for Group 3 deposit takers. This calibration was tested and determined to remain appropriate as part of the QIS. The 15% factor for undrawn committed lines is carried over from BS13. Feedback received on this 15% factor during the Liquidity Policy Review suggested that it continues to be appropriate.

1.3.4. Other issues

In addition to the changes made in response to feedback, which were noted in the tables above, we also made the changes following our own review of the exposure draft and draft guidance, which are outlined in the table below.

Issue	RBNZ Response
Regarding the 'variation by licence condition' clauses (clauses 13, 21, and 26), it was not clear the purpose for which such condition would require the deposit taker to include or exclude a particular subsidiary or class of subsidiaries.	In the updated exposure draft, clauses 13, 21, and 27 provide more clarity that the condition to include or exclude a particular subsidiary or class of subsidiaries exists for the purpose of calculating the quantitative ratios.
For the calculation of cash inflows in clauses 17(1)(b) and 30(1)(b), there could be some ambiguity as to exactly what inflows are eligible from a debt security that is not a liquid asset (under clauses 14 and 27) nor impaired in accordance with generally accepted accounting practice.	Clauses 17(1)(b) and 31(1)(b) have been revised to make clear that principal and interest under such a debt security are eligible.
Paragraph 22 of the guidance reflects an earlier version of the exposure draft for the Risk Management Standard.	Paragraph 22 has been updated to reflect the most recent version of the exposure draft for the Risk Management Standard.
We discovered the inadvertent omission of certain forms of funding (namely, what was previously 'market funding' in BS13) in the calculation of core funding.	We have added exclusions for this funding in clause 22(1)(e).
It may be unclear whether there are any impacts associated with holdings of Kauri bonds and LGFA securities that exceed the 25% cap and are not prepositioned as CLF-eligible assets.	The updated Liquidity Guidance provides greater clarity on this issue in paragraph 68.
The standard itself was not clear on what requirements would apply to Group 1 and 2 or Group 3 deposit takers. Rather this was covered in Guidance.	As per other standards, we have clarified this in the application clause (Clause 4).
Under the DTA, deposit takers should not be required to report all instances of non-compliance with liquidity ratios, but rather only those that are material. The current requirement to report any technical non-compliance with liquidity requirements regardless of its severity or impact on liquidity ratios is overly onerous. The Reserve Bank should be focussed on material non-compliance with material requirements such as instances of liquidity ratios falling below minimum requirements.	Registered banks currently operate under a breach reporting and publication regime that requires event-based reporting of material breaches, as well as periodic reporting of both material and non-material breaches. The Reserve Bank intends to review this regime to assess how it should operate under the DTA, including how it aligns with the reporting obligations in section 116 of the DTA.

Chapter 2

Deposit Takers (Depositor Compensation Scheme) Standard

Summary of Submissions on the exposure draft

14 September 2026

Non-technical summary

Background

The Depositor Compensation Scheme (DCS) Standard exposure draft and draft DCS Guidance were released for consultation on 30 October 2025, with a comment deadline of 30 January 2026. 10 submissions relating to DCS were received and are available on our website.

An exposure draft of the DCS Data Submission Guidelines was also released on 30 October 2025. This document outlined the standards and procedures for submitting data to the Reserve Bank.

Summary

This chapter summarises and responds to submissions received on the Depositor Compensation Scheme (DCS) Standard exposure draft and draft DCS Guidance.

The summaries of feedback and our responses are largely categorised into the following groups:

- Part 1: Information about depositor compensation scheme
- Part 2: DCS depositor page
- Part 3: Alternate model to DCS depositor page
- Part 4: Single depositor view
- Part 5: Providing information to Bank for DCS.

After Part 5, we summarised other important changes that arose between the exposure draft and the release of this document.

The updated drafts of the DCS Standard, DCS Guidance and DCS Data Provision Guidelines have been published under separate covers.

Next Steps

The updated drafts of the DCS Standard, DCS Guidance and DCS Data Provision Guidelines are being released to provide further information on how we have responded to submissions on the exposure draft consultation, and to support understanding as deposit takers consider implementation of the standard. These are 'near-final drafts'.

The DCS Standard, DCS Guidance and DCS Data Provision Guidelines will not be finalised until they are issued (expected to be in May 2027) and are subject to further revisions, for example to ensure consistency of drafting across all standards and guidance as they are finalised.

2.1. Introduction

The purpose of the Deposit Takers (Depositor Compensation Scheme) Standard (the DCS Standard) is to set out requirements that support the effective operation of the Depositor Compensation Scheme (DCS). These include requirements for deposit takers to provide clear information about DCS protection, collect alternate account information for compensation payments, produce a single depositor view (SDV), and provide relevant information to the Reserve Bank. Collectively, these requirements support the timely and accurate calculation and payment of compensation to eligible depositors if a deposit taker fails.

Part 6 of the Deposit Takers Act 2023 (the DTA), which establishes the DCS, came into effect on 1 July 2025. The Deposit Takers (Depositor Compensation Scheme Transitional Provisions) Standard 2025 (the Transitional Standard) also came into force on that date and applies until the remaining parts of the DTA and the other DTA standards come into force, which is currently expected to occur on 1 December 2028.

The DCS Standard builds on and will replace the Transitional Standard. It sets out the permanent requirements for deposit takers to support the operation of the DCS, including requirements relating to information about the DCS, DCS depositor pages and alternate models, SDV information, and the provision of DCS data to the Reserve Bank. DCS Guidance will complement the DCS Standard by helping deposit takers interpret and comply with its requirements. The DCS Data Provision Guidelines will specify the standards and procedures for submitting DCS data to the Reserve Bank.

On 30 October 2025, we released the exposure draft of the DCS Standard, draft DCS Guidance and an exposure draft of the DCS Data Submission Guidelines for consultation. Consultation closed on 30 January 2026. Following consideration of submissions, we have updated the DCS Standard, DCS Guidance and data provision requirements, including changes to the SDV fields, the creation of a separate Depositor Information File, and refinements to requirements for DCS depositor pages, alternate models and testing.

2.2. Submissions and responses

2.2.1. Information about depositor compensation scheme

Feedback	RBNZ Response
Four submissions requested clarification of the definition of “advertisement” which was used in part 1 but was not defined. Some referred to the definition in section 434(4) of the DTA which applies only for that subpart, or section 6(1) of the Financial Markets Conduct Act.	The approach to this part has been redeveloped so the term “advertisement” no longer appears. The focus of the revised part will be to focus on information provided by deposit takers not being misleading. It is not relevant what format this information is provided in nor whether any particular product meets a definition of advertisement. As part of this revision, the scope of restrictions has been intentionally relaxed so that deposit takers have more freedom to provide information relating to the DCS and how it applies to its products – provided this information is not misleading. Similar

Feedback	RBNZ Response
	language has been used as already applied to deposit takers under Part 2 of the Financial Markets Conduct Act.
Five submissions questioned the proposed restrictions on referring to a revolving credit contract as a protected deposit. Some also identified consistency issues with section 193 of the DTA which requires all protected deposits, including revolving credit contracts, to be listed on a deposit taker's website.	The reason for this restriction was concerns that depositors could be confused by (the absence of) DCS protection available to revolving credit contracts where they had a negative balance – which is the more common occurrence. However, we agree with submissions that the proposed approach was likely to cause, rather than reduce, confusion. Therefore, we have removed the restriction on referring to revolving credit contracts and replaced it with a requirement that when revolving credit contracts are referred to the deposit taker must make it clear that only positive balances are a protected deposit. Similar changes have also been made in relation to use of the DCS logo on revolving credit contracts.
One industry body suggested that DCS logos on each product page should be optional rather than mandatory as there is no practical requirement for doing so.	Mandating the DCS logo for the main product page supports brand recognition of the DCS and provides additional information to depositors.
One industry body suggested that Group 3 deposit takers should be able to use DCS logos more widely, for example, at a brand level with restrictions applying only to advertisements or communications on unprotected products.	We agree that allowing deposit takers to use the DCS logo more widely, for example, on the main page of a website even where this is not the main product page of a particular deposit, is appropriate provided this is not misleading to customers whether any particular deposits are DCS protected. However, we see no particular reason that this should be limited to Group 3 deposit takers and therefore these restrictions have been reduced for all deposit takers.
Three submissions requested clarification that a deposit taker would not be required to create a product page that would not otherwise exist solely to display a DCS logo.	We agree that there is no intention to require a product page to be developed solely so a DCS logo can be displayed. The requirement to display a DCS logo on a main product page will only apply to main product pages that exist.
One industry body suggested that use of the DCS logo on product pages for relevant arrangements and captive cash PIEs should be optional rather than mandatory.	We expect that in many instances a relevant arrangement account will not be a separate product offered by the deposit taker and instead the relevant arrangement intermediary will be depositing into a standard product offered by the deposit taker. However, if a deposit taker does offer a specific relevant arrangement product, such as a

Feedback	RBNZ Response
	captive cash PIE, and that product is also a protected deposit then use of the logo should be consistent with other protected deposit products. For captive cash PIEs, the product functions for the depositor in a manner comparable to other protected deposits, such as term deposits. Accordingly, a deposit taker should also display the DCS logo on the main product page.
Four submissions said the DCS information sheet should not be mandatory or if it were to remain mandatory that a number of changes should be made to reduce when it should be provided.	We agree that the requirements in the exposure draft could arguably have been interpreted to require the information sheet to be provided in a number of circumstances where it would not have been helpful to depositors. This section has been redesigned so that an information sheet is only required to be made available (for example, by providing a hyperlink in another document) rather than be provided (for example, by being attached to an email or provided in hard copy). Furthermore, the circumstances where an information sheet needs to be provided have been clarified and reduced to be only when a depositor places a protected deposit and they do not already have a protected deposit or an individual requests a copy. It is not necessary for the deposit taker to make the information sheet available each time a depositor makes a new protected deposit (for example, adding money to an existing account, opening a new account or rolling over a term deposit) nor for an information sheet to be made available to depositors who have already received it just because an updated version of the information sheet becomes available.
One industry body suggest that the requirement to make an information sheet available to an individual who requests it should be reduced to a depositor of the applicable deposit taker.	This clause intentionally refers to an individual rather than a depositor as a potential depositor may be interested in how DCS protection applies to that deposit taker's products before deciding whether to place a protected deposit.
One industry body suggested keeping records of when depositors had been provided an information sheet would be a high compliance burden.	We agree. Deposit takers do not need to keep records of having provided a DCS information sheet and it would be sufficient to be able to demonstrate they have systems in place to make an information sheet available when they are required to do so. As deposit takers are not required to record whether a depositor has ever had a protected deposit or had a DCS information sheet made available, deposit takers will be

Feedback	RBNZ Response
	required to make a DCS information sheet available when a person makes a protected deposit and they do not currently have a protected deposit irrespective of whether they may have done previously.

2.2.2. DCS depositor page

Issue

We asked whether stakeholders agree that a DCS depositor page should accept alternate account details from any authorised individual even if that person could not manage that account without approval from another person (n to sign). If stakeholders do not agree, we requested to provide suggestions on how this could be cost effectively managed by deposit takers.

Submitted feedback supported allowing any of the authorised individuals in an 'n to sign' scenario to be able to provide depositor information through a DCS depositor page.

Response

This approach minimises build costs for deposit takers. Guidance has been updated to confirm this approach.

Issue

DCS depositor page data will be required to provide to the Reserve Bank as it is received (for example, every 24 hours). We asked feedback as to whether there would be any system constraints if subsequent transfers contained only data that is new since the previous transfer (delta data) rather than supplying a complete file each time.

Three Group 1 deposit takers said they did not have any system constraints or concerns about providing delta data. One representative body suggested it would be more straightforward to provide all data as at a date and time and that this would provide a more complete picture. One submission also requested additional information on what would be considered new data.

Response

We do not have any concerns about delta data providing an incomplete picture as we will be able to record each subsequent submission within the same system so that it can be consolidated together. Providing delta data will reduce the size of files transferred and will allow us to more easily identify data that has changed.

New data would be any data that has changed since that information was previously provided. However, a number of examples suggested by the depositor should not be occurring so the amount of delta data may be less than they expected. (For example, closure of accounts and deposit auto-renewals, as the ability of an authorised individual to manage their account after a specified event notice has been issued should be disabled.) Changes that will generate new data could include where an authorised individual resubmits depositor information after identifying they made an error in a previous submission or where a second authorised individual provides different depositor information either after talking with the first authorised individual or without being aware of the previous submission.

Feedback	RBNZ Response
Two submissions requested that a deposit taker should be able to provide authorised individuals, in some more complex scenarios, with freeform text boxes to identify which depositors they are providing depositor information on behalf of.	Providing freeform text boxes creates a number of risks including reconciling whether a person is an authorised individual for the depositor they have provided information on behalf of as well as identification issues (for example, a typo in the depositors' name or stylistic choices such as Ltd vs Limited). Correcting these issues would require significant manual intervention and checking, and a failed deposit taker is likely to have limited ability to support this work. Accordingly, a deposit taker will be required to identify all depositors for which an authorised individual can provide depositor information.
One submission requested clarification how the DCS depositor page would apply for enduring power of attorney or executors of estates.	As with all authorised individuals, the DCS depositor page should provide access to authorised individuals who had access to account software before the DCS depositor page was activated. There is no requirement to be able to onboard power of attorney or executors of estates who did not have account software access before the DCS depositor page was activated even if these people were authorised to manage a depositors account.
One submission was supportive of, and one other submission was opposed to extending the definition of "authorised individual" to include administrators who can create authorised individuals, but who cannot themselves manage or transfer deposits.	As these administrators cannot themselves manage deposits, they do not meet the current definition of "authorised individuals". On balance we consider this is the correct position as these individuals cannot currently choose to transfer funds so it would be consistent that they cannot choose where DCS compensation should be deposited. Maintaining this position is likely to minimise build costs for deposit takers.
Submissions had a variety of positions as well as requesting clarification of the treatment of subsequent submissions of depositor information through a DCS depositor page. One industry body submitted that 'record creation date' and 'username' should be submitted with the information within the DCS depositor page so these can be validated.	Broadly the two possible positions are (1) to accept and use only the first submission with subsequent submissions either recorded for information only or prevented entirely; or (2) continue to accept subsequent submissions and replace the earlier submission(s) until as close as possible to when compensation is paid. On balance, we will use approach (2) to continue to update depositor information as new submissions are received. This will allow authorised individuals

Feedback	RBNZ Response
	to correct identified errors in previous submissions without needing to separately contact the Reserve Bank or their deposit taker. To support this position, we are changing the Standard to require a DCS depositor page to record the time and identification details of who made each submission. This will ensure that we can identify the order each submission was made and support any disputes where different authorised individuals provide conflicting information. The Standard does not have a requirement for a DCS depositor page to accept or not accept subsequent submissions, nor any other position such as notifying an authorised individual whether a previous submission has already been made. We have decided to maintain this position even though this may mean some deposit takers have taken a different position to others. This decision is intended to lower compliance costs by preventing deposit takers from having to modify any requirements they have already built to comply with the Transitional Standard. There is no requirement that the wording provided under clause 15 needs to extend to identify whether depositor information has already been submitted nor what that submission was. However, a deposit taker can choose to provide this or other information if it is able to.
Two submissions suggested that the definition of account software should be reduced to apply only to software that can be used to manage a depositor's accounts. i.e. the requirement for view-only software to be included within account software should be removed.	View-only access to a depositor's accounts still requires the deposit taker to verify a person's identify and that they are authorised to view that depositor's accounts. If the scope of account software was narrowed as suggested a deposit taker that offered view-only access to all (or a subset of) authorised individuals would not be required, or able, to have a DCS depositor page. This would not be beneficial for depositors, the Reserve Bank or any deposit taker that would prefer to have a DCS depositor page rather than an alternate model.
One submission questioned whether the confirmation of payee detail requirements would apply to account details provided through a DCS depositor page.	There are no changes to this requirement compared to the requirements in the Transitional Standard and there is no requirement to confirm payee details before account details are submitted. If an authorised individual provides an account number that does not match the name this may

Feedback	RBNZ Response
	result in compensation being paid to an account they did not intend or compensation being delayed.
One industry body referred to the DCS Guidance referring to authorised individuals providing information directly to the Reserve Bank and requested deposit takers be provided with more information on this so they can direct customers to this information.	This information would likely be provided through the Reserve Bank's website. As this portal is not currently live, we cannot provide a link directly to it but in the event it is required it will be prominently displayed on our main webpage.
One submission requested that an email address and phone number be mandatory for a submission on the DCS depositor page.	It is mandatory for a DCS depositor page to provide fields to collect this information but it is optional for an authorised individual to provide this information. In most instances, the contact information already held by the deposit taker, and therefore included in its SDV, will be correct but there will be instances where it is useful to make it easy to update – for example, if a different person should be contacted or if the authorised individual's contact details have recently changed or may be out-of-date. As most, or at least many, authorised individuals will not need to update this information we do not consider it is necessary to make it mandatory.
Three submissions, including an industry body, requested the requirement to retain view-only access to a depositor's transaction history and balances after a DCS depositor page is activated should not be mandatory.	While this was optional, but best-practice, in the Transitional Standard this reflected the limited time between the development of the Transitional Standard and its application. Under the DCS Standard, where there is additional time to comply with the requirements, it is necessary for all deposit takers to maintain view-only access consistent with what they offered immediately before the DCS depositor page was activated. There are a number of stability benefits from this requirement. This includes that a depositor can anticipate and reconcile any DCS compensation received, can confirm whether a payment made or received shortly before (or after) the deposit taker's failure was reflected in their account and to provide supporting documentation for other purposes such as applying for a loan with another deposit taker or complying with tax requirements. Note that it is not a requirement that this view-only access is provided on the DCS depositor page itself, it would be sufficient that the authorised individual, having verified themselves through their usual login

Feedback	RBNZ Response
	process, has view-only access separate to the DCS depositor page or from a link on that page. This view-only access can also be frozen at the point the DCS depositor page is activated and does not need to include subsequent events such as any DCS compensation received or splitting joint accounts to individual holders. Any decisions on view-only access after a DCS depositor page is deactivated would be made by the continuing deposit taker, the liquidator or other relevant person.
Two submissions, including an industry body, requested clarification on the scope of view-only access. They provided examples such as an authorised individual having access to only some accounts of a depositor or other reasons why view-only access should be disabled.	This requirement is intended to provide authorised individuals with the same access they had before the DCS depositor page is activated. As some deposit takers likely provide a greater range of historical transactions than others this would be maintained after the DCS depositor page was activated. Which accounts a person has view access to would be consistent with their authority before the DCS depositor page was activated. We would not expect a person with access to a subset of accounts would be provided with view-access to more or all accounts after the DCS depositor page was activated unless this previous restriction was in error. The requirement to provide view-only access is not intended to override any other legislative requirement. There may be a limited number of authorised individuals who have view-only access removed at the point or after the DCS depositor page is activated.
One industry body requested the requirement to deactivate the means to manage accounts should be refined so it refers just to protected deposits.	When a DCS depositor page is activated all accounts of the deposit taker should be frozen. This includes credit and debit accounts irrespective of whether they are protected deposits. This does not include accounts with another entity that has not been placed in resolution that may have been accessed through the same account software, for example accounts with a foreign parent.
One submission asked if the Crisis Preparedness Standard will provide more guidance on the requirement for the deposit taker to ensure that assistance is available for customer queries about the DCS depositor page.	This requirement is consistent with section 257 of the DTA which requires a liquidator of a licensed deposit taker to give all reasonable assistance to support DCS functions. This support will be very fact specific so it is difficult to pre-position for how

Feedback	RBNZ Response
	much support will be required or how much the DCS fund can contribute to this.
One industry body wanted to understand the intention behind the requirement that depositor information is stored separately from any other information in relation to the deposit.	This requirement is identical to clause 15(b)(iii) of the Transitional Standard. By requiring this information to be stored separately it can easily be extracted and supplied to us, if required, rather than intermingling it with other data where information for other purposes may be overwritten or other issues could arise.
Submissions requested additional information on testing requirements.	We have considered the feedback on testing requirements and reviewed similar testing obligations in other DTA Standards (e.g., Operational Resilience, Risk management and Outsourcing). We have altered the way testing requirements are set out in the standard to more closely align with other testing regimes under the DTA. We have consolidated testing requirements across the DCS standard into a single section of the Standard. We are proposing that deposit takers undertake their own annual testing. The deposit taker will test that data produced (single depositor view (SDV) and depositor information file (DIF)) is in a format that is compatible with RBNZ expectations but will not be expected to submit any data to the RBNZ as part of testing. The testing process and outcomes will be reported to the deposit taker's board and the same report will be delivered to the RBNZ. The revised standard and guidance set out expectations for what will be tested and what should be contained in the testing report. To ensure alignment with other testing regimes, we may make further adjustments before issuing the DCS Standard.
One submission requested clarification that the electronic credentials referred to in clause 13 to verify the authorised individual includes biometric data such as face ID and/or fingerprints.	While not specifically referred to in the exposure draft or guidance, it was always intended that an authorised individual would be able to verify their identity for a DCS depositor page using the same methods they could have used to access the account software – this would include biometric data if they had set it up before the deposit taker's failure.
One submission identified an error in paragraph 21 of the guidance which referred to 'deposits' rather than 'depositors'	The DTA applies to a depositor having a deposit with a deposit taker irrespective of how much is deposited or how many accounts their money is deposited in therefore the original reference to 'deposits' arrives at the correct outcome. However,

Feedback	RBNZ Response
	we agree this is clearer if it refers to 'depositors' and have updated the guidance to reflect this.
One submission identified that the statement that the DCS depositor page must provide to an authorised individual advises that compensation will be paid according to the details provided through the [DCS depositor] page. They suggested the words "through the page" should be removed as compensation may be paid to a different account such as when the details provided through the page are incorrect or have been subsequently updated.	We agree and have removed these words from clause 15(b) of the DCS Standard.

2.2.3. Alternate model to DCS depositor page

Issue

We asked whether stakeholders agree with the proposal that the alternate model would only be available to deposit takers who do not offer transactional accounts, and the proposed approach to identify which deposit takers offer transactional accounts.

Two submissions were supportive, but three submissions were opposed to limiting alternate model to deposit takers with no transaction accounts or no account software. Those opposed were concerned about the compliance costs of preparing a DCS depositor page for account software that was proposed to be decommissioned particularly where it was only offered to a limited number of depositors. If an alternate model was available in these circumstances these submissions requested it be a variant of the current DCS depositor pages with fewer requirements, as could be approved under the Transitional Standard, rather than being required to collect alternate accounts from all depositors before a failure.

Response

We do not expect a deposit taker would shift from account software with a compliant DCS depositor page to an alternate model as part of the decommissioning process for that software. Accordingly, this issue can only arise where a deposit taker has account software that is already using an alternate model and is intended to be decommissioned after the start of the DCS Standard.

A more flexible approach was available under the Transitional Standard to recognise the short time between proposals and application. These alternate model versions of a DCS depositor page typically raised identity verification concerns that we were only willing to accept on a limited time basis.

A more restrictive alternate model has been included in the DCS as we recognise the practical difficulties in a DCS depositor page for certain smaller deposit takers. This approach is not suitable for larger deposit takers who are decommissioning account software as it is also difficult to collect alternate account numbers before failure for a larger deposit taker.

We do not consider it is desirable to include a different alternate model approach for the very small number of deposit takers who will not have developed a DCS depositor page by the time the DCS Standard applies.

Feedback	RBNZ Response
Two submissions were concerned that the strict eligibility criteria for using an alternate model would create a cliff-edge where they were no longer eligible and this could disincentive these deposit takers from starting to offer transactional accounts and/or account software.	We agree that the alternate model is intended to be a concession to smaller deposit takers and is not intended to incentivise them not to introduce new services. Furthermore, a deposit taker who introduces account software for the first time is likely to have a low initial take-up of depositors choosing to set up account software. Therefore, initially it is likely that continuing to use the alternate model will provide us with more complete and accurate information. Therefore, we have introduced a transitional approval process to allow a deposit taker to approach us when they are considering introducing transactional accounts and/or account software and to agree an appropriate timeframe for a DCS depositor page to be required.
Testing requirements for the alternate model were not included in the exposure draft as it was part of the SDV. Therefore, submissions could not specifically comment on testing.	We have developed specific testing requirements for the alternate model which have been included in the DCS Standard and guidance.
The exposure draft proposed that alternate model information would be included directly in the SDV. We did not receive any submissions on this. However, this will now be required to be supplied as a separate file consistent with how DCS depositor page data will be supplied.	This decision simplifies processing of this file and makes processing of alternate bank details consistent for the Reserve Bank.
While we didn't receive any submission on this point, we also considered whether a DCS depositor page should prevent an authorised individual from providing alternate account information with the same deposit taker. In the event of that deposit taker's failure we will be unable to pay compensation into accounts with the same deposit taker.	While we consider this may have been a desirable restriction, it is not one that we have previously raised and to do so now would increase build costs on deposit takers so no such restriction will be imposed. An authorised individual who provides an alternate account with the same deposit taker is likely to have their compensation delayed while we determine the correct account to pay to. A deposit taker may choose to remind authorised individuals not to provide an account with the same deposit taker, for example, by including it on the DCS depositor page where the information is supplied; however, there is no obligation to do so.

2.2.4. Single depositor view

Issue

Account authority SDV variables have been included as an account level variable to reflect submissions on the consultation document. We expect that some or many authorities may be provided at the depositor level. We invited submissions on the appropriate treatment.

Submissions were supportive of account authorities being provided at an account level rather than a depositor level and some noted that where they stored authority at a depositor level this information could be duplicated.

Response

No changes required.

Issue

We asked stakeholders to identify any foreseeable difficulties in identifying temporary accounts, as specified in row 36 of the table in the Guidance. We also sought views on whether the DCS Standard should include any additional measures to assist deposit takers in meeting this requirement. For example, this could include allowing more time to collate information on temporary accounts than for other SDV variables. Where such additional time is considered appropriate, we asked stakeholders to indicate what timeframe they consider reasonable.

Submissions identified difficulties in flagging temporary accounts as required by proposed field 36. They also questioned the relevance of collecting this information.

Response

We agree and have removed this field. Where a temporary account can be allocated to an individual depositor this should continue to be listed with that depositor's deposits. However, we will not treat these accounts differently for the purpose of calculating or paying compensation therefore we do not need to collect a temporary account flag.

Feedback	RBNZ Response
One submission sought clarity on updates to information held in the SDV, for example, if depositor information was provided directly to the Reserve Bank.	The SDV represents the information held by the deposit taker at the time it is provided. It is not necessary for the deposit taker to continue to keep this information updated after it has been provided to the Reserve Bank.
Another submission requested further clarification on resubmitting SDVs for relevant arrangements and associated follow up work.,	Where additional information is required, for example relevant arrangements, we will request this either from the deposit taker or the provider of the relevant arrangement and combine any information within our systems – it will not be necessary for a deposit taker to resubmit their entire SDV to incorporate this information.

Feedback	RBNZ Response
	However, if a deposit taker submits an SDV that contains errors that make it difficult or impossible to process we will work with the deposit taker to have these corrected before resubmitting the file.
One submission questioned whether we would be providing a list of authority types or whether deposit takers can use their own classifications.	Deposit takers should use their own classifications rather than having to reconcile these with categories set by the Reserve Bank. Note that these are not intended to be signing authorities – for example, a position or individual employed by a company that can manage that account. Instead, they are individuals who can manage the account on behalf of the depositor – for example, a solicitor or family member authorised to manage the account of a depositor with dementia.
Four submissions, including an industry body, were concerned about the requirement to be able to generate an SDV "at all times". Submissions were concerned about a requirement to generate an SDV intra-day and irrespective of other constraints such as weekends and public holidays. Some submissions suggested the requirement to supply the SDV to us within 24 hours should be extended to 48 hours which would align with Australia.	We are conscious of the system demands that would be placed on a deposit taker to generate an SDV and that, particularly when the deposit taker is still operating, the desire to sequence this around other obligations. We will not require a deposit taker to test that they could generate an SDV during a working day while other systems are operating. In the event a specified event notice is issued all transactions will be frozen so the content of an SDV generated in the middle of that day should be identical to one generated after the end of that same day. Likewise, for testing purposes, a deposit taker would not need to demonstrate that it could generate an SDV during weekend or public holidays while it is operating as normal with significantly reduced staff. However, if a specified event notice is issued a deposit taker will not be able to wait until the end of a weekend or public holiday to begin complying with its requirements so it will need to have sufficient processes in place to manage this possibility. As the SDV is a fundamental part of starting to calculate compensation entitlement and other steps in the resolution process we will be maintaining the 24-hour requirement. While this is shorter than Australia it is consistent with the requirements imposed by most other jurisdictions.
An industry body, and a deposit taker, submitted that we should continue to allow SDV files to be provided in a .JSON format, as had been previously signalled, rather than solely in a .CSV	While some deposit takers might see advantages in using .JSON files, others will only be able to produce .CSV files. Meanwhile all deposit takers will be able to produce .CSV files. In the short-term, developing

Feedback	RBNZ Response
format, as was included in the exposure draft. They consider this would allow flexibility for deposit takers and easier integration with internal systems. They noted converting .CSV files to .JSON is relatively straightforward and that .JSON files may be more appropriate for some deposit takers to use as they (i) better support hierarchical and relational data than .CSV files through a nested format; (ii) have better scalability and integration with existing systems and (iii) can better accommodate large data sets such as the SDV. They also questioned whether the SDV can be delivered in multiple files, for example, splitting between deposit data, account level data and relevant arrangements.	the ability to process both types of files within our systems would add significant complexity and increase risk. We may reconsider this view at a later date. We also consider that splitting the SDV file is likely to increase the risk of error, so will require a single file.
An industry body requested further guidance on application of deidentification to the SDV and when these files may be requested.	We have removed this requirement from the Standard. If we were to need an anonymised SDV file (for example, for testing purposes), we would specify deidentification in a section 99 information gathering notice.
One deposit taker submitted that the SDV should be limited only to protected deposits rather than all deposits	The SDV was always intended to capture all deposits rather than only protected deposits. There are a number of reasons for this including reconciliation with the balance sheet survey, additional information for aggregate reporting (for example, changes in the proportion of protected deposits over time) and providing complete information to affected depositors in the event of a deposit taker failure. Also refer to discussion on revolving credit contracts in the row below.
Two submissions, including an industry body, requested clarification on the treatment of accounts with negative balances and suggested these should be provided as negative amounts rather than converted to nil.	We agree that including negative balances at their actual balance rather than converted to nil will reduce the possibility of errors and make reconciliation easier. Negative balances will not reduce the entitlement to compensation for other accounts with positive balances however we can filter the accounts to achieve this. This issue has also caused us to reconsider the SDV treatment of revolving credit contracts – given that only those with a positive balance are a protected deposit but that most revolving credit contracts will have a negative balance. All revolving credit contracts, except for those with a credit card, should also be included in the SDV. While many of these will not be protected deposits, it will prevent the number of

Feedback	RBNZ Response
	accounts in the SDV fluctuating so significantly as some revolving credit accounts switch from positive to negative or vice versa. An exception has been made for credit cards that should only be included in the SDV if they have a positive balance. There are two reasons for this different treatment compared to other revolving credit contracts: (1) a much smaller proportion of credit cards have a positive balance; and (2) credits cards are more likely to be issued to persons who don't have other deposits with that deposit taker so wouldn't otherwise appear in the SDV.
Five submissions, including two industry bodies requested clarification on the distinction between mandatory and non-mandatory fields as well as providing views that many fields should not be mandatory. Some submissions made submissions on specific fields that may be blank, for example NZBN, that are also addressed in this row.	We have removed the distinction between mandatory and non-mandatory fields. A deposit taker must provide information for all fields if it holds that information but can leave any field blank if it does not hold it. A blank field could arise for several reasons including (1) information would have been expected to be held (such as an IRD number) but wasn't for whatever reason; (2) the field is not utilised by that depositor (such as a NZBN for an individual or a second phone number); or (3) the field is for a choice that does not apply to the depositor (for example, payout hold). Fields that will be generated by the deposit taker (such as the unique ID or bank account number) would not be expected to be blank for any depositors.
Two submissions, including an industry body, requested further information on the depositor ineligibility field specifically for government agencies. They asked if they could rely solely on the RBNZ list published in May 2025, if they were only required to identify government agencies on a "best efforts" basis and that they were not required to confirm the eligibility status of potential government agencies directly with each agency.	Clause 32 of the exposure draft will prevent the deposit taker from being required to contact individual depositors to confirm whether they are a government agency. The disclaimer included in the May 2025 list was: *This list is indicative only and represents public information available at the time of this document's publication. The list also references both a government agency's legal and trading name, where the trading name is commonly used.* *This list is not represented as an exhaustive or authoritative list. A deposit taker should check the status of their account holders, as to whether they are eligible depositors in*

Feedback	RBNZ Response
	relation to the DCS, in consultation with their respective account holders. There will be government agencies that are not included in the May 2025 list – for example, Reserve Boards, Crown entity subsidiaries or ones that were created or renamed after the publication of the list. It is not sufficient for a deposit taker to solely rely on the May 2025 list, particularly if it becomes progressively out-of-date over time but it is appropriate for a deposit taker to rely on a 'best-efforts' approach, for example incorporating other information obtained during a 'know your customer' process. Final ineligibility on the basis of being a government agency will be determined by the Reserve Bank as part of calculating compensation after a specified event notice is issued; however, the depositor ineligibility field is expected to provide a strong indication whether a depositor is a government agency for most depositors.
One submission questioned how to apply the tax fields (IRD number, tax rate and tax type) on a depositor level basis when this information may be held at an account level basis.	We acknowledge that supplying this information on a depositor basis may cause deposit takers some difficulties. However, it is necessary to consolidate this information as DCS compensation is paid at a depositor level so different tax rates or types cannot be applied to a single payment[2] of accrued interest. Depositors should have a consistent tax rate and type recorded across each of their accounts. If this is not the case we will apply the highest rate supplied so deposit takers should also provide the same. Few depositors are expected to have more than one IRD number but if they do the deposit taker should include the one they consider to be the most appropriate in the SDV. To simplify the SDV and any tax calculations, the PIR field has been removed as we will only withhold a single type and rate of tax for each accrued interest compensation and the PIR rate will be the same or lower than a NZ resident's withholding tax rate.
One submission questioned the calculation of the compensation amount field, specifically in relation to relevant arrangements, and correctly identified	The field descriptor for the compensation amount field confirms that relevant arrangements and temporary high balances should be excluded from this field although we have made changes to the

[2] There may be two payments of accrued interest where a depositor has a relevant arrangement that also accrues interest. However, this second payment will still be paid to a single depositor and taxed consistent with the first payment of accrued interest.

Feedback	RBNZ Response
that this figure would flow through to DCS levy calculations.	second sentence to make this clearer. Deposit takers will have to flag relevant arrangements (in field 34 of the exposure draft) so can provide a total of these (under the Reporting Standard) but will not have sufficient information to know how much of this total represents protected deposits that may be eligible for compensation. The treatment of relevant arrangements in the DCS levy calculation will be considered separately through the Deposit Takers Regulations 2028 consultation. .
Six submissions noted the lack of detail on the temporary high balance field and identified difficulties with confirming whether a depositor had a temporary high balance.	The inclusion of a temporary high balance field was always intended as a place holder until the treatment of temporary high balances was determined as part of the Deposit Takers Regulations 2028. We agree with the difficulty of identifying these depositors in advance of a deposit taker failure where additional information can be requested. The temporary high balance field has been removed from the SDV.
The guidance on the vulnerability field referred to the Consumer Vulnerability Framework. One submission requested clarification that there is no requirement to map directly to this framework.	We agree that vulnerability in this context relates to communication vulnerability, such as hearing or sight difficulties, and there is no requirement to map to the Consumer Vulnerability Framework but this was provided if it was of assistance to deposit takers. We have updated the guidance to make this clearer.
One industry body requested clarification on the treatment of deposits held jointly or other than jointly.	Joint accounts are split equally across holders under section 204 of the DTA as no regulation have been made to vary this split. Regulations 10 and 11 relate to section 205 and non-joint accounts such as relevant arrangements and partnerships. For joint accounts, under section 204, the full account balance should be attributed to each holder, but the number of account holders will allow this balance to be split equally – which will be done both by deposit takers for the compensation amount field and by the Reserve Bank for calculating compensation.
One industry body questioned whether the identification of type of debt security in field 31 was to the list in regulation 5(2)(a) of the Deposit Takers Regulations 2025 or to the deposit taker's product types.	Field 31 maps to the list in regulation 5(2)(a) whereas the deposit takers product type is in field 32. Where a depositor has less than $100,000 in eligible deposits this information may not be relevant, but if a depositor has over this amount the product type as contained in the regulations is necessary for us to apply a product hierarchy to the compensation calculation. It could also be relevant to applying continuity of access to deposits (formerly known as OBR).

Feedback	RBNZ Response
Five submissions, including two industry bodies, questioned the identification and treatment of relevant arrangements.	Depositors that provide relevant arrangements will be incentivised to identify these as such with their deposit taker to ensure that, in the event of the deposit taker's failure, correct compensation can be provided as quickly as possible. Deposit takers may also identify relevant arrangements through other processes such as know your customer. It is possible that some will not be identified in advance of a failure but we do not consider it necessary to introduce a third category, as suggested by some submissions, of unknown as this wouldn't provide any additional information or for any additional response compared to marking the same account as a relevant arrangement. If an account is incorrectly marked as a relevant arrangement this will delay compensation to that account whereas if it is incorrectly not marked as a relevant arrangement less compensation may be provided than the depositor is entitled to which will again delay the full amount of compensation. In either case the primary issue will be delay rather than incorrect compensation.
Two submissions questioned the use of the trust account flag in field 25.	This field is distinct from trusts being included within the type of depositor field (field 2) as it is specific to trust accounts that qualify under section 210. These are commonly used by business, such as fin-techs who provide services between the ultimate depositor and the deposit taker but are not themselves deposit takers. This will ensure these can be identified and compensation correctly calculated.
Three submissions, including an industry body, raised the difficulty of deposit takers calculating accrued interest and suggested that it should not be a mandatory field. They also raised the interaction with section 218 that allows for estimates if accurate values are not available.	Accrued interest is a necessary field for us to calculate the full amount that an eligible depositor is entitled to (see section 192(3)(b) of the DTA). While section 218 allows for estimates to be used this is only where there is uncertainty as to the amount of accrued interest. We are not collecting sufficient information in the SDV to allow accrued interest to be accurately calculated by us – for example, when interest was last paid on an account, the average balance since that time and the appropriate interest rate. Deposit takers will have the ability to calculate accrued interest, for example, if a depositor wants to close an account at any time when interest has not just been paid.

Feedback	RBNZ Response
	We understand from submissions that calculating accrued interest across all accounts is likely to be a resource intensive process. For this reason, we will not require deposit takers to calculate accrued interest for testing purposes under the standard (or for the purposes of aggregate reporting). However, deposit takers will need to be *capable* of calculating accrued interest within 24 hours so that accurate entitlements can be calculated in a payment event. (We are also likely to seek to avoid requiring regular calculation of accrued interest as we finalise aggregate reporting requirements and review the regulations governing the levy calculation).
One submission questioned whether accrued interest would be netted against accrued fees – for example, monthly account fees, transaction fees or overdraft management fees.	Section 216 of the DTA requires any liabilities owing by an eligible depositor to the deposit taker to be disregarded. A deposit taker should not include, or net off, accrued fees in the SDV.
Three submissions, including one industry body, raised questions about how authority fields work and the interaction between authorities and authorised individuals.	Authorised individuals are people who can transfer funds either to another deposit taker or another person. They will typically be the depositor themselves or suitably authorised staff within a business. These people are separate from the authority on account fields and will instead be included within the contact details for the depositor – for example, a person authorised to manage banking for a company may have their phone number or email address as the depositor's contact details. Authority on account represents someone other than the depositor, its staff, office holders or similar. For example, it could include a family member of an elderly depositor or a solicitor on behalf of a trust. Our communication will still primarily be with the depositor rather than the authority but we will use authority information to verify that we can talk with the authority if needed. We have reconsidered the authority fields and removed a number that we considered were not sufficiently necessary.
One submission asked for clarification on the level of information required to be provided through the SDV on the reason for a payout hold and whether it was complete or partial.	This field already provides flexibility over the amount of information provided in relation to a payout hold. However, particularly given there will only be one compensation payment, if there is any payout hold and there is insufficient information whether it may be relevant to any compensation payment we will request additional information from the deposit

Feedback	RBNZ Response
	taker and/or depositor and this may delay the payment.
One submission questioned the treatment where an authorised individual has access to some, but not all, of a depositor's accounts. For example, a depositor may have an employee who is an authorised individual for a petty cash account while another more senior employee is an authorised individual for term deposits.	As the DCS will make a single compensation payment for a depositor on an SDV basis rather than providing separate payments for separate accounts it is not possible for different alternate accounts to be provided by different authorised individuals. Likewise, it would be too complex to introduce a hierarchy of authorised individuals so that only some could provide alternate accounts as this would vary from depositor to depositor. Therefore, an authorised individual for any of a depositor's accounts can submit depositor information and, as noted elsewhere, where multiple different depositor information is provided we will use the most recently provided information and keep a record of who provided this information.
Two submissions including an industry body requested additional information on the SDV quarterly reporting proposal.	This information was provided as part of the Reporting Standard exposure draft which was consulted on as part of tranche 2 on 26 February 2026. Additional detail will be provided as the Reporting Standard continues to be developed.

2.2.5. Providing information to Bank for DCS

Issue

In relation to the data submission guidelines, we asked whether there are any technical or non-technical constraints that would prevent the stakeholder's institution from implementing asymmetric encryption.

.Feedback	RBNZ Response
In response to a question in the consultation document, submissions did not identify any constraints on implementing asymmetric encryption. Several also questioned alignment with the Loan Level Data project.	The DCS team has worked closely with the team responsible for Loan Level Data and these requirements are aligned to the extent possible.
Two submissions, including an industry body, requested an agreed method for secure sharing of encryption keys.	Asymmetric keys can be shared by email or Box. The data submission guidelines have been updated to reflect this.
One submission asked for clarification on the information-gathering notice that is referred to in	The information gathering notice is issued under the information gathering power in section 99 of the DTA. We would expect to use this power to gather a

.Feedback	RBNZ Response
the data submission guidelines but is not referred to in the exposure draft or guidance.	FDI and an SDV file when an event notice had been issued or when we undertake testing (for example, as part of a thematic review of the file quality or to test the quality of the file when a deposit taker was in significant distress and we thought a payout might be needed).

2.3. Summary of other important changes

This section provides information on other important changes to help deposit takers understand what changes have been made since the exposure draft. This section is not intended to be a comprehensive list of all changes that will be in the final DCS Standard when it is released.

Updated SDV fields and a new depositor information file (DIF)

We updated SDV fields. The updated table is shown in the Guidance. Most of the changes are clarifications and a number of fields have been removed which includes Prescribed Investor Rate, a Temporary High balance flag, a Temporary account flag, certain contact details for account authorities and data stored from an alternate model.

Depositor information has also been removed from the SDV. We created a separate Depositor Information File (DIF) which contains depositor information collected through the DCS depositor page or held under the 3 alternate model. The DIF is a separate file from the SDV. DIF fields are shown in the Guidance.

Timestamp for DCS depositor page

A deposit taker will be required to record the timestamp of when depositor information was submitted through a DCS depositor page. This timestamp should include the date and time down to the second using the ISO 8601 standard. This will allow us to determine the order of submissions when more than one submission is received for a single depositor.

Username for DCS depositor page

A deposit taker will be required to record the identity of the authorised individual submitting depositor information through a DCS depositor page. This identification must either be the full name of the authorised individual or alternatively other information that allows the deposit taker to uniquely identify the authorised individual. If the deposit taker chooses to provide other information we will request a copy of information allowing all authorised individuals to be identified without having to individually request this for each authorised individual.

Freezing accounts and view only access

A deposit taker, upon receiving a specified event notice must freeze all accounts irrespective of whether they are protected or unprotected. This will apply to all accounts with the deposit taker and any subsidiaries that have been placed into resolution at the same time. It will not apply to any accounts controlled through the same account software but with another entity that has not been placed into resolution, for example, accounts with a foreign parent.

View only access must be maintained showing the balance and transaction history of accounts at the quantification time. This information does not need to be updated to reflect subsequent events such as transaction as part of resolution. This information should match the account balances provided in the SDV generated for the quantification time. This requirement does not override any other requirement to disable view access for an individual depositor or authorised individual, for example, due to fraudulent transactions.

Alternate model

Depositor information stored from an alternate model, where an alternate model is used, will be requested as a separate file from the deposit taker rather than being incorporated into the SDV itself. This file will, to the extent possible follow the same format as the equivalent file we will request from a deposit taker that collects depositor information through a DCS depositor page.

SDV needs to be submitted in one complete file and not multiple files

A deposit taker providing the SDV to us must provide this in a single file rather than splitting it across multiple files. This does not mean that a deposit taker cannot provide additional information later if it becomes available. However, as the deposit taker needs to be able to generate an SDV at all times and the SDV does not need to incorporate subsequent information (such as the underlying depositors in a relevant arrangement or transactions as part of the resolution process) we do not anticipate this would frequently occur. This is separate to information obtained from a DCS depositor page which will continue to be updated after the specified event notice is issued and will be provided as separate regular files (eg every 24 hours).

Generate SDV 'at all times'

It will continue to be a requirement for a deposit taker to be able to generate an SDV at all times as this is necessary for us to start the compensation process as soon as possible using timely and accurate information. However, we have acknowledged the difficulty some deposit takers may have with achieving this and have incorporated the following changes:

- Deposit takers will not be required to demonstrate that they can generate an SDV intra-day or during weekends and public holidays when they have lower numbers of staff. In the event of a specified event notice being issued all transactions should be frozen so it would be acceptable to generate an SDV at the end of the day that contained the quantification time on the basis that the information provided should match what would have been available at the quantification time.
- Accrued interest will not be required to be calculated on a quarterly basis for the Reporting Standard. A deposit taker must be able to calculate all accrued interest upon receipt of a specified event notice but we will not require this calculation to be carried out in full during annual testing.

Deposits within SDV and negative values

Clause 2(2) of Schedule 2 has been updated to confirm which deposits must be included in the SDV. This includes all deposits irrespective of whether they are protected or unprotected. It includes revolving credit accounts, except for credit card accounts, irrespective of whether they have a positive, nil or negative balance. If a revolving credit account has a negative balance the account balance should be shown at the negative amount rather than converted to nil. Credit card accounts are only required to be included in the SDV if they have a positive balance at the time the SDV is generated. To ensure compliance with PCI-DSS standards, if a credit card account is provided the account number should be the last 8 digits of the credit card or other number that allows the account to be uniquely identified rather than the complete credit card number.

Transition from an alternate model

If a deposit taker is using an alternate model, but will cease to be eligible, for example, because they introduce account software or transaction accounts, will be able to seek approval to continue to use the alternate model for a period of time.

DCS information sheet

A DCS information sheet must be made available, rather than must be provided, only upon request or when a depositor opens a protected deposit and they do not currently have one.

Chapter 3

Deposit Takers Lending Standard

Summary of Submissions on the exposure draft

14 September 2026

Non-technical summary

Background

The Lending Standard exposure draft and draft Lending Guidance was released for consultation on 30 October 2025, with a comment deadline of 30 January 2026. 17 submissions relating to lending were received and are available on our website.

A document with supporting information on the Lending Standard exposure draft and draft Lending Guidance was also released on 30 October 2025. This document included some specific questions from the Reserve Bank that stakeholders could respond to.

Summary

This document summarises and responds to submissions received on the Lending Standard exposure draft and draft lending Guidance.

The summaries of feedback and our responses are set out in tables and are split based on whether the feedback primarily related to the Lending Standard or Lending Guidance. We also have dedicated sections covering specific questions around:

- The structure of the lending standard
- LVR and DTI exemptions
- The application of lending restrictions
- Transitional arrangements

The updated drafts of the Lending Standard and Lending Guidance have been published under separate covers.

Next steps

The updated drafts of the Lending Standard and Lending Guidance are being released to provide further information on how we have responded to submissions on the exposure draft and draft guidance, and to support understanding as deposit takers consider implementation of the standard. These are 'near-final drafts'.

The Lending Standard and Guidance will not be finalised until they are issued (expected to be in May 2027) and are subject to further revisions, for example to ensure consistency of drafting across all standards and guidance as they are finalised.

3.1. Introduction

The Deposit Takers (Lending) Standard (the Lending Standard) provides borrower-based macroprudential policy tools, which are designed to reduce systemic risks to the stability of the financial system related to the residential property sector. The specific tools in the Lending Standard are:

- Loan-to-value ratio (LVR) restrictions, which are currently set out in the LVR framework document, BS19: Framework for Restrictions on High Loan-to Value Residential Mortgage Lending. LVR restrictions were introduced in October 2013.
- Debt-to-income (DTI) restrictions, which are currently set out in the DTI framework document, BS20: Framework for Restrictions on High Debt-to-Income Residential Mortgage Lending. DTI restrictions were introduced in July 2024.

Policy decisions related these borrower-based macroprudential policy tools and reflected in the exposure draft of the Lending Standard were subject to public consultation in 2024. In 2025, we published a summary of the submissions we received and our response.[3]

The Lending Standard is designed to replace both BS19 and BS20, with only minor adjustments, when prudential regulation transitions to being conducted under the DTA. The specific requirements will be set by licence condition (and are expected to continue to be applied to group 1 and 2 deposit takers).

3.2. Response to issues raised and questions asked in the exposure draft consultation

3.2.1. Structure of the Lending Standard

Issue

The draft Lending Standard specifies criteria, determining which residential housing loans are to be included in the calculation of qualifying credit amounts and therefore subject to LVR and DTI restrictions. These criteria are based on:

- the nature of the security; and
- the nature of the lending (where most of the categories are analogous to the 'exemptions' set out in BS19 and BS20).

Essentially, the structure of the draft Lending Standard determines the nature of the lending first, then the LVR and DTI ratio, which then determines which loans are included in the calculation of qualifying credit amounts. This differs from BS19 and BS20, which start with residential housing loans, then subtract any of those loans that are 'exempt' and exceed high-LVR and/or high-DTI thresholds to derive qualifying credit amounts.

Many submitters were supportive of the structure of the Lending Standard. Whilst they agreed that the overall approach was logical and more streamlined than BS19 and BS20, they suggested that the approach to loan classification and calculation of qualifying credit was too prescriptive and

[3] DTA Non-core Standards - Summary of Submissions and Policy Decisions

may result in additional complexity. Some submitters also noted that there had been numerous drafting changes to key definitions and sought confirmation that the policy intent of the new Lending Standard will align with BS19 and BS20 and not go beyond existing frameworks.

There were general concerns about changes to key definitions and what that means for policy intent and reporting. For example, there is increased ambiguity that relies on statutory interpretation (singular implies plural), which may not be clear in practical lending scenarios. Furthermore, some aspects of the draft Lending Standard that refer to future conditions being fulfilled are too subjective. Deposit takers may make determinations on information they reasonably have available at the time of committing to a loan, rather than applying a hindsight test. In general, some submitters suggested that these concepts are blurred.

Comment

We acknowledge feedback that raised some technical issues related to our drafting approach and how this impacts industry understanding of our requirements. We are aiming for drafting that is legally effective, enforceable, provides certainty, describes legal and industry concepts conventionally, uses words and phrases in a consistent way and aligns with the modern approach to legislative drafting (including statutory interpretation).

We do not intend that "hindsight" tests apply to the requirements in the Lending Standard. We acknowledge that it is not possible for deposit takers to know if some conditions will be met when they first commit to the loan (for example, if a new build will be completed within 2 years of the loan being committed to).

We confirm that the policy intent of the new Lending Standard will align with BS19 and BS20, noting that the wording of the requirements differs somewhat. We recognise that the approach to loan classification and the calculation of qualifying credit may seem prescriptive. However, this reflects our overall drafting approach and aligns with modern legislative drafting more generally, where the requirements for loan classification and the calculation of qualifying credit formally set out the provisions in BS19 and BS20. We note that the calculation of qualifying credit amounts in the draft Lending Standard works out to be the same as the calculation of qualifying new mortgage lending amounts in BS19 and BS20.

Response

We will retain the structure of the Lending Standard as was set out in the exposure draft. However, to the extent that it aligns with our policy intent and overarching drafting approach, we will adjust the wording of some of the requirements in response to the feedback that we have received. This is considered in more detail in Table 4.1.

As we do not intend that "hindsight" tests apply, we have adjusted the relevant clauses in the Lending Standard (clauses 11, 14 and 16) to recognise deposit takers make determinations based on information that they are reasonably expected to have available at the time.

We will retain our approach to loan classification and the calculation of qualifying credit.

3.2.2. LVR and DTI exemptions

Issue

Exemptions to LVR and DTI restrictions reduce administrative efficiency of these restrictions by minimising regulatory costs, market distortions and unintended consequences. There were eight types lending that were exempt from LVR and DTI restrictions as outlined in BS19 and BS20.

As noted in the consultation cover note, exemptions were framed as "nature of lending" categories in the draft Lending Standard, where some exemption categories have been renamed for clarity. In developing the draft Lending Standard, there were some technical adjustments to some of the wording of the current LVR and DTI requirements (as outlined in BS19 and BS20). We also made changes to some aspects of specific "exemptions" to promote efficiency and competition, including:

- Removing the "original developer" requirement on new build purchases
- Allowing for incidental costs on refinancing and portability loans (security substitution)
- Portability loans (security substitution)
- Having no explicit category for combined collateral
- Removing the loan-granted-in-error exemption.

Submitters were generally supportive of setting out exemptions as nature of lending categories in the Lending Standard. However, there were numerous queries on how the specific categories had been drafted and if the new wording aligned with the policy intent. We consider these queries in Table 4.1. Noting that the wording differed from BS19/BS20, some submitters also suggested that the wording on exemptions from BS19/BS20 should be carried over to the Lending Standard and Guidance, rather than the new wording in the draft Lending Standard.

Most submitters did not comment on the changes that we made to some aspects of specific "exemptions" as highlighted above. However, some submitters disagreed with removing the "loan granted in error" exemption as this could increase compliance risk given that it removes a safety valve for process errors. There should be a limited error tolerance mechanism to address genuine mistakes without undermining policy intent.

One submitter suggested that the provisions replacing the "combined collateral" category were complex and confusing (as per clause 27 of the draft Lending Standard). They suggested that "combined collateral" should be reinstated as a nature of lending category (rather than clause 27 of the draft Lending Standard).

Comment

We acknowledge that the wording of "exemptions" in the draft Lending Standard and Guidance differs from BS19/BS20. Our approach to drafting the requirements seeks to align with how section 82 in the DTA has been formulated. As such, we have moved away from the specific wording in BS19/BS20, but confirm there has been no change in policy intent for the "exemptions" (beyond the minor changes mentioned above).

In regard to there being no explicit category for “combined collateral”, we acknowledge that this appears to add complexity. However, we have drafted it in this way to ensure that we used a single set of “nature of lending” categories. Given that the “combined collateral” exemption only applies to LVR restrictions, we therefore capture in the calculation of LVR qualifying credit amounts rather than the “nature of lending” categories. We confirm that there is no change in the policy intent regarding “combined collateral”. This is to be reported as “cross-security finance” in the reporting template.

As stated in the consultation cover note for the exposure draft, the “loan granted in error” exemption was put in place when LVR restrictions were introduced as deposit takers adjusted to new policy. Our view is that this is no longer needed as deposit takers have well established systems and processes for LVR and DTI restrictions (which have been in place for some time).

Response

We will retain our overarching drafting approach (aligning with the modern approach to legislative drafting) but have made changes to the wording of some of the “nature of lending” categories in the Lending Standard as described in the tables below.

We will not include “combined collateral” as a “nature of lending” category and will retain clause 27 in the Lending Standard. As mentioned in the comment section, “cross-security finance” will be included as a category in the reporting template, which is analogous to “combined collateral”.

We have decided not to include “loan granted in error” as a “nature of lending” category.

3.2.3. Lending restrictions

Restrictions by licence conditions

In the Lending Standard, we have implemented a range for high-LVR and high-DTI thresholds and speed limits, without increments (rather than in a table as was proposed in the previous consultation). This means that we will be able to set LVR and DTI settings at any number that is within the range of high-LVR and high-DTI thresholds and speed limits (within the same numbers as proposed, but not limited to the increments), giving additional flexibility. The specific high-LVR and high-DTI thresholds and speed limits that apply to a deposit taker at any specific point in time will be set out in each deposit taker’s licence conditions, where applicable.

We note that we would still have the option to use high-LVR and high-DTI thresholds and speed limits that are outside of these ranges if market conditions warranted other settings. This would mean that the Lending Standard would need to be amended, lengthening the process when it comes to adjusting settings.

Many submitters asked if there would be guidance on expected timeframes for the period between a change in LVR/DTI settings being notified and the end of the initial measurement period (noting that changes to LVR/DTI settings and the end of the initial measurement period will be set out in revised licence conditions). This would give greater certainty around the lead-in times necessary to implement changes to LVR/DTI settings).

Many submitters asked if there would be guidance on likely timeframes and processes required to amend the Lending Standard (in order to apply LVR/DTI settings outside of the ranges set out in the Lending Standard). They suggested that it will be important to engage early on any changes to LVR/DTI thresholds as this is valuable for business planning and system configuration.

Some submitters also stated that codifying the speed limit in the Lending Standard may not be appropriate (as amendments may be necessary if market conditions warrant higher speed limits).

Comment

Timeframes for the period between a change in LVR/DTI settings being notified and the end of the initial measurement period may differ depending on the situation at the time. As such, we will not include expected timeframes in the Lending Guidance. However, we will ensure that deposit takers have sufficient time to manage their lending flows in adjusting to the change in LVR/DTI settings. For example, as outlined in our policy decisions,[4] the Lending Standard will give the option for us to apply a six-month measurement period to Group 1 deposit takers in the initial measurement period after LVR/DTI settings are tightened (which would be set out in conditions of licence).

There will be a general approach to amending a standard that we will follow, which will include a public consultation. However, this can depend on the situation at the time, which may lead to differing timeframes. If it were decided to amend the range of LVR/DTI settings in the Lending Standard and different LVR/DTI settings were applied as a result, we would give deposit takers sufficient time to adjust to the change in LVR/DTI settings.

We note that a range for speed limits (and thresholds) being codified in the Lending Standard follows the default approach as per the DTA, which is to include regulatory settings in standards (see section 92).[5] We already see the range of speed limits and thresholds as accommodating all likely settings and an amendment to the standard to increase these ranges in the future is unlikely.

Response

We will not include expected timeframes for the period between a change in LVR/DTI settings being notified and the end of the initial measurement period in the Lending Guidance. It is difficult to give guidance on this as it will depend on the situation at the time and is also likely to differ depending on whether settings are being loosened or tightened.

If we were to amend the Lending Standard, we would publicly consult on this (as we would when amending other standards). We include ranges for speed limits and thresholds in the Lending Standard as per section 92 of the DTA.

Licence conditions specific to deposit takers

In general, all Group 1 and Group 2 deposit takers will be subject to the same LVR and DTI settings. That is, the same high-LVR and high-DTI thresholds and limits are intended to apply to all Group 1 and Group 2 deposit takers as specified in licence conditions.

However, there is the option to apply different LVR and DTI settings to a deposit taker, compared to other deposit takers. That is, different high-LVR and high-DTI thresholds and speed limits may be applied to a deposit taker as specified in its licence conditions. We would consider using this option if a deposit taker was engaging in activities to actively avoid LVR and/or DTI restrictions,

[4] Deposit Takers Core Standards Report back publication version
[5] Deposit Takers Act 2023 | New Zealand Legislation

which may involve imposing tighter LVR and/or DTI settings on that deposit taker. We give examples of potential avoidance activities in guidance.

Many submitters suggested that anti-avoidance as set out in the draft Lending Guidance seems to be overly prescriptive. They felt that material matters that a deposit taker must comply with should be included in the Lending Standard, rather than Lending Guidance. One submitter suggested that the use of illustrative examples could help with interpretation.

Some submitters also sought clarification on whether the associated person or holding entity in paragraph 108.8 of the Lending Guidance is related to the debtor or the deposit taker ("acting as a broker or arranging a residential housing loan, which is ultimately provided by an associated person or holding entity").

Comment

We feel that examples of potential avoidance activities are best suited to guidance as it is difficult to clearly draft comprehensive rules to capture this in the Lending Standard itself. This recognises that there may occasionally be circumstances where these activities are undertaken for legitimate reasons unrelated to avoiding the LVR or DTI restrictions. Our intent is to manage anti-avoidance as is currently set out in BS19 and BS20 (for example, via licence conditions specific to deposit takers).

Response

We have not revised the standard or guidance in light of this feedback.

3.2.4. Transitional arrangements

Issue

Proposed transitional arrangements for the Lending Standard were outlined in the consultation cover note. That is:

- When the Lending Standard comes into force (on 1 December 2028 under current plans), rolling lending periods will 'reset'.
- We note that LVR and DTI calculations for some residential housing loans entered into on or after 1 December 2028 may have used some information from the time that a person applies for a residential mortgage loan (before 1 December 2028). At this stage, we do not expect deposit takers to recollect this information and recalculate the LVR and DTI for these loans after 1 December 2028 under the requirements of the Lending Standard.

Many submitters were supportive of the proposed transitional arrangements for the Lending Standard, but noted that further consultation on other standards is still yet to occur and that this may impact implementation, particularly where standards have definitions that overlap across standards (for example, the Capital Standard will have definitions that overlap with the Lending Standard). Some submitters also noted that it will be important to have clear guidance on the treatment of loans originated during the transition period (including how changes to settings will apply during the transition period) and confirm that no retrospective compliance will be required.

Comment

We acknowledge that further consultation on some standards has occurred after the Lending Standard was consulted on and that there will be definitions that overlap across standards. We expect to issue all standards (excluding the proposed Crisis Preparedness Standard) in May 2027, and believe this should provide an adequate period for deposit takers to adjust to the new settings before they take effect.

LVR/DTI settings will continue to apply via conditions of registration throughout the transition period until the Lending Standard comes into force (scheduled for 1 December 2028). That is, the LVR and DTI requirements as set out in BS19 and BS20 will continue to apply until the Lending Standard comes into force, where the final measurement period under the current framework will end on 30 November 2028.

When the Lending Standard comes into force, rolling measurement periods will 'reset'. For example, the initial three-month lending period under the Lending Standard would end on 28 February 2029 (and there would be no measurement periods ending on 31 December 2028 or 31 January 2029). In practice, the 'reset' of rolling measurement periods will be the same as if there were a change in LVR/DTI settings and no retrospective compliance will be required (even if LVR/DTI settings are not changed on 1 December 2028).

Response

LVR/DTI settings will continue to apply via conditions of registration under the current framework until the Lending Standard comes into force. Rolling measurement periods will 'reset' when the Lending Standard comes into force, effectively 'resetting' compliance with LVR/DTI settings.

3.3. Minor and technical issues

3.3.1. Issues related to the Lending Standard

Issue	RBNZ Response
Interpretation of the Lending Standard	
Cross-referencing other legislation (in particular, CCCFA) Many submitters had concerns about the exposure draft of the Lending Standard cross-referencing other legislation and what this means for policy intent. For example, definitions from cross-referenced legislation can change over time and these changes likely will not take prudential policy into account (so the intent of prudential policy could inadvertently change). There were also concerns about the ambiguity of key terms, particularly those crossed-referenced from the CCCFA. These included: • Using "advance"/"first advance" is ambiguous and may lead to a timing issue as it may be interpreted as when the loan is drawn down (and the CCCFA "credit contract" definition is based on when funds are advanced), whereas the intent of LVR/DTI requirements is to capture the loan earlier when it is committed (for example, a final offer is made). Submitters suggested that an explicit definition for “loan commitment date” be included in the Lending Standard for clarity. • Using "credit contract" instead of "loan" may lead to a timing issue as per the previous point, but one or the other should be used for consistency (instead of interchangeably across the standard and guidance). If "credit contract" is used, it should be based on the definition used for the purposes of section 82(5) of the DTA. • Using the term "debt" in paragraphs 81 and 82 of guidance seems inconsistent with the exposure draft of the Lending Standard, which uses "credit contract". • Replacing the existing terms "borrower " and "borrowing party " with the CCCFA term "debtor " risks confusion as "debtor" makes it unclear who owes the bank and	We are aiming for drafting that is legally effective, enforceable, provides certainty, describes legal and industry concepts conventionally, uses words and phrases in a consistent way and aligns with the modern approach to legislative drafting. That being said, we have updated the exposure draft in light of feedback received where we believe that would better achieve this aim. Specifically, we have: • Defined “loan commitment date” in clause 3 and used this term instead of “first advance”. • Aligned the definition of “credit contract” in clause 3 with the definition in Scheule 2 of the DTA (similarly to section 82(5) of the DTA) • Reintroduced the term “borrowing party” and defined this in clause 3. We have retained the term “unpaid balance” as we believe it is sufficiently clear in the context that this relates to the total amount of a loan that is outstanding, rather than the overdue amounts.

Issue	RBNZ Response
- who owes other parties in the LVR/DTI calculation. "Unpaid balance" may be misinterpreted as overdue balances.	
Definition of residential housing loan (clause 3) Many submitters suggested that the definition of residential housing loan in the exposure draft of the Lending Standard differed materially from the definition in BS19 and BS20 (cross-referenced from BPR131). They had a number of queries as follows: - It is not clear if the definition excludes loans on mortgaged properties predominately used for farming/commercial (as in BPR131) 'Residential land' should be defined to help clarify the residential housing loan definition (as this has implications for different types of land titles and some nature of lending categories) - The definition appears to exclude land-only purchases (where building occurs subsequently and on a separate loan) and may not operate correctly when a deposit taker does not hold first ranking security. - Are community housing providers, iwi developments, and Kainga Whenua loans included in the definition? - How are loans secured by multiple properties (residential and non-residential) treated? - The use of "dwellinghouse " instead of "residential property " is less suitable in the context of the wider framework of DTA standards. - Clarify that the definition captures a credit contract 'secured directly and indirectly' by a first mortgage.	We acknowledge that the definition of "residential housing loan" in the Lending Standard may introduce some ambiguity. We have replaced the term "residential housing loan" with "residential mortgage loan", with the Lending Standard now cross-referencing the Capital Standard definition of this term. We consulted on an exposure draft of the Capital Standard in June 2026. We have replaced the term "dwellinghouse" in the standard with a new defined term "principal residential unit (see clauses 11 and 12)". This term is taken from the Resource Management (National Environmental Standards for Detached Minor Residential Units) Regulations 2025. It is intended to clarify that the new build finance category does not apply to secondary residential units such as "granny flats". This matter is also discussed in the updated Guidance (see paragraph 29).
Definition of owner-occupied property (clause 3) Many submitters suggested that the focus on "use" only in the definition of owner-occupied property is narrow compared to "ownership and use" and seems like a material change from BPR131. This may impact the application of some nature of lending categories and how they are interpreted.	We have updated the definition of "owner-occupied residential property" in clause 3 to align with what is set out in the Capital Standard, with the Lending Standard now cross-referencing the Capital Standard definition of this term.
Relative vs related party	The updated exposure draft no longer uses the term "relative". Instead, the term "owner-occupied

Issue	RBNZ Response
A few submitters stated that "relative" is undefined in the exposure draft of the Lending Standard and it is not clear what it includes, but it seems as if it is materially different from "related party" (which is used in BS19/BS20). For example, it is not clear whether a spouse, civil union partner, or de facto partner would be considered a "relative", which may create additional complexity for joint lending and other complex situations.	residential property" is defined as per the Capital Standard in clause 3.
Definition of a "person" Submitters had a number of queries on the definition of a "person" as follows: • The exposure draft of the Lending Standard refers to "person", which is not defined. Submitters suggested it should be interpreted broadly (that is, include natural persons and entities). However, it is not clear how it applies in the context of guarantors, trusts and companies (particularly in the context of business lending secured by residential property). • There is no definition of "personal loan" (but is referred to in clauses 21(1)(b) and 21(2)(c)) and it is not clear how it should be interpreted if a broader definition of "person" is adopted, noting that deposit takers would not generally offer "personal loans" to entities. • Further consideration needs to be given to how the two provisions in clauses 21(1)(c) and 21(1)(d) are intended to operate where the relevant "person" is a company.	The updated exposure draft uses the term "borrowing party" to capture the single person or a group of persons that is seeking a residential mortgage loan from a deposit taker. Further detail has been included in the guidance to explain the scope of persons that this intended to cover. We have retained the term "personal loan" in clause 20(1) of the updated exposure draft. To clarify the treatment of loans to legal entities we have introduced the term "business debt". We have also sought to clarify (in clause 20(3)) the appropriate treatment of business debt when it is not practicable to separate this from personal debt.
Criteria to be applied for residential housing loan (clause 5) One submitter suggested that the criteria should apply to whether a "loan ", not a "person ", qualifies for a residential housing loan	Framing the criteria in this way is consistent with the DTA approach (for example, clause 82(2) of the DTA states "... whether a person qualifies for a loan or the provision of any other credit"), so this phrasing has also been applied to the Lending Standard.
Lending criteria - nature of lending (Part 2)	
Bridging finance (clause 8) Submitters had a number of queries on the bridging finance category as follows:	We acknowledge that bridging loans may be secured on both the existing property and the new property. As such, we have adjusted clause 8(b) of the Lending Standard to also allow another owner-

Issue	RBNZ Response
• The exposure draft of the Lending Standard only allows the existing property to be used as security and does not take the new property into account (as is generally the case for bridging finance). • The exposure draft of the Lending Standard requires the bridging finance to be repaid within 12 months, whereas BS19/BS20 is one year after the bank first committed to the loan. • A deposit taker is unable to determine if the lending will be repaid within 12 months and the exposure draft of the Lending Standard is not clear what happens after the 12 months if the bridging finance is not repaid. As a result, the exposure draft of the Lending Standard does not appear to permit an open bridge, which differs from BS19/BS20.	occupied property to be used as security (in addition to the existing property). We also note that the bridging loan category applies from when the loan was first committed, rather than "first advance". We have added a definition for "loan commitment date" and have adjusted clause 8(c)(ii) of the Lending Standard to reflect that. This aligns with BS19/BS20. Our intent is also not to limit to closed bridging loans; however, we acknowledge that clause 8(c)(ii) requiring the bridging loan to be repaid within 12 months of the "loan commitment date" may inadvertently prevent open bridging loans. We have amended clause 8(c)(ii) of the Lending Standard to state that if the bridging loan is not repaid within 12 months, it is to be classified as a new "ordinary finance" loan (if it does not fall into another nature of lending category). This aligns with BS19 and BS20.
Kāinga Ora first home purchase (clause 10) Many submitters suggested that the definition of " Kāinga Ora" should be broadened to include any successor agencies or first-home loan schemes.	Any successor agencies would be likely to continue to be captured by the term (due to transitional statutory provisions). Broader alternative schemes would be considered by RBNZ if and when they arise.
New build finance (clause 11) Submitters had a number of queries on the new build finance category as follows: • It is not clear what happens if there are uncontrollable delays and the 2-year timeframe (from first advance to the Code Compliance Certificate being issued) is not met as a result. The Code Compliance Certificate also does not seem to be an appropriate reference point as timing of issuance can be variable and minor dwellings that do not require a Code Compliance Certificate may fall outside of the scope. • The definition appears to exclude land only purchases. It was suggested that this should be wider as some borrowers purchase land first, then decide to build later and may be outside of the 2-year timeframe. • Including a requirement to demolish an existing dwelling is unnecessarily	We acknowledge that it is not possible for deposit takers to know if the 2-year timeframe for completion will be met when they first commit to the loan. We do not intend that a "hindsight" test applies and have amended clause 11(d), to remove references to the 2-year timeframe and issuance of the Code Compliance Certificate. Instead, deposit takers should expect completion of construction on a reasonable timeframe after the first advance (see guidance for further discussion). However, the intent remains to not include "land-only" purchases for land banking purposes. We agree that including a requirement to demolish an existing dwelling is unnecessarily restrictive and have removed clause 11(b)(ii) and 12(a)(ii). Preparing land for the new build may include the demolition or removal of existing structures but this need not be a requirement itself.

Issue	RBNZ Response
restrictive. This precludes some situations (for example, subdividing after building) and may cause complexities with different types of titles.	
Refinancing (clause 14) Some submitters suggested that clause 14(b) should be clear that it only applies to credit provided under the "new" loan, and not any existing loans.	We have adjusted clause 14(b) to state that the credit provided is under the "new" loan.
Remediation finance (clause 15) Many submitters suggested that the definition of "remediation" is too narrow and should retain the wider BS19/BS20 definition (including preventative repairs. One submitter also suggested that "remediation finance" should be renamed as "property remediation" to make clear that it pertains to the property, not the borrower	We agree that the provisions for property remediation can be made wider to include remediation arising because of significant weather-tightness issues or to improve a building to meet currently accepted standards (for example, Seismic strength standards or rental property standards around matters like heating and insulation). We have adjusted clause 15(d) to reflect a wider definition of remediation, which aligns with BS19/BS20. We agree that "remediation finance" should be renamed as "property remediation finance" and have adjusted clause 15 to reflect that.
Security substitution (clause 16) Many submitters noted that the exposure draft of Lending Standard includes a requirement that the replacement mortgage is registered within 6 months of the existing mortgage being discharged, but suggested that this will not always be known at the time when the loan was committed to. This differs from BS19/BS20, where the reference to the six-month period is in connection only with whether the debtor occupied a previous property (or is currently occupying) in advance of the date of the new commitment.	We acknowledge that the timing of when the replacement mortgage replaces the existing mortgage may not always be known at the time when the loan was committed to. The date of the new commitment could be a few months before the actual settlement date (when the new security is registered). As such, we have adjusted clause 16 to align with BS19/BS20.
Cross-security finance – treatment of undetermined LVR (clause 27) One submitter sought clarification on treatment of cross-security finance and "undetermined" LVRs.	Loans with an "undetermined" LVR are included in the calculation of qualifying credit, regardless of which nature of lending category that they are classified as. We have adjusted clauses 17, 23(2)(b) and 26(2)(b) to account for loans an undetermined LVR.
LVR (Part 3)	
Loan-to-value ratio (clause 18)	We acknowledge that the definitions that underpin the LVR calculation (specifically "credit limit" and

Issue	RBNZ Response
Many submitters stated that the definitions that underpin the LVR calculation require clarity (specifically "credit limit" and "market value"). It was noted that the definition of "credit limit" is derived from CCCFA, which implies a maximum permitted balance that is static. This may be best suited to revolving credit facilities only. Submitters suggested that the definition of "loan value" from BS19/BS20 should be retained as it reflects that outstanding loan values change over time. The definition of "market value" is vague – in particular, point (c). For example, it is not clear if it includes online services. Submitters suggested that using the term "property value" is more appropriate and is supported by detailed valuation requirements as per BPR133, which also allows a deposit taker to use their own internal approach.	"market value") in the exposure draft may introduce some ambiguity. We have modified the draft to use the terms "loan value", "loan to value ratio" and "property value" which are all largely cross refenced to equivalent definitions in the Capital Standard and the Internal Models Standard. The only difference is a technical point around credit conversion factors we have imported from the old BS19 in the definition of "loan value" in clause 3. The term "credit limit" is retained but is only used in relation to debts that do not form part of the mortgage loan value (when computing broader debt for DTI in clause 20)
DTI (Part 3)	
Calculation of debt – treatment of business debt (clause 21) Many submitters stated that the treatment of business debt in the DTI calculation is not clear, particularly when business debt is intertwined with other types of debt and cannot be separated in a reasonable manner. It was suggested that the 50% test for determining the purpose of the debt (clause 21(2)(b)) would add complexity and be difficult to administer. It is also not clear how loans for business purposes but secured by residential property are to be treated.	We agree that the 50% test for determining whether business debt should be included (when it cannot be separated from other types of debt in a reasonable manner) adds complexity. As such, we have replaced clause 21(2)(b) with a new (clause 20(3)) that outlines the approach for the situation where business debt is intertwined with other types of debt and cannot be separated in a reasonable manner, which follows the approach in BS20. Loans for business purposes secured by residential property are subject to LVR and DTI restrictions to the extent that they meet the definition of "residential mortgage loan". We also note that new commitments for DTI restrictions should match new commitments for LVR restrictions. If there is existing business debt secured by residential property, it may be excluded from the DTI calculation (noting that in some situations business debt may be difficult to separate out from other types of debt).
Calculation of debt – treatment of equity release (clause 21) Some submitters noted that equity release is excluded from the calculation of qualifying credit amounts for LVR and DTI, but sought clarity that it was also excluded from the calculation of debt for the DTI ratio.	We confirm that equity release is excluded from the calculation of debt in the DTI and have added this as a subclause to clause 20(2).

Issue	RBNZ Response
Calculation of income – defining income (clause 22) Many submitters stated that "income" is undefined and that the BS20 definition of "income" should be carried over to the Lending Standard to clarify the types of income that are to be included in the DTI calculation.	We have added a provision to clause 21(a) that income that can reasonably be expected to reoccur according to a deposit takers standard lending assessment process may be included in the DTI calculation (so that the listed categories are not exhaustive). We have written the clause in this way to provide deposit takers with flexibility to include types of income that may not be common (of which there can be many different types of income). We provide additional detail on other possible types of income in the Lending Guidance.
Calculation of income – business surplus (clause 22) Many submitters stated that the business surplus calculation set out in the draft Lending Guidance seems like a major change as it starts with net profit before tax and appears to count serviceability costs twice. They also suggested that it is not clear how projected business income is to be treated compared to BS20.	We note that the business surplus calculation set out in the draft Lending Guidance differed from that set out in BS20. The intent was to streamline and not change the underlying approach. However, we acknowledge that this has led to confusion and may add complexity. As such, we have included a clause (new clause 22) which largely aligns with BS20. Note that the calculation in BS20 deducts "sensitised" serviceability costs, then adds back interest expenses. To simplify the calculation in the Lending Standard only the actual serviceability costs related to the business debt are deducted (interest payments are excluded from the net profit after tax calculation, and then principal payments are deducted in a subsequent step). We also confirm in the updated Guidance that projected business income is not included in the DTI calculation.
Lending restrictions (Part 4)	
Restrictions by licence condition – lending periods (clause 23) Many submitters stated that changing the term "measurement period" to "lending period" may cause confusion as "lending period" may be interpreted as the duration of the loan. One submitter also suggested that the wording in clause 23(6) of the exposure draft of the Lending Standard indicates fixed periods, rather than rolling periods (which is how "measurement periods" are designed to work).	We agree that the term "lending period" may cause confusion and be interpreted as the duration of the loan. We have reverted to using "measurement period" in clauses 23 and 24. We have also adjusted clause 23(6)(b) to state that subsequent "measurement periods" may begin one month after the previous "measurement period" to make it clear that they are rolling periods, rather than fixed periods.
Qualifying credit calculation (clause 24 – 26)	We have incorporated the first two suggestions in the drafting of clause 24. However, we think that clause 24(2) itself provides sufficient clarity around

Issue	RBNZ Response
Many submitters stated that the wording of the qualifying credit calculation could be clearer in the Lending Standard as follows: • Clarify that clause 24(1) applies to a calculation of qualifying credit under clauses 25 and 26. • Clause 24 may be clearer without clauses 24(1)(c) and 24(1)(d). • Clause 24(2) could be duplicated in clauses 25 and 26 for clarity.	the treatment of residential mortgage loans used for equity release, so have not repeated this in clauses 25 and 26.

3.3.2. Issues related to the Lending Guidance

Issue	RBNZ Response
Application	
Application to branches Some submitters stated that the Lending Standard or Lending Guidance should explicitly exclude branches of overseas deposit takers (as was stated during the policy consultation). The draft Lending Guidance states that the Lending Standard will not apply to Group 3 deposit takers, so it should be explicit about branches of overseas deposit takers as well.	We agree with stating the intention not to apply the Lending Standard to branches of overseas deposit takers. We have added a paragraph on this to the Lending Guidance (see paragraph 12).
Impact on securitisation funding Many submitters stated that there needed to be clear about any intended indirect application or impact of the Lending Standard on securitisation funding provided by Group 1 or 2 deposit takers to Group 3 deposit takers (for example, warehousing arrangements).	The updated exposure draft adopts the definition of residential mortgage loan from the Capital Standard. As such, we think it is sufficiently clear that the restrictions in the Lending Standard only apply to exposures that are residential mortgage loans for the deposit taker itself. That being said, a targeted review of risk weights is underway at the time of drafting, and we will consider if guidance would be helpful in the future.
Lending criteria - nature of security	
One submitter sought clarity whether “owner-occupiers (without investment collateral)” also includes first-home buyers (paragraph 16 of the draft Lending Guidance).	We confirm that first-home buyers are separate to “owner-occupiers (without investment collateral)” for reporting purposes. The different borrower types are only included in the Lending Guidance to explain the reporting template. LVR and DTI restrictions are based on the nature of security, not the type of borrower. We have made changes to paragraphs 17 and 18 in the Lending Guidance to explain this more clearly.

Issue	RBNZ Response
Lending criteria - nature of lending	
Ordinary finance Many submitters sought clarity on whether deposit takers are expected to have their own categorisation for “ordinary finance” in their internal systems or whether this will continue to be calculated as the balance of residential housing lending that does not fall within another “nature of lending” category (and not required to be reported as “ordinary finance”).	We confirm that there is no need for deposit takers to have "ordinary finance" as a specific category in their internal systems and that this will be calculated as the balance of residential mortgage lending that does not fall within another “nature of lending” category. This balance is not required to be reported as “ordinary finance” as the intent is to align with current reporting (as outlined in the LVR and DTI reporting template).
Security substitution One submitter suggested that guidance is too prescriptive on how to document intent to occupy (paragraph 44 of the draft Lending Guidance), which creates unnecessary overlap with a deposit taker’s own lending assessment process.	We agree that including guidance on how to document a person’s intent to occupy a property creates overlap with a deposit taker’s own lending assessment process. As such, we have deleted paragraph 44 from the Lending Guidance.
DTI	
Verification processes Many submitters stated that the verification processes set out in the draft Lending Guidance are too prescriptive and overlap unnecessarily with deposit takers’ own processes, adding to compliance costs. There should also be flexibility around affordability assessment and verification processes. For example, it is not clear how to practically verify income and if it includes every source of income or if a materiality threshold also be applied (as in BS20). This may lead to operational challenges and lengthen the lending assessment process for minor or irregular income streams that do not impact a person’s affordability assessment.	We agree that the Lending Standard should not overlap unnecessarily with deposit takers’ own verification processes. We recognise that deposit takers have well established verification processes and have adjusted the Lending Guidance to reflect that deposit takers may follow their own processes for verification of debt and income (see paragraphs 55 to 57). We also agree that there should be flexibility in the affordability assessment and it may not be practicable for deposit takers to verify every source of income. We have included a paragraph in the Lending Guidance clarifying that the deposit taker may choose not to include certain borrower income if it is minor or difficult to verify (noting that clause 21 permits, but does not require, the inclusion of income in a person’s DTI ratio). This aligns with the approach set out in BS20.
Debt being repaid as part of lending application One submitter suggested that guidance should state that debt being repaid as part of the lending application is excluded from the DTI calculation.	The Lending Standard does not specify that loans to be repaid can be excluded from the calculation of debt. However, loans that are used for refinancing (per clause 14) are exempt from the restrictions. As such we have not updated the Guidance for this suggestion.

Issue	RBNZ Response
Undetermined DTI A few submitters stated that requiring all loans with an "undetermined" DTI to be treated as high-DTI and included in the speed limits creates strong incentives for deposit takers to determine the DTI for every loan but may penalise complex cases where it is not always practical to determine the DTI (for example, trusts, companies and multiple borrowers that do not all share the same properties).	We acknowledge that requiring all loans with an "undetermined" DTI to be treated as high-DTI creates strong incentives for deposit takers to determine the DTI for every loan but note that the policy intent does not differ from BS20. That is, all debt is aggregated and income is aggregated to the extent that it is attributable to the borrowing party. If the DTI ratio is unable to be calculated due to the complexities involved, then the loan can be allocated to the speed limit.
Treatment of guarantors Many submitters stated that it is not clear how debt, income and security of guarantors is to be treated. They suggested that the provisions on guarantors from BS20 should be incorporated in the Lending Standard or Guidance. Clause 21(1)(d) on "other debt" needs further clarification as that could include guarantors.	As noted above, the updated exposure draft uses the term borrowing party to include the single person or group of persons that is seeking the loan. The LVR ratios pertain to the borrowing party and the collateral involved. The DTI calculation should exclude debts and income of people in the borrowing party if they are not expected to service the loan (e.g. this would often be the case for guarantors). We have updated paragraph 13 of the guidance to clarify that deposit takers are expected to use their standard origination and capital modelling practices when identifying which persons are in the borrowing party.
Lending restrictions	
Lending periods Many submitters suggested that the diagrams in guidance that depict measurement periods may not accurately reflect the transition to new LVR/DTI settings. There should be a hiatus in compliance with "speed limits" (that is, there is no overlap between the measurement periods for the old and new LVR/DTI settings).	We agree that there should be no overlap between the measurement periods for the old and new LVR/DTI settings and that measurement periods "reset" when LVR/DTI settings are changed. We have adjusted the diagrams and text in the Lending Guidance accordingly (see paragraph 103 onwards).

Chapter 4

Deposit Takers (Incorporation outside New Zealand) Standard

Summary of Submissions on the exposure draft

14 September 2026

Non-technical summary

Background

The Deposit Takers (Incorporation outside New Zealand) Standard 2027 (the **IoNZ Standard)** exposure draft and draft Guidance were published on 30 October 2025[6]. The policy decisions reflected in that exposure draft were subject to public consultation on 21 August 2024 until 22 November 2024[7].

Ten submissions were received on that consultation and are available on our website.[8] A summary of these submissions and our responses is also available on our website.[9]

We received six submissions on the exposure draft of the IoNZ Standard published in October 2025. These submissions are available on our website, and have been published alongside this response to submissions and the updated 'near final' versions of the IoNZ Standard and Guidance.

Before commencing the Deposit Takers Act 2003 (DTA) Standards consultation, we ran a multi-year review of policy for branches of overseas banks ("B**ranch Review**"). This involved three public consultations and a Regulatory Impact Statement (RIS) that was published in November 2023.[10] The IoNZ Standard will give effect to the policy decisions made in the Branch Review.

Summary

This document summarises and responds to submissions received on the IoNZ Standard and draft IoNZ Guidance.

The responses to the submissions are organised in sections according to the consultation questions, and clarify when changes have been made to the IoNZ Standard and/or draft Guidance. There is also a table at the end for responses to minor and technical issues.

The updated drafts of the IoNZ Standard and Guidance have been published under separate covers.

Next Steps

The updated drafts of the IoNZ Standard and IoNZ Guidance are being released to provide further information on how we have responded to submissions on the exposure draft and draft guidance, and to support understanding as deposit takers consider implementation of the standard. These are 'near-final drafts'.

The IoNZ Standard and IoNZ Guidance will not be finalised until they are issued (expected to be in May 2027) and are subject to further revisions, for example to ensure consistency of drafting across all standards and guidance as they are finalised.

[6] See DTA Standards exposure drafts (tranche 1) - Reserve Bank of New Zealand - Citizen Space.
[7] See https://consultations.rbnz.govt.nz/prudential-policy/deposit-takers-non-core-standards/user_uploads/deposit-takers-non-core-standards-consultation-paper-august-2024.pdf
[8] See https://consultations.rbnz.govt.nz/prudential-policy/deposit-takers-non-core-standards/
[9] See DTA Non-core Standards - Summary of Submissions and Policy Decisions.
[10] All of the consultation papers, submissions and decisions in the Branch Review are available on our website https://www.rbnz.govt.nz/have-your-say/review-of-policy-for-branches-of-overseas-banks.

4.1. Introduction

The IoNZ Standard sets requirements specifically for branches, primarily about how they conduct business in New Zealand. It does this by applying limits to the size of overseas licensed deposit takers ("**branches**") and the clients they can do business with.

While the IoNZ Standard will cover certain requirements that apply solely to branches, it does not contain all the requirements we will apply to branches. Other Standards also set requirements for branches. These requirements can be found in each standard.

The IoNZ Standard will give effect to the policy decisions made in the Branch Review.

Unlike locally incorporated subsidiaries, a branch is part of a legal entity incorporated overseas, making it impractical to apply the full suite of prudential regulations. Instead, we adopt a proportionate regulatory approach focused on their local operations to support financial stability. We also rely on a branch's compliance with regulation and supervision in its home jurisdiction in important ways.

In some cases, we grant licences for an overseas bank to operate both a subsidiary and a branch in New Zealand. We refer to this in our new framework as **dual operation** and the respective branch as a **dual-operating branch**.

The Reserve Bank expects that branches have had adequate time to make arrangements to be fully compliant with these requirements by December 2028.

4.2. Response to issues raised and questions asked in the exposure draft consultation

In this section we discuss the key themes of feedback received during the consultation and bilateral discussions. We organise the feedback following the consultation questions, and then group together related feedback issues under subheadings within each question.

4.2.1. Do you agree that the drafting of the large corporate or institutional client definition reflects the previously announced policy intent? (Q23)

Respondents were generally supportive of the drafting of the large corporate or institutional client definition in the IoNZ Standard exposure draft. Some queries requested clarifications on the rapid growth provisions and treatment for bondholders and different types of projects and SPVs.

Some respondents proposed amendments to the draft, including relating to fund management entities, securitisation warehouses, and government agencies.

In each subsection below, we group and summarise the key feedback relating to this question alongside our responses.

The 'near final' version of the Standard splits what was 7(1) into 7(1) and 7(2). The new clause 7(1) now incorporates the "forward-looking" provision, while clause 7(2) has the main criteria to qualify as a LCIC.

Fund managers' unintended exclusion (Clauses 7(1)(c) & (d))

Some respondents stated that the definition of fund managers by reference to the 'custodian' or 'manager' under FMCA 2013 excludes current customers who are mandated to manage funds on behalf of third parties but fall outside those specific definitions.

An example provided was an investment manager who has been contractually mandated by the scheme's 'manager' or another entity (like an insurance firm) to deal on its behalf under an investment management agreement.

Comment

We agree that these arrangements were intended to be captured as long as they meet the Assets Under Management threshold. We have updated the IoNZ Standard to reflect this (see clauses 7(2)(c) to (e).

SPVs

We received a number of queries relating to the special purpose vehicles (**SPV**) under clause 7. We group them below under the following three subheadings.

Clause 7(1)(f) – narrow interpretation

Some respondents raised that the clause refers specifically to a 'project', which could be interpreted narrowly. This narrow interpretation may not apply to activities such as securitisation transactions, property finance, project financing, leveraged financing, structured financing, property financing or other similar financing structures.

Some respondents also proposed that the Guidance clarifies the intended coverage.

Comment

Our intention is that different types of 'projects' can qualify as LCIC. The meaning of project is broad. We avoided having a prescriptive requirement or exhaustive list to not unintentionally exclude projects that should be in scope.

We have clarified this in the Guidance (see paragraphs 38 and 39) and provided examples. As long as the project meets the relevant threshold, they will be able to qualify as LCIC.

Securitisation warehouse

Some respondents stated that the LCIC definition may not capture securitisation warehouses. For instance, warehouses for 30-year residential mortgage-backed securities (**RMBS**). In these cases, the assets would go down over (up to) 30 years, meaning that at some point the SPV would fall below the thresholds.

This would prevent them from accessing branches' services, such as interest rate swaps, and /or restructuring existing transactions to maturity.

Comment

Our intention is that these SPVs are considered LCICs until they are wound up as they met the assets threshold at some point during their lifecycle. This will avoid unnecessary compliance costs, including relative to deposit takers' funding structures.

Clause 7(2)(h) of the 'near final' version of the Standard reflects this approach. This point has also been clarified in paragraphs 41 and 42 of the Guidance.

Infrastructure projects

We received queries about whether infrastructure projects would be able to qualify as LCIC, given their assets increase over time as the project is built or completed. This means that a number of years could go by before they reach the assets threshold.

Comment

We clarify that these cases are in scope. Clause 7(1)(f) of the originally published draft already provided for this, as clause 7(1)(f)(ii) stated that the project would reasonably be expected to have total assets exceeding $75 million "by the completion of the project."

This effectively gives these types of projects more time to meet the threshold. This is explained in paragraph 37 of the 'near final' Guidance.

Response

We have amended the Standard to reflect the above responses relative to SPVs. We have also included clarifications in the Guidance.

Bondholders

Some respondents requested clarification on whether the LCIC test limits bond issuance only to investors or other brokers or intermediaries who meet the definition. They mentioned scenarios where the branch:

a. Issues a bond that is available for subscription by NZ investors;

b. Acts as arranger or joint lead manager for an LCIC customer who is issuing a bond to NZ investors; or

c. Facilitates the distribution of bonds to NZ investors at primary issuance (in connection with an arranger or joint lead manager mandate as above) or as part of secondary trading (ie, buying and selling bonds on the secondary market).

Comment

A bondholder would not be a "client" in the scenarios outlined above.

The policy intent of both the "wholesale client" and "LCIC" definitions is to identify customers of branches. These definitions do not affect bond and securities issuances by branches to New Zealand wholesale investors that meet the relevant FMCA definitions.

This means that New Zealand investors should be able to subscribe if they meet "wholesale investor" tests under the FMCA.

We have clarified in the Guidance (paragraph 23) that the definition does not limit bond/securities issuance by the overseas deposit taker to wholesale clients nor LCIC only.

Government Agencies

A respondent raised that the Standard does not confirm that government agencies qualify as LCIC, in contrast with policy decisions. They proposed to amend it using the definition in the FMCA.

Comment

The policy intent is that government agencies are considered LCIC (as well as wholesale clients).

We have amended the Standard (see clause 7(2)(g)) to explicitly include government agencies.

Rapid growth event (clause 7(1)(e))

Several queries relate to the rapid growth event under clause 7(1)(e). We group them below under subheadings.

While the first subheading refers to the removal of the 'rapid growth' provision, the following ones still refer to it as that is necessary to respond to the feedback. Further, the policy intent of the following responses still applies, and is reflected in the Guidance relating to the 'forward-looking' provision.

Use of the 'rapid growth event' drafting

A respondent considered that the 'rapid growth event' drafting would be difficult to implement in practice, that it restricted the original policy intent by tying the definition to a specific event ('rapid growth'), and that the drafting excludes clients who are newly formed custodians or fund managers that expect to meet the assets under management thresholds within a period of two years.

They suggested that the requirement for an "event causing rapid growth" is removed from this clause and propose that a client will meet the definition if it is reasonably expected to meet any of the tests under clauses 7(1)(a-d).

Comment

Our intention is that a client will meet the definition if the client is assessed as "reasonably expected" to meet any of the tests under clause 7 within 3 financial years after the assessment date. This includes funds management entities.

We have amended the Standard to reflect this. We have removed clause 7(1)(e), which removes the "event causing rapid growth" words from the Standard following feedback. See clause 7(1)(a) of the 'near final' version of the IoNZ Standard published alongside this response to submissions. The update Guidance now refers to 'forward-looking' provision of the IoNZ Standard (see paragraphs 44-51).

This reflects the original policy intent, that a client can be onboarded based on a reasonable expectation of them meeting the thresholds in the near future. This provides flexibility for branches to service these clients who are experiencing growth, avoiding unnecessary compliance costs while keeping the perimeter.

The policy intent remains that a client who is reasonably expected to grow and meet any of the tests under clause 7 will be able to qualify as LCIC. Following the changes, a rapid growth "event" is not needed to meet the definition, as the reasonable expectation could also be based, for instance, on a projection of regular, steady growth.

While an "event" is not necessary to use this clause, it could still be the basis for assessing that a client is reasonably expected to meet the tests under clause 7. For instance, if there was a merger going to occur within the next 3 years that could be reasonably expected to cause the client to meet the assets or turnover thresholds.

The duration of this approximately 3-year timeframe is aligned with the periodic reassessment period for these clients. The timeframe was originally proposed at two years, but we have now changed it to 3 years following feedback. See "Regular reassessment timeframe" under heading 3.3 for consultation question 25 further below for more details.

Clarifications on definitions or tests, and what information can be relied upon

Some respondents requested clarification on whether there are any definitions or tests to determine if an event will result in 'rapid growth' (to a client's business), and what information they can rely upon for the assessment. They also queried whether they could rely upon projections provided by the client.

Comment

We adopted a principles-based approach and do not prescribe specific methods for branches to assess client eligibility against the threshold. We purposely have not prescribed a specific definition for a 'rapid growth event' (or for "reasonably expected to meet", in the 'near final' IoNZ Standard) to provide flexibility for how this may be assessed.

Instead, we expect branches to maintain an appropriate process to ensure clients are reasonably expected to meet the assets or turnover threshold within the specified timeframe. We expect the growth projections to be reasonable, as well as the overall assessment of expected growth.

We have clarified in the Guidance how we expect this test to be implemented. For instance, clarifying that it could be possible to rely on the client's projections, as long as they provide reasonable grounds to expect the client to meet the relevant thresholds. We have incorporated non-exhaustive examples in the Guidance (see paragraphs 47 to 50).

How far in advance of an event (e.g., merger) they can make this assessment

Some respondents asked for clarification of how far in advance of the 'rapid growth event' they could assess a client as LCIC.

Comment

As clarified above, we removed the wording relating to a 'rapid growth event' from the Standard.

A client will meet the definition if the client is assessed as "reasonably expected" to meet any of the tests under clause 7 within 3 financial years after the assessment date.

This timeframe is aligned with the periodic reassessment timeframe. This ensures consistency of treatment: all LCICs must be regularly reassessed at least (approximately) every 3 years, regardless of whether they were onboarded based on past or projected data.

This also means that the time for onboarding a client under the forward-looking provision is not tied to a future “event”, which would be different for each client.

We have updated the Standard (see clause 7(1)(a) and Guidance (paragraphs 44-46) and included diagrams to clarify this.

Insufficient growth after the ‘event’ or after onboarding under the rapid growth provisions

Some respondents queried what would happen if a client was assessed as LCIC under clause 7(1)(e), but then didn’t meet the relevant thresholds after the event materialised. They also asked for how long would they be able to retain the clients as LCIC in that scenario, and how would the offboarding process be.

Comment

Clauses 9 and 10 set out what happens in this scenario. However, we note the need to clarify the treatment. We describe it below. For an explanation referencing the clauses in the ‘near final’ version of the IoNZ Standard, see the ‘near final' version of the Guidance.

The branch makes the assessment under clause 7(1)(e), based on projected data that allows it to assess the client is “reasonably expected” to meet any of the tests under clause 7(1) in the next 3 financial years. This may or may not include a specific “event”.

From the date of the assessment/onboarding, the client would have approximately 3 years qualifying as LCIC before the next assessment is due This is the same as for the clients who are assessed as LCIC based on backward-looking data (e.g., past financial statements.

If the reasonable expectation of growth was based on a significant “event”, this would not trigger the need for a reassessment. This is the fact that the event (eg, merger) happened within those 3 years would not mean that a reassessment is due. It would not affect the clients’ status either – during this timeframe.

After the first 3 years, the client will have to be reassessed under clause 9. If they failed to meet the LCIC thresholds, that would trigger clause 10: they could still be treated as LCIC for 12 months plus 6 months (like all other LCICs in the same situation, as per clause 10(c)).

This is regardless of when a specific event (if any) that could have caused the growth (e.g., a merger) happened. While we have removed the “event” from the previous draft, we note that a specific event (for instance, a merger or a contract) could be a basis for the assessment that the client was reasonably expected to meet the relevant definition in the future.

This ensures consistency on how we treat all LCICs, regardless of the clause on which they were first assessed as such.

This is explained in Diagram D of the ‘near final’ version of the Guidance.

Response

We have amended the Standard and Guidance as detailed above, as it ensures consistency and avoids unnecessary compliance costs.

4.2.2. Do you agree that the drafting of the wholesale client definition reflects the previously announced policy intent? (Q24)

Respondents were generally supportive of the drafting of the wholesale client definition in the IoNZ Standard exposure draft. In particular, the inclusion of an associated person in the definition was supported. One respondent also noted that the inclusion of professional investors, government entities, and large corporates were aligned with market practice and international standards.

In each subsection below, we group and summarise the key feedback relating to this question alongside our responses.

Rapid growth

Some respondents proposed that a "rapid growth allowance" should be included in the wholesale client test (clause 6) for stand-alone branches (replicating clause 7(1)(e)).

Comment

The "rapid growth allowance" (now "forward-looking" provision) is consistent with having hard assets and turnover thresholds, as the large corporate and institutional client definition in clause 7 does. However, there are several different ways for a client to qualify as wholesale under clause 6, including via certificates under the Financial Markets Conduct Act 2013 (**FMC Act**) and Financial Service Providers (Registration and Dispute Resolution) Act 2008 (**FSP Act**).

This means that the effective thresholds for clause 6 are already effectively lower and have flexibility built in. We do not consider this clause requires the same type of provision.

Response

We have not included a "rapid growth allowance" nor "forward-looking" provision for the "wholesale client" definition under clause 6.

4.2.3. Do you have any other comments on the attached exposure draft of the IoNZ Standard? (Q25)

Respondents were generally supportive of the drafting of the IoNZ Standard exposure draft. Some queries requested clarifications on the offboarding of clients, including when they had non-performing loans, the timing for the assessment of the $15 billion total asset cap, perimeter issues and the transitional provisions for existing clients.

Some respondents also requested clarifications and/or proposed amendments to the draft, including relating to the reliance on financial statements for clients' assessments, the timeframe for periodic reassessments, the treatment of outstanding transactions when offboarding clients, and the time for assessing existing clients when the IoNZ Standard comes into force.

In each subsection below, we group and summarise the key feedback relating to this question, alongside our responses.

Periodic reassessment timeframe

Some respondents stated that the risk that a client will meet the definition and then fall outside of it in 2 years is very low, especially with very large and/or multinational clients. Requiring these assessments every two years would incur significant compliance costs, with little benefit.

They proposed that the reassessment timeframe should be increased to 3 years, and/or be risk-based (longer for larger clients).

They also stated that a longer timeframe would allow them to align the regular review cycle with their own other internal reviews, including AML checks.

Comment

The original proposal of 2 years was meant to minimise compliance costs by aligning with the usual duration of the certificates under clause 6 of the Standard. Given a 2-year timeframe could trigger out-of-cycle reviews and increase compliance costs unnecessarily, we see merit in increasing it to 3 years.

Response

We have amended clause 9(2) to extend the periodic review timeframe for all clients (under clauses 6 and 7, as the case requires) from 2 to approximately 3 years ("after every third financial year").

We assess that 3 years achieves a balance between avoiding unnecessary compliance costs and ensuring a regular review is conducted with an appropriate frequency. This also provides for simplicity.

We note that the risk still sits with the branch to ensure compliance with the Standard, including clause 5(1)(d). This is regardless of when the branch conducts the reassessment within the 3-year timeframe.

Financial statements

We received several questions related to the interaction between financials statements and the clients' assessments. We discuss the main queries under the two subheadings below.

Reliance on financial statements (clause 11)

We received questions relating to the interaction between clause 11 (relying on financial statements) with clause 6 (which allows branches to rely on certifications under FMCA, FSPA, etc).

Comment

Clause 11 says that an assessment under clauses 8 to 10 must rely on financial statements <u>but only to the extent to which the information is relevant to the assessment</u>.

We clarify that we consider that financial statements would <u>not</u> be relevant to the assessment if the branch was relying on certificates (under clause 6).

We have amended clause 11 to provide additional clarity, and reflected this in the Guidance (paragraphs 62-63).

Assessment every second financial year - Clause 9

Some respondents requested clarification on the interaction between clause 9 and clause 6. This is because clause 9 links the reassessment to financial statements, but many clients can qualify as wholesale under clause 6 relying on certifications – without needing financial statements.

Comment

The intention of clause 9(2) was to require a periodic reassessment, not to tie it (necessarily) to financial statements. We do not intend to create unnecessary compliance costs for the wholesale clients who are relying on certifications or clauses other than financial statements.

For clients who are not relying on financial statements to qualify as such, the reassessment will not have to be tied to the availability of financial statements. The timeframe for the reassessment will remain, as amended (around 3 years).

We have amended the Standard and Guidance (see paragraphs 52-64) to reflect this.

Client's assessment process

We received queries relating to how much flexibility branches would have in setting out their processes to assess the clients against the definitions in clauses 6 or 7, as the case requires.

Comment

The intention is that branches have flexibility in how they design their client assessment processes. What process is appropriate may vary depending on how a client meets the relevant definition. For instance, under clause 6(1)(b) a branch could make an assessment of whether a person is a "wholesale investor" (within the meaning of clause 3(2) of Schedule 1 of the FMC Act), without necessarily requesting the relevant certificate, as the certification process is separate.

There could be different ways of conducting this assessment. For instance, a branch may assess that the client owns or has owned in the last 2 years "a portfolio of specified financial products of a value of at least $1 million (in aggregate)" (see clause 38 of Schedule 1 of the FMC Act). By assessing a client's information, e.g., accounts and transactions, the branch may assess that the client meets the "investment activity criteria" and hence meets clause 6(1)(b) of the Standard.

However, other ways of assessing a client may require branches to rely on the relevant certificate, as it is included in the referenced definition. For example, for clauses 6(1)(c) and 6(1)(d) the "eligible investor" definitions include certification requirements.

Comment

We have included the above clarifications in the Guidance (see paragraphs 57-60).

Offboarding – clause 10

Some respondents had queries relating to the offboarding of clients under clause 10. We group them under the two subheadings below.

Treatment of outstanding transactions

Some respondents queried about the treatment of outstanding transactions in the case a client had to be offboarded under clause 10. Specifically, they asked if:

a. any outstanding transactions are still permitted to run until their maturity, and

b. amending or restructuring an outstanding transaction is permitted, provided it doesn't extend the original maturity date.

Comment

When a client must be offboarded under clause 10, existing transactions can continue until maturity. Any new transactions necessary to carry on the client's business will be permitted if they have a maturity date before the end of the "extra period" (i.e., six months after the "remediation period").

Amending or restructuring an outstanding transaction will also be permitted, provided it doesn't extend the original maturity date.

Transactions with longer maturity dates are not permitted. Any new transactions after the "extra period" are not permitted either, as the client is no longer a client.

We have amended the Standard (see clause 10, in particular 10(3) and 10(4)) and Guidance to reflect this.

See also diagrams C and D from the 'near final' version of the Guidance:

Treatment of clients with non-performing loans

An industry body requested clarification on the scenario where a branch must discontinue business with a client that no longer meets the relevant definition, but is unable to do so due to different causes. For instance, when the client has a non-performing loan, or when they are unable to find another bank.

Comment

In the first scenario, we would not intend to aggravate the situation or cause unnecessary compliance costs due to the offboarding of a client with a non-performing loan (NPL). We consider this to be a low-occurrence but possible scenario.

We have amended the Standard to carve out non-performing loans from requiring off boarding under clause 10 (see clause 10(3)(a)).

Regarding the second scenario, we have not seen evidence that a wholesale or LCIC client would be unable to find another deposit taker, and consider this as a low-occurrence case. We do not consider it necessary to provide for a specific carve-out for this scenario.

Response

We have amended the Standard and Guidance (see section on clause 10) as detailed above. We consider the changes achieve a balance between enforcing the client definitions and avoiding unnecessary compliance costs.

Timing for assessment of $15 billion total asset cap

Some respondents requested to clarify that under clause 5(2) must only be assessed as at the relevant 6 monthly balance dates on which financial statements are provided (and not at all times).

Comment

The Standard requires that that branches do not exceed the $15 billion cap at all. This is an ongoing obligation, as in the *status quo*. However, the Standard provides that the assets cap must be calculated by reference to the financial statements.

We expect a risk-based approach to compliance to mean that for branches that are not at risk of breaching this requirement, financial statements may be the primary way to ensure and demonstrate compliance.

If a branch is close to the cap or at risk of breaching the requirement, we expect the licensed deposit taker to be in regular contact with their supervisor and to act ahead of time. We also expect them to have monitoring tools in place appropriate to their circumstances.

This is consistent with the early and timely engagement with supervisors expected in the current guidance on reporting by banks of breaches of regulatory requirements.

We have expanded the Guidance on this issue (see paragraphs 14-17).

Perimeter issues

Overseas activities / definition of NZ business

Some respondents raised questions about whether the IoNZ Standard (and the client definitions) applies to an overseas deposit taker's offshore activities (i.e. those not conducted through the New Zealand branch). Some respondents queried whether the Standard should define "NZ business" to clarify this.

In particular, a respondent requested clarification on whether defining "client" within the meaning of the FSP Act is intended to capture all of an overseas licensed deposit taker's activities that are within scope of the FSP Act. They stated that this interpretation could overly restrict activities undertaken by the deposit taker overseas, with no involvement of the New Zealand branch, for example:

a. retail customers of the ODT that move to NZ;

b. reverse-solicited financial services to NZ customers.

Comment

These types of scenarios are covered by our current <u>Guidance note for overseas banks on limitations on the use of restricted words</u>.

Following that guidance (see Part 4 in particular), the activities listed above would not constitute "carrying on activity in New Zealand". For that reason, those activities would not need to be attributed to the branch, nor recorded on the branch's balance sheet. This means that those activities would not be subject to the IoNZ Standard.

For the avoidance of doubt, conversely, anything that <u>does</u> meet the "carrying on activity in New Zealand" test <u>would</u> need to be attributed to the New Zealand branch.

Note that the concept of carrying on activities in New Zealand is a continuum. See Part 3 of the current <u>Guidance note for overseas banks on limitations on the use of restricted words</u> for details of how that operates under the *status quo*.

See also "Interpretation of carrying on activity in New Zealand" in the Summary of submissions and policy decisions on use of the word 'bank' under the DTA for further details of how this will operate under the DTA.

Regarding the use of the FSP Act client definition, we clarify that the IoNZ Standard's use of that definition does not intend to capture activities that are carried out purely overseas.

We have amended the definition of client under clause 3 of the IoNZ Standard to clarify that the service is provided "in New Zealand". See also paragraphs 18-19 of the 'near final' Guidance.

Potential unintended regulatory reach

Some respondents queried whether the application of the IoNZ Standard to the branch's "New Zealand business" will mean it applies to the businesses of other companies that are also subsidiaries of the overseas deposit taker.

Comment

It is not the policy intent to cover activities other than those of the branch (overseas licensed deposit taker).

Companies that are separate to the branch, and that are not deposit takers (for instance, that are not in the business of borrowing and lending) would not be considered part of the branch. Their assets would therefore not count towards the $15 billion total asset cap, and their businesses would not be limited to wholesale clients or LCIC as they would not be in scope of the IoNZ Standard.

This is regardless of whether they are part of the same group, by virtue of being a subsidiary of the same overseas deposit taker (formerly referred to as "parent").

We have clarified this in the Guidance (see paragraphs 18 and 19 of the 'near final' version).

Transitional provisions (Schedule 1)

Treatment of outstanding transactions for clients who don't meet the definition in December 2028

Some entities asked us to clarify whether any outstanding transactions from an existing client that had to be offboarded would still be permitted to run until their maturity. They noted this would be consistent with the FMC Act.

Comment

The treatment of existing clients when the IoNZ Standard comes into force, and of clients who are assessed as meeting the relevant definition under clause 6 or 7 (as the case requires) is different.

For simplicity, these two related but different issues can be summarised as:

- the treatment of outstanding transactions from existing clients who don't meet the definitions when the Standard commences, and
- the treatment of outstanding transactions of clients who stop meeting the definition (after the Standard commences) and have to be offboarded under clause 10(2)(c).

The second point is dealt with by clause 10, and is explained in subsection "Offboarding – clause 10" under heading 15.3 for consultation question 25 above. These clients, even if they later have to be offboarded, have been previously assessed as wholesale or large corporate or institutional clients.

The first bullet point is a transitional issue, and is a matter for the transitional provisions and for this response.

Clients who don't meet the definition when the Standard commences may have never been wholesale clients or LCIC. They could simply be retail clients. In this sense, this issue is different than the ongoing 'regular treatment' described in clause 10.

Clause 5(1)(d) of the Standard sets the client restrictions. These restrictions come into force when the Standard commences. Branches can only engage with clients who meet the relevant definitions.

While the transitional provisions provide that branches have an 18-month window before and after the Standard comes into force to assess their existing clients, the onus is still on branches to ensure they are complying with clause 5(1)(d).

Clause 1 of Schedule 1, Part 1 sets out how to assess existing clients for transitional purposes. While the draft was silent on what to do with existing transactions, clause 5(1)(d) in conjunction with the transitional provisions set out the treatment described above.

The client restrictions were announced in November 2023, even though the exact client definitions have been refined over time.

We expect branches to have been preparing to comply with the Standard when it comes into force. Branches are required to not be dealing with clients who don't meet the relevant definitions set out in clause 5(1)(d) when the Standard comes into force.

Response

There is no "offboarding" provision, nor "extra period" for existing clients when the Standard comes into force. Those provisions from clause 10 don't apply to existing clients when the Standard commences.

Note that clause 10(1) states that "under clause 9, a person is assessed as no longer meeting the definition in clause 6 or 7, as the case requires". Clause 9 then deals with assessing whether "A person continues to meet the definition".

Clause 10 is therefore not linked to Clause 1 of Schedule 1, Part 1, which deals with "Assessing whether existing client meets definition".

We have added a transitional provision under Schedule 1, Part 1 to be able to deal with any potential case of non-compliance with clause 5(1)(d) when the Standard commences.

This provision could be applied if a branch had a non-material number of clients with outstanding transactions beyond December 2028. The Bank may bilaterally engage and approve the branch to keep those transactions, under some conditions, up to a date specified by the Bank. The conditions include that:

- The existing transactions of the deposit taker with existing clients who do not qualify under the transitional provision are not material;
- We must be satisfied that the deposit taker or its subsidiary continuing with the relevant transactions would not compromise the safety and soundness of the deposit taker; and
- The deposit taker or the transaction meets any other conditions specified by the Bank in its approval.

For assessing a transaction's materiality, the Bank may have regard to the transaction itself, or to the transaction together with other transactions.

We expect deposit takers to be able to comply with the IoNZ Standard from December 2028 and as such we expect this transitional provision to only be used as an exception. We also expect that if any branch projected to be in such situation in December 2028, they should have already advised their supervisor.

Timing of assessment

Some respondents were concerned with the requirement to reassess all the existing clients "on the day the standard comes into force". They were concerned with the bottlenecks and compliance costs this could entail.

Comment

We clarify that the intent was for branches to assess their clients in a reasonable timeframe ahead of the standard coming into force. This aimed to ensure that when the Standard came into force, the clients would have been recently assessed.

This is why the originally published draft Guidance stated that branches can maintain the relationship with existing clients when the Standard comes into force, "*provided they assessed that these clients met the relevant client definition ahead of that date*" (paragraph 10).

Response

The Standard will now require branches to assess their existing clients anytime within the 18 months before and the 18 months immediately after the Standard comes into force. This will avoid unnecessary compliance costs and provide flexibility to align this assessment with branches' internal review cycles.

The timeframe is consistent with the clients' regular reassessment period under clause 9(2) (approximately 3 years).

Regardless of when this assessment is made, branches must still comply with clause 5 of the Standard, meaning they can only conduct business with wholesale or large corporate or institutional clients (as the case requires).

We have amended the Standard to reflect this (see definition of 'relevant time' and also clause 2 under Schedule 1, Part 1. See also paragraphs 77-85 of the 'near final' Guidance.

4.2.4. Do you have any comments on the attached draft of the Guidance to support the IoNZ Standard? (Q26)

We have bundled together the feedback on the Guidance with the feedback on the Standard in the subsections below. This approach aims to help the reader follow the feedback and the resulting changes to the draft Standard and Guidance by theme rather than by document.

Our changes to the Guidance are signalled throughout this document alongside the discussion of each key feedback point. This includes both when changes to the draft Standar were made, and when only clarifications were necessary.

We have also provided a marked-up version of the Guidance.

4.3. Minor and technical issues

Issue	RBNZ Response
Joint Ventures a 50:50 joint venture (JV) would not qualify as an 'associated person' of a large corporate or institutional client (LCIC), even if both JV partners were themselves LCICs. This is because of the definition of 'associated person' under the Deposit Takers Act.	The policy intent is that these arrangements should be in scope. We have amended clause 7 of the Standard so these JV are in scope.
Conditions of Licence and self-discipline: two entities proposed to embed the client restrictions in CoL rather than the Standard, and to rely more on self-discipline and directors' attestations.	The Standard is implementing the policy decisions announced in the 2023 Review of policy for branches of overseas banks. This consultation was on the Standard exposure draft, not on the policy approach. One of the reasons to use Standards is to set a simple, coherent and transparent policy framework for branches, and to ensure a level playing field. These were objectives of the branch review.
Financial Statements: some respondents stated that the proposal requires "branches to rely exclusively on financial statements (where applicable) rather than customer attestation or confirmation"	Clause 11 does not require branches to rely 'exclusively' on financial statements. Further, clause 6 for standalone branches allows multiple ways to assess a client as wholesale. We have clarified the references to reliance in financial statements in the Standard and Guidance.
Safe harbour: Some respondents suggested a "safe-harbour" approach to client's assessments, to be able to assume the relevant definition is met for the entire period (between period reviews)	We clarify that the requirement is to conduct a regular reassessment of whether the client meets the relevant definition. This reassessment must happen no later than after every third financial year after the last assessment. Branches have flexibility to conduct an earlier reassessment if they see it fit. The onus is still on branches to comply with the client restrictions in clause 5. The principles-based Standard enables branches to have different approaches to compliance within the

Issue	RBNZ Response
	requirements, depending on their specific clients' profiles and other circumstances.
Clause 7(1)(e): A respondent stated that this clause was narrower than previous policy decisions	We have amended the provisions relating to rapid growth. See amendments in the main body of this response to submissions for the full detail.
SPV – Clause 7(1)(f): An industry body proposed the timeline for meeting the test should be the later of (i) completion of the project or (ii) on or before the maturity date of any proposed transaction with the deposit taker.	Clause 7(1)(f) subclause (ii) already provides for meeting the assets threshold "by the completion of the project". See the amendments to the timelines for meeting the tests and assessing clients with forward looking provisions in the main body of this document.
When does the first financial year commence following the initial assessment? For instance, if an assessment happens late in their financial year, reassessment would be much earlier than 2 years	For the initial assessment, "the relevant time" is defined as requiring the assessment immediately before the person becomes a client. Under clause 9, the next assessment must be carried out "after every third financial year after the last assessment (as soon as reasonably practicable after the person's financial statements for that financial year are available). For example, If the initial assessment occurs in the year ended 30 June 2030, the next assessment must be carried out after the third financial year after the last assessment, ie after the year ended 30 June 2033, so in the 2034 financial year.
Change to financial year: An industry body requested clarification on what happens if the client changes their financial year.	Clause 9(2) requires that the assessment must be carried out "after every third financial year after the last assessment". If a client changed their financial year within this period, the date of the periodic assessment may change to reflect the client's new financial year. This is, the assessment must still be carried out after every third financial year. We have clarified this in the Guidance.
Offboarding: An industry body requested us to clarify that clause 10(2)(a) does not apply to the most recent failed assessment	This clause must be read in conjunction with clause 10(1). See also references to the "extra period" in the Standard's explanatory note. We have also expanded the offboarding explanations in the Guidance. See diagram C in the Guidance. In practical terms, if a client no longer meets the definition (see clause 10(1)), but then the deposit taker assess the person as meeting the definition (for instance, when the next financial statements are available and show the client meeting the relevant threshold again), the person is treated as continuing to meet the definition (see clauses 10(2)(a) and 9(1)).
Assessment as if the person were a client: Clause 8(2) requires a branch	This is standard legal drafting for this type of clause. It should be read in conjunction with clause 8(1). The intent is that the branch

Issue	RBNZ Response
to make “the assessment at the relevant time, as if the persons were a client or an associated person of a client at that time”. A submitter queried if this is necessary and asks to clarify policy intent.	will assess a prospective new client immediately before the person becomes a client (see definition of “relevant time”), as if the person were a client (or an associated person of a client).

Chapter 5

Group Supervision Policy for Deposit Takers

Summary of Submissions

14 September 2026

Non-technical summary

Background

Our proposed approach to group supervision policy was released for consultation on 30 October 2025, with a comment deadline of 30 January 2026. Our approach has 2 steps:

- Step 1 sets out group supervision policy requirements where a licensed deposit taker is the head of the New Zealand incorporated group using existing powers under the DTA.
- Step 2 will consider extending the group supervision framework to enable direct supervision of New Zealand incorporated holding entities of licensed deposit takers.

The consultation focused on Step 1 and only noted Step 2 (which may be considered as part of future work). Three submissions relating to group supervision were received and are available on our website.

Summary

This document summarises and responds to submissions received on our approach to group supervision policy.

The summaries of feedback and our responses are largely set out as per the questions that we asked in the consultation.

Next Steps

Step 1 of our group supervision policy will be implemented through the applicable DTA standards (and conditions of licence where appropriate), where these requirements will be imposed on a group via licensed deposit takers. Step 2 of our group supervision policy requires amendments to the DTA. If it is progressed, it would be subject to further consultation and advice to the Minister of Finance at the relevant time.

5.1. Introduction

New Zealand does not currently have a formalised group supervision policy for deposit takers. This was identified as a limitation of Reserve Bank's supervisory approach in the IMF's 2017 FSAP Review.[11] Work to address this as part of Phase 2 of the Reserve Bank Act Review was not prioritised, as the Reserve Bank was not a group supervisor at the time.

However, the regulated entity landscape has changed recently. In 2024, the Reserve Bank became the supervisor of an international banking group headed by a New Zealand incorporated holding entity and containing a New Zealand registered bank. As part of becoming a group supervisor, we developed a policy framework for groups that include a deposit taker and New Zealand incorporated holding entities. We refer to this as our group supervision policy. The process in implementing the DTA standards gives us the opportunity to formalise this policy. This will enable us to establish consistent requirements and provide supervisory oversight to manage regulatory arbitrage and contagion risks within groups.

The consultation focused on Step 1 of our group supervision policy, which establishes a framework for supervising deposit taker groups where the licensed deposit taker is the head of the New Zealand incorporated international banking group using existing powers under the DTA. Step 1 does not cover groups where the head of the group is not a licensed deposit taker (for example, some other operating or non-operating holding entity) as existing powers under the DTA do not provide for this. In order to supervise group-level risks, requirements must be imposed on the deposit taker itself.

As such, under Step 1, the Reserve Bank is unable to directly supervise holding entities and the ability to exercise holistic oversight of groups is limited as a result (which is uncommon by international standards). This may also be seen as a constraint on innovation over time, because it may not be clear how New Zealand incorporated international banking groups would be supervised to the extent that they become more complex in their structures and business models.

Step 2 will consider extending the group supervision framework to enable direct supervision of New Zealand incorporated holding entities of licensed deposit takers. This would allow us to future-proof and provide greater certainty of our regulatory framework for deposit takers wishing to use group structures in the future. However, Step 2 requires amendments to the DTA, which was not within the scope of this consultation given the process and time it takes to implement amendments to primary legislation. If Step 2 is progressed, it would be subject to further consultation and advice to the Minister of Finance at the relevant time.

The group supervision framework defines the confines of the policy at each step and introduces levels of aggregation for supervision purposes.[12] As part of the framework, we will consider factors in determining which requirements to apply at different levels of aggregation. Step 1 also considers requirements for group supervision across nine DTA standards. These are standards on capital, liquidity, reporting, disclosure statements, governance, related party, risk management, operational resilience, and business transfers, holding entities, and restricted activities.

We note that a banking group that undertakes activities in multiple jurisdictions has a home jurisdiction and operates in one or more host jurisdictions. The supervisor in the home jurisdiction is the home supervisor, or group supervisor. We use these terms interchangeably. If a deposit

[11] Refer to: IMF (2017), New Zealand: Financial Sector Assessment Program: Financial System Stability Assessment
[12] See paragraph 162 of the DTA Tranche 1 consultation document

taker has a holding entity that is not another deposit taker, the jurisdiction of incorporation of the holding entity can impact who is the home supervisor for the group.

To further clarify, when we talk about group supervision in this context, we are not talking about how subsidiaries of overseas deposit takers in New Zealand are supervised. This scenario has been common practice in New Zealand for many years, and our prudential regulatory framework has been developed with this in mind.

5.2. Response to issues raised and questions asked in the consultation

5.2.1. General comments on the approach and framework

Feedback

The respondents were supportive of a formalised group supervision policy to improve regulatory certainty, support the soundness of groups, and ensure consistent treatment of group structures across the deposit taking sector.

A respondent, however, emphasised that the policy should support competition, be proportionate and commercially realistic, and not unnecessarily penalise group structures that include regulated entities. In this regard, a respondent proposed a more flexible and risk-based approach given that group structures vary materially across the New Zealand financial sector.

The same respondent suggested that our group supervision policy should be aligned with international practice where appropriate. It should recognise the jurisdiction of incorporation of overseas subsidiaries and the calibre of offshore prudential supervision as well as the degree of regulation applicable to any non-bank lending entities within a wider group.

It also added that the Basel Core Principles (BCP) recognise a wider group outside the banking group, which may be unregulated, while still requiring supervisory understanding of risks. As such, the policy should allow for activity in the wider group, outside of the banking group, and should include lending businesses that are not retail funded.

Comment

We appreciate the recognition that a formalised group supervision policy is important to managing contagion risks within groups, and thereby to supporting the soundness of New Zealand licensed deposit takers that are heads of groups.

We recognise the importance of a policy framework that is competitive, proportionate, and commercially realistic. By reducing regulatory uncertainty, the proposed group supervision policy is expected to enhance the attractiveness of the domestic market for potential entrants seeking to establish groups involving New Zealand deposit takers. This, in turn, supports competition in the financial sector.

As explained in detail in subsequent sections, group supervision policy requirements will be set out in both the DTA Standards and conditions of licence. This dual approach ensures there are consistent requirements that apply to all entities subject to the group supervision policy, while providing the flexibility to set out bespoke requirements that accommodate differences in group structures. However, we note that group-specific conditions of licence will only be imposed where additional requirements are needed to supplement those set out in a Standard.

We also recognise that groups may vary materially in structure and complexity. As such, the framework allows the Reserve Bank to determine the appropriate scope of consolidation for supervisory purposes. By providing clarity on how consolidation levels may be applied in practice, while retaining flexibility to accommodate diverse group structures, the approach reduces regulatory uncertainty for existing and prospective participants.

This approach is consistent with the Reserve Bank's Competition Assessment Guidelines for Prudential Policy13, which set out how competition considerations are taken into account within the bounds of the DTA and the Financial Policy Remit. Within that framework, the group supervision policy supports entry and expansion decisions without weakening prudential outcomes, while leaving firms to determine how best to structure their businesses to meet their commercial objectives.

Our proposed approach is in line with international practice and draws from the recommendations of the Basel Committee on Banking Supervision (BCBS). We note that the core objective of the BCP is to manage and mitigate risks within and outside the banking group that may affect banks and the financial system. The BCPs explicitly refer to risks arising from other entities in the wider group and provide that supervisors should take action when risks arise from the banking group and other entities in the wider group. The BCPs are high-level principles that set minimum expectations for effective banking supervision. Box 1 details the relevant provisions of the BCP. We also do not intend to duplicate requirements applied by overseas supervisors, unless New Zealand specific actions are required (as highlighted in our response to Q29).

Box 1: BCPs and consolidated supervision[14]

BCP Core Principle 12 (Consolidated supervision) establishes the banking group as the anchor for consolidated supervision, but it does not confine supervisory responsibilities to that boundary. Paragraph 40.27 provides that "the supervisor supervises the banking group on a consolidated basis, adequately monitoring and, as appropriate, applying prudential standards to all aspects of the business conducted by the banking group worldwide". This paragraph identifies where consolidated prudential requirements are centred, but it neither defines the outer perimeter of supervisory oversight nor states that prudential considerations must in all cases be confined exclusively to the banking group.

Paragraph 40.28(1) explicitly extends supervisory focus to the wider group. It states that "the supervisor understands the overall structure of the banking group and is familiar with all the material activities (including non-banking activities) conducted by entities in the wider group, whether domestic or cross-border". It further provides that "the supervisor understands and assesses how group-wide risks are managed and takes action when risks arising from the banking group and other entities in the wider group, in particular contagion and reputational risks, may jeopardise the safety and soundness of the bank and the banking system".

Read together, paragraphs 40.27 and 40.28(1) highlight the desirability of applying both prudential requirements to the banking group and the supervisory responsibility to identify, assess, and address material risks originating in the wider group. While the BCPs do not mandate blanket prudential regulation of all wider-group entities as a matter of course, they also do not propose that prudential requirements be confined only to the banking group. Notably, the advice to "take

[13] See: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/regulation-and-supervision/dta-and-dcs/competition-assessment-guidelines-for-prudential-policy.pdf
[14] See: BCP40 - The Core Principles and assessment criteria

action" mentioned above in response to risks arising from entities in the wider group is not framed as mere supervisory monitoring, nor as action that must be confined to the banking group itself.

Finally, the BCP sets minimum expectations for effective banking supervision, rather than as an exhaustive or rigid rulebook. The core principles are the "de facto minimum standard" for sound prudential supervision, designed to be flexible and universally applicable, and to serve as a benchmark that relies on supervisory judgement and proportionality rather than prescribing a fixed supervisory model or perimeter.

Response

Our approach is designed to accommodate diverse group structures while maintaining appropriate supervisory oversight, aligning with international practice.

We will implement Step 1 of our group supervision policy through the applicable DTA standards (and conditions of licence where appropriate), where these requirements will be imposed on a group via licensed deposit takers. More detail on this is set out in subsequent sections and the standards themselves. However, this does not amount to direct supervision of holding entities. that are not licensed deposit takers. The direct supervision of holding entities is left for Step 2 of our group supervision policy, which would be subject to further consultation and advice to the Minister of Finance.

5.2.2. Situations for applying additional requirements (Q27)

Feedback

Respondents agreed with the proposed situations for applying additional requirements. However, a respondent contended that the policy should only apply in very limited circumstances to avoid unintended consequences, such as:

where a New Zealand licensed deposit taker has a subsidiary incorporated in an overseas jurisdiction that operates as a deposit taker and one or more of the situations described in the DTA Tranche 1 consultation document applies (see Box 2)15; or

where two or more licensed deposit takers are owned by the same holding company and a consolidated supervision approach is necessary.

Box 2. Application of additional group supervision requirements

Paragraph 165 of the DTA Tranche 1 consultation document states that other situations in which we would apply additional group supervision requirements could include situations when:

- there are concerns about the extent of capital downstreaming to the subsidiary, (for example, when the group does double gearing or double leveraging[16]) that could leave the New Zealand deposit taker undercapitalised on a standalone basis in stress scenarios
- the group has a complex structure that may increase financial instability contagion risk or present barriers to effective supervision

[15] See: https://consultations.rbnz.govt.nz/dta-and-dcs/dta-standards-exposure-drafts-tranche-1/user_uploads/cover-document-consolidated-for-tranche-1.pdf
[16] Basel Framework: scope of application - Executive Summary

- there are concerns about the deposit taker's ability to manage contagion risk within the group that it heads.

This respondent also added that application should occur only after extensive consultation with the particular deposit taker in question, given the potential for significant structural, process, data and system changes.

Another respondent recommended an equivalence-based approach, where subsidiaries in jurisdictions with comparable or stronger prudential regimes could be exempt from some or all Level 2 requirements, to reduce unnecessary compliance costs while guarding against regulatory arbitrage. It noted that the proposed approach does not sufficiently account for differences in the strength of offshore prudential supervision.

Comment

We have clarified what we consider as a default Level 1 entity in our consultation proposals, although the consolidation may still include other entities subject to the Reserve Bank's determination, particularly those that are in the business of borrowing and lending. Tailoring the levels of consolidation through conditions of licence is intended to help ensure that requirements appropriately address risks to group stability.

Using Standards alongside conditions of licence to set out requirements balances efficiency in policy making with the flexibility needed to apply requirements proportionately, having regard to a group's specific characteristics, including the strength of offshore prudential supervision.

A condition of licence may specify the scope of consolidation for supervisory purposes, including defining one or more group perimeters within the broader Level 2 framework, which defaults to the licensed deposit taker and its subsidiaries. For example, a condition may define a Level 2 group that only includes select entities (such as financial subsidiaries and associates) and/or a Level 2 group that includes all entities under the deposit taker in the corporate structure (such as financial and non-financial subsidiaries and associates), ensuring that prudential requirements are met at each designated level of consolidation.

Subsidiaries that are not deposit takers are not expected to comply with the standards. Instead, the licensed deposit taker, as group head, will be subject to requirements, including group-level expectations, to help ensure the stability of the group that it heads.

Response

The Reserve Bank can only set out the Step 1 requirements proposed in our consultation document as per current powers under the DTA. Step 1 requirements only apply to a New Zealand licensed deposit taker that is determined by the Reserve Bank to be the group head.[17]

In Step 1, the following consolidation levels will apply as follows, unless the Reserve Bank determines that other entities must be consolidated for supervisory purposes:[18]

- Level 1 refers to the licensed deposit taker (as described in the applicable standard).

[17] In the consultation document, the question regarding additional requirements for New Zealand licensed deposit takers that referred to "Level 1" should have been "Step 1." We do not consider that this drafting issue has materially affected respondents' understanding of the intended meaning of the question.
[18] For explanatory purposes, we refer to Level 1 and Level 2, noting these terms are not used in the Standards.

- Level 2 refers to the licensed deposit taker and its subsidiaries (domestic and overseas, as described in the standard).

Determining which entities will be consolidated with the deposit taker at Levels 1 and 2 for supervision purposes will be made during the relicensing phase. This will be included in the conditions of licence, following bilateral engagements with individual deposit takers and assessment of the information submitted for relicensing. We also clarify that supervisory engagement on consolidation is expected to occur ahead of the relicensing phase.

We clarify that while we have used the terms "Level 1" and "Level 2" in the consultation document, these are not used in the drafting of the Standards or conditions of licence. The Standards and conditions of licence may directly describe the coverage of the requirements (for example, if a requirement only covers a deposit taker, or a deposit taker and other related parties) to make the approach simpler and clearer.

5.2.3. Terminology and definitions (Q28)

Feedback

A respondent requested confirmation whether the Reserve Bank's intended Level 1 and Level 2 definitions are consistent with those of APRA and with the definitions of "New Zealand banking group" and "banking group". It suggested that the Level 2 group should not extend up beyond the immediate holding company of a licensed deposit taker and should not capture more than one holding company.

It proposed that other parent entities (beyond the immediate holding company) and their affiliates within the wider group should fall within Level 3. It noted that the Reserve Bank should be able to access information about the Level 3 entities, may need to be familiar with their activities, and should consider the risks they pose to Level 2, but does not regulate them.

The same respondent suggested that it would be consistent with the Basel Core Principles, and accordingly permissible, for the current holding company to intercede another holding company between itself and the deposit taker. This would mean that any restricted activities requirements extend only to that immediate holding entity and not to any holding entity above the immediate holding entity.

It added that deposit takers should be able to be structured outside of the regulated banking group (i.e. as part of the Level 3 group) if they are not funded by retail deposits. It suggested that this view is consistent with Figure 1 in the consultation document. However, references to "NZ financial services subsidiaries" within Level 1 and certain comments in relation to Level 1 in paragraph 162 of the consultation document could be read to suggest the contrary.

It also sought confirmation whether there is intent to require the immediate holding company to be a non-operating holding company (NOHC), noting that this is an APRA-specific approach, and that restricting activities (via a Standard or licence conditions) would be sufficient.

Another respondent queried whether the term "subsidiaries" (rather than "controlled entities") has been used purposefully in paragraph 162 of the consultation document. It sought clarification whether this would change the composition of deposit takers' current financial reporting groups and whether it is aligned with the accounting standards, particularly for covered bond and securitisation entities that are controlled but not subsidiaries.

Comment

We intend for our approach and definitions to be consistent with APRA's where applicable (while recognising that APRA holds a broader power to require entities outside of Level 1 to be licensed). In preparing exposure drafts of the standards, as explained in the previous section, our Level 1 policy description defaults to the licensed deposit taker while Level 2 defaults to the licensed deposit taker and its subsidiaries, unless the Reserve Bank determines that other entities must be consolidated with either or both levels of consolidation for supervisory purposes. A subsidiary is as defined in the Companies Act 1993 (see Box 3).

> Box 3. Meaning of subsidiary (Companies Act 1993, Section 5)
>
> For the purposes of this Act, a company is a subsidiary of another company if, but only if,—
>
> (a) that other company—
>
> (i) controls the composition of the board of the company; or
>
> (ii) is in a position to exercise, or control the exercise of, more than one-half the maximum number of votes that can be exercised at a meeting of the company; or
>
> (iii) holds more than one-half of the issued shares of the company, other than shares that carry no right to participate beyond a specified amount in a distribution of either profits or capital; or
>
> (iv) is entitled to receive more than one-half of every dividend paid on shares issued by the company, other than shares that carry no right to participate beyond a specified amount in a distribution of either profits or capital; or
>
> (b) the company is a subsidiary of a company that is that other company's subsidiary.

Supplementing the framework of the DTA with an ability to define levels of consolidation also allows consolidation outcomes to be tailored through conditions of licence or approval where appropriate. This enables the Reserve Bank to take account of differences in group structures and risk profiles when applying supervisory requirements.

Response

We acknowledge queries relating to supervision of holding entities. We note that in Step 1, the group supervision policy does not extend direct supervisory requirements beyond the licensed deposit taker and its subsidiaries, although risks arising from entities outside that perimeter may be addressed indirectly through approval requirements (and associated conditions) applying to the licensed deposit taker.

Matters relating to the direct supervision of holding entities, including circumstances in which a holding entity may be considered the group head and whether an immediate holding company should be required to be a NOHC, are matters for Step 2. As noted above, the Reserve Bank does not currently have the statutory powers to supervise holding entities directly. As we signalled in our consultation document, we expect to undertake further consultation on whether to proceed with Step 2.

Notwithstanding this, we intend to impose requirements that relate to holding-entity risks indirectly through approval requirements in the Restricted Activities Standard and associated conditions of approval.

The use of subsidiaries, as defined in the Companies Act 1993, as the default basis for Level 2 consolidation reflects a prudential focus on legal and control relationships that are relevant for supervisory purposes. This does not preclude the Reserve Bank from requiring the consolidation of other entities for supervisory purposes where risk considerations justify doing so.

5.2.4. Approach to applying requirements (Q29)

Feedback

A respondent sought clarification on how a Level 2 group could include one or more holding entities and on the statement that Level 2 requirements apply only where the Level 2 group head is a licensed deposit taker. It also sought clarification on whether additional Level 2 requirements are intended to apply to sister companies and other consolidated subsidiaries within Level 2. It queried whether including a holding entity as the Level 2 Group Head could impact the structure of the financial reporting group, which is currently based on the licensed deposit taker being the group head.

Another respondent queried the proposal to set out the requirements through the standards:

- The respondent disagreed with the embedding of the requirements in the **Restricted Activities Standard** where the deposit taker has a holding entity outside the scope of prudential regulation, noting that this is not a first-best approach and may act as a barrier to innovation and competitiveness, including for the wider group (Level 3). It suggested that given the idiosyncrasies of group structures, restricted activities are better addressed through conditions, rather than through a standard, supporting a more bespoke and flexible approach, until Step 2 is complete.

- It expressed concern that the proposed approach for **Governance, Risk Management and Operational Resilience Standards** could be highly duplicative and unnecessarily costly if it does not adequately recognise the strength of offshore prudential supervision applying to relevant subsidiaries. It noted that APRA's governance and risk standards are comprehensive and sophisticated, and that applying additional requirements at Level 2 would impose material compliance costs without improving prudential outcomes, which would be inconsistent with the principles of the DTA. It also submitted that the Reserve Bank's policy should allow flexibility for shared resourcing models across groups (including intra-group outsourcing and shared services), where this is commercially efficient and proportionate, provided accountability remains with the regulated entity.

- It indicated that it expects to comment in detail on the draft **Capital Standard** when published, but noted that under current rules, capital issued by an Australian subsidiary is not recognised at the consolidated banking group level in New Zealand. It mentioned the lack of mutual recognition of capital and requested that this issue be addressed in the draft Capital Standard when considering capital treatment for groups.

- It expressed support to the proposed approach to apply the Depositor Compensation Scheme, Lending, Open Bank Resolution and Outsourcing standards at Level 1 only, and had no further comments at this stage, subject to reviewing the draft standards.

Comment

As clarified in the previous section, Step 1 of our group supervision policy does not impose requirements directly on holding entities. Direct requirements apply only to licensed deposit takers that are heads of groups. Where necessary to address risks to the safety and soundness of the deposit taker or its group, requirements relating to holding entities may be imposed indirectly through conditions on any approval granted to the licensed deposit taker under the Restricted Activities Standard.

Quantitative requirements may relate to the calculation of financial metrics on a consolidated basis, including which entities are included in metrics reported to the Reserve Bank or disclosed publicly. They may also relate to thresholds or limits, such as the proportion of business conducted in New Zealand or limits on exposures to subsidiaries or holding entities.

Qualitative requirements may relate to group-level processes, frameworks or documentation that the group head must put in place to ensure that the group is governed prudently and risks to group stability are appropriately identified, assessed, and managed. These are requirements imposed on the licensed deposit taker as group head, not on each entity within the group, and allow flexibility in how group-level policies are designed and applied.

Restricted Activities Standard: The Restricted Activities Standard is intended to mitigate contagion, complexity, and resolvability risks that may arise from activities conducted within a group headed by a licensed deposit taker. Pursuant to this intent, the exposure draft of the Restricted Activities Standard carries over the current approach of setting out restrictions on the business that a holding entity of a licensed deposit taker can carry. In the absence of powers to supervise holding entities directly under Step 1, this is an unavoidable consequence of applying prudential requirements indirectly through the licensed deposit taker in order to manage risks to the stability of the group as a whole. Note that, we intend to the clarify holding entity requirements in the Restricted Activities Standard so that the business of the holding entity also includes business carried out by the subsidiaries of the holding entity outside the deposit taker group.

Governance, Risk Management and Operational Resilience Standards: We do not seek to duplicate requirements of overseas supervisors, unless there are compelling reasons for a New Zealand specific approach. We have taken into account international standards in designing these standards to achieve alignment where desirable. Our exposure drafts for these standards set out qualitative requirements for the group head that, as explained in the previous paragraph, seek to help ensure that the group is governed prudently and the risks to the group are managed adequately. They do not require policies, frameworks and processes for each entity within the group. We consider it likely that group policies will be more complex than for deposit takers with simpler organisational structures consistent with the approach in our proportionality framework.

Capital Standard: as part of implementing group supervision, the existing group-level capital requirements in the Banking Prudential Requirements (BPRs), including regulatory deduction requirements, will be carried over without substantive change. This approach is intended to maintain continuity in prudential outcomes and avoid introducing unintended changes to the treatment of group capital.

We acknowledge, however, the concern raised in relation to the potential implications of this approach for the mutual recognition of capital across jurisdictions. We recognise that differences in approaches may affect the extent to which capital issued offshore can be relied upon at the group level.

We recognise the importance of this issue for internationally active groups. In the 2025 review of key capital settings summary of submissions and policy decisions[19] we stated the following:

- Accepting APRA-eligible Tier 2 issued by Australian subsidiaries of a New Zealand bank as capital for the group would largely be relevant for Group 2 banks with Australian operations. We did not directly consider allowing APRA-eligible Tier 2 issued by Australian subsidiaries of a New Zealand bank to be accepted as capital for the group as we did not propose changes to Tier-2 instruments for Group 2 and want to carry over the current rules at this stage. Nevertheless, we are open to considering this alongside our resolution strategies during the exposure draft process for the Capital Standard and will invite further views from stakeholders at that point.

We had indicated that we would invite further views from stakeholders on allowing APRA-eligible Tier 2 issued by Australian subsidiaries of a New Zealand bank to be considered as capital for the group as part of the exposure draft process for the Capital Standard. However, we do not now consider it necessary to look at this further in light of the overall approach we are taking to the design of capital instruments and capital requirements.

While Tier 2 instruments could have similar features to APRA-eligible Tier 2 capital, this is in order to support our approach to recovery and resolution for deposit takers that have a significant impact on the stability of the financial system in New Zealand.

We do not consider that creating an exception that allows APRA-eligible capital instruments to be eligible in New Zealand (where they would not otherwise meet our requirements) is necessary in this context, nor would it meet the purposes of the DTA.

Other related issues: the exposure draft of the Related Parties Exposure Standard references holding entities within the definition of related parties. In this Standard, hierarchy within the corporate structure is immaterial, as the focus is on assessing risks to the deposit taker arising from exposures.

Response

As mentioned, Step 1 does not directly impose requirements on holding entities and does not extend supervisory requirements beyond the licensed deposit taker and its subsidiaries. Risks arising from entities outside this perimeter may be addressed indirectly through requirements applied to the licensed deposit taker.

We clarify that the default Level 1 entity is the licensed deposit taker. However, the scope of consolidation may be expanded where necessary, based on our assessment of risks and group relationships.

[19] See: Summary of submissions and policy decisions - 2025 Review of key capital decisions

5.2.5. Developing future Step 2 approach to amending the DTA (Q30)

Feedback

Respondents acknowledged the proposal to progress group supervision policy to Step 2, but sought greater clarity on the scope of application of Step 2 requirements.

A respondent noted that it views Step 2 as enabling rather than deregulatory, and necessary to align statute with the intent of the Reserve Bank's group supervision policy. It also recognised that implementing Step 1 alone would mean the Reserve Bank cannot directly regulate holding entities that are not licensed deposit takers.

However, it submitted that the timing and scope of Step 2 legislative reform are critical to achieving the objectives of the DTA. It proposed that amendments enabling Step 2 should be in force before 1 December 2028, supported progress via omnibus legislation, and indicated willingness to assist the Reserve Bank in advocating for timely statutory change. It noted that the current restrictions on holding entity activity have created unintended consequences and constraints on legitimate commercial activity.

It explained that providing statutory powers to supervise group structures is essential for maintaining diverse and competitive sector participation (a statutory DTA principle) and enabling supervised groups to adopt internationally common group structures. It also noted its importance in reducing reliance on bespoke conditions of licence, approval, or registration except where flexibility is needed to account for individual circumstances and ensuring New Zealand's approach aligns with international practice, where appropriate.

Another respondent suggested that Step 2 should have a narrow and clearly defined scope and should exclude holding entities that only have one subsidiary that is a deposit taker. It submitted that overly broad powers could impose significant additional compliance burdens with little prudential benefit, negatively affecting proportionality, competition, and participation in the deposit-taking sector.

A separate respondent also noted that the current framing of Step 2 could have a disproportionate impact on a broad range of deposit takers relative to the risks being addressed. It explained that under current conditions of registration, holding entities often have no influence over a deposit taker's strategy, activities, or governance, which remain the responsibility of the deposit taker's board.

It added that applying standards (for example, governance requirements) to holding entities could duplicate regulatory requirements or effectively transfer licensing obligations to the holding entity, resulting in significant compliance costs without clear prudential benefit. It suggested a more pragmatic and proportionate approach would be for the Reserve Bank to work with individual deposit takers to understand their group structures and determine which entity is most appropriate to regulate as the licensed deposit taker, allowing targeted responses to higher-risk structures without the consequences of a blanket approach.

Comment

We acknowledge the concerns raised regarding the potential scope and design of Step 2 of the group supervision policy. These include concerns relating to proportionality, competition, regulatory duplication, operational impacts, and the risk that overly broad powers could impose material compliance costs with limited prudential benefit.

We also acknowledge the importance of ensuring that any future framework for the direct supervision of holding entities is appropriately targeted, including by carefully considering whether and in what circumstances holding entities with only a single deposit-taking subsidiary should be within scope. These considerations will be relevant to the design of any Step 2 framework.

Response

Step 2 will require amendments to the DTA. As noted above, Step 2 is outside the scope of the present consultation.

If Step 2 is progressed, there will be a separate policy development, consultation, and stakeholder engagement process at the relevant time. Through that process, the Reserve Bank will consider the appropriate scope and application of any new powers, having regard to the objectives of the DTA, including proportionality, competition, and the efficient use of supervisory resources. Our conclusions will then form the basis of any advice to the Minister of Finance on possible legislative amendments.

5.3. Other matters

Feedback

A respondent commented on the Reserve Bank's assessment of contagion and regulatory arbitrage risks, submitting that non-bank lenders should not be characterised as unregulated. It noted that many non-bank lenders are subject to obligations under the Credit Contracts and Consumer Finance Act 2003 (CCCFA) and will soon be subject to licensing and supervision by the Financial Markets Authority (FMA). Therefore, they do not represent unchecked shadow banking risks. It added that in certain market segments, it is currently the sole bank lender, competing with non-bank lending models without evidence of heightened contagion risks.

The same respondent observed that several New Zealand banks own finance companies within their wider corporate groups and submitted that contagion risks in such structures are effectively managed under existing supervisory tools. It noted that listed-issuer obligations materially mitigate regulatory arbitrage risks, and that NZX/ASX dual-listed issuers are subject to continuous disclosure obligations, extensive reporting and market conduct requirements under the Financial Markets Conduct Act 2013 (FMCA), and audit and assurance requirements, which together act as significant deterrents to regulatory arbitrage or opportunistic risk-shifting.

Separately, it submitted that the Reserve Bank should not proceed directly from the current consultation to policy decisions. It recommended a further consultation round once all draft Standards have been released to allow industry to assess the full package of group supervision requirements in context.

Comment

Regarding non-bank lenders, we clarify that references in the consultation paper to entities being "unregulated" are made solely in the context of the scope of the Reserve Bank's prudential supervision. We acknowledge that some entities outside the Reserve Bank's prudential perimeter are subject to regulation by other government agencies, including licensing, conduct, and disclosure obligations. Similarly, the term "shadow banking" is used in a functional sense to describe bank-like activities conducted outside the Reserve Bank's prudential framework for banks, rather than as a characterisation of misconduct risk.

We also acknowledge that conduct regulation, consumer protection obligations, and market disclosure requirements, including those administered by the Financial Markets Authority (for example, compliance with CCCFA and FMCA) and market operators such as NZX and ASX, may mitigate certain risks within corporate groups. However, different regulators have distinct mandates. The Reserve Bank's mandate focuses on financial stability, including identifying and addressing contagion, complexity, and risk-transmission channels within groups.

In our view, conduct-focused and market-based requirements, while important, do not in themselves adequately address these prudential risks. In saying this, we are conscious of duplication risk and compliance cost concerns, and there may be instances where compliance with other regulatory/market requirements will be taken into account as part of our risk-based supervisory approach.

Response

We intend to implement Step 1 as part of our current process in finalising the DTA Standards (scheduled to be issued in May 2027) and will not conduct further consultation on Step 1 at this time. However, we note that we will review the standards on a regular basis and any Step 2 process would involve consultation on how the final standards would need to be amended to reflect proposed legislative change.

Annex A: Consolidated consultation questions

Liquidity Standard	
Q1	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?
Q2	Would the exposure draft and draft guidance, as currently drafted, create any unintended outcomes? If so, please specify any issues and potential solutions.
Q3	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?
Q4	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?
Q5	Do you have any other comments on the attached exposure draft of the Liquidity Standard?
Q6	Do you have any other comments on the attached draft of the Guidance to support the Liquidity Standard?
Depositor Compensation Scheme Standard	
Q7	Do you agree that a DCS depositor page should accept alternate account details from any authorised individual even if that person could not manage that account without approval from another person (n to sign)? If not, please provide suggestions on how this could be cost effectively managed by deposit takers.
Q8	Do you agree with the proposal that the alternate model would only be available to deposit takers who do not offer transactional accounts, and the proposed approach to identify which deposit takers offer transactional accounts?
Q9	DCS depositor page data will be provided to the RBNZ as it is received (for example, every 24 hours). Will you have any system constraints if subsequent transfers contain only depositor data that is new since any previous data transfers (delta data)?
Q10	Account authority SDV variables have been included as an account level variable to reflect submissions on the consultation document. We expect that some or many

	authorities may be provided at the depositor level and welcome submissions on the appropriate treatment.
Q11	Do you foresee any difficulty in identifying temporary accounts as identified in row 36 of the table in the Guidance? Are there any further actions the DCS Standard could include that would assist, for example a delay in collating this information compared with the other SDV variables, and if so how long would be appropriate?
Q12	As referred to in the data submission guidelines, are there any technical or non technical constraints that would prevent your institution from implementing asymmetric encryption?
Q13	Do you have any other comments on the attached exposure draft of the DCS Standard?
Q14	Do you have any other comments on the attached draft of the Guidance to support the DCS Standard?
Lending Standard	
Q15	Do you have comments on the structure of the attached exposure draft of the Lending Standard?
Q16	Does the attached exposure draft of the Lending Standard and the draft Guidance set out LVR and DTI exemptions clearly enough (noting that these are now framed as 'nature of lending' categories)?
Q17	Do you have comments on the changes to LVR and DTI exemptions (noting that these are now framed as 'nature of lending' categories)?
Q18	Do you have comments on including a range of high-LVR and high-DTI thresholds and speed limits, without increments?
Q19	Do you have comments on the approach to anti-avoidance?
Q20	Do you have comments on the proposed transitional arrangements?
Q21	Do you have any other comments on the attached exposure draft of the Lending Standard?
Q22	Do you have any comments on the attached draft of the Guidance to support the Lending Standard?
IoNZ Standard	

Q23	Do you agree that the drafting of the large corporate or institutional client definition reflects the previously announced policy intent?
Q24	Do you agree that the drafting of the wholesale client definition reflects the previously announced policy intent?
Q25	Do you have any other comments on the attached exposure draft of the IoNZ Standard?
Q26	Do you have any comments on the attached draft of the Guidance to support the IoNZ Standard?
Group Supervision Policy for Deposit Takers	
Q27	Do you agree with the proposed situations for applying additional Level 1 requirements to a New Zealand licensed deposit taker?
Q28	Do you have any comments on our proposed terminology for developing group supervision requirements?
Q29	Do you agree with our high-level approach to applying Level 1 and Level 2 requirements to relevant New Zealand licensed deposit takers?
Q30	Do you have any feedback to share that may be helpful in developing any possible future Step 2 approach to amending the DTA?