

DRAFT FOR CONSULTATION

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- peer review:
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- editorial, minor, and other relevant changes.

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Deposit Takers (Business Transfers, Holding Entities, and Restricted Activities) Standard 2027

This standard is issued under section 72 of the Deposit Takers Act 2023 by the Reserve Bank of New Zealand after—

- complying with section 75(1) of that Act; and
- being satisfied of the matter set out in section 72(1) of that Act; and
- the board of the Reserve Bank of New Zealand having regard to the matter set out in section 49(1) of the Reserve Bank of New Zealand Act 2021.

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Schedule 1

Transitional, savings, and related provisions

Standard

1	Title	
	This is the Deposit Takers (Business Transfers, Holding Entities, and Restricted Activities) Standard 2027.	
2	Commencement	
	This standard comes into force on 1 December 2028.	

Part 1 Preliminary provisions

3 Interpretation

In this standard, unless the context otherwise requires,—

Act means the Deposit Takers Act 2023

balance date has the same meaning as in section 41 of the Financial Reporting Act 2013

CET1 capital means, in relation to a deposit taker, the CET1 capital the deposit taker is required to maintain under the Deposit Takers (Capital) Standard 2027

contract of insurance has the same meaning as in section 7(1) of the Insurance (Prudential Supervision) Act 2010

generally accepted accounting practice has the same meaning as in section 8 of the Financial Reporting Act 2013

insurer has the same meaning as in section 6(1) of the Insurance (Prudential Supervision) Act 2010.

4 Transitional, savings, and related provisions

The transitional, savings, and related provisions set out in Schedule 1 have effect according to their terms.

5 Application

- (1) This standard applies to a deposit taker that is incorporated in New Zealand.
- (2) The following Parts apply to an overseas deposit taker:
 - (a) Subpart 1 of Part 2 (application of Part 2 and valuation rule):
 - (b) Subpart 2 of Part 2 (significant transactions):
 - (c) Part 4 (restricted activities) but only in relation to—
 - (i) the restriction on acting as an insurer; and
 - (ii) the restriction on carrying on business other than providing a financial service.

Part 2 Business transfers

Subpart 1—Application of Part 2 and valuation rule

6 Transfer of business between deposit taker and subsidiaries

- (1) This Part does not apply in relation to a transfer of business between a deposit taker and its subsidiary (or vice versa) or between subsidiaries of a deposit taker if the deposit taker believes on reasonable grounds that the transfer would not transfer a more than

minor financial risk or operational risk to a person other than the deposit taker or its subsidiary.

- (2) For the purposes of this clause **financial risk** includes credit, liquidity, currency, market and other financial risk.

7 Transfer of business involving certain debt securities

- (1) This Part does not apply in relation to a transfer of business if it involves only the transfer of a debt security issued by any of the following:

- (a) the Crown;
- (b) the Bank;
- (c) the New Zealand Local Government Funding Agency Limited;
- (d) a central bank with a current credit rating that is investment grade;
- (e) a deposit taker with a current credit rating that is investment grade;
- (f) an overseas bank with a current credit rating that is investment grade.

- (2) In this clause, **overseas bank** means a person licensed or registered as a bank in a country other than New Zealand.

8 New Zealand business of overseas deposit taker and subsidiaries

In this Part, if an overseas deposit taker is a holding entity of a deposit taker incorporated in New Zealand, the New Zealand business of the overseas deposit taker and its subsidiaries does not include the business of the deposit taker incorporated in New Zealand and its subsidiaries (if any).

9 Valuation of total assets or consideration

In this Part, for the purposes of determining the value of total assets or consideration, the value is the fair value of the total assets or consideration which must be determined in accordance with generally accepted accounting practice.

Subpart 2—Significant transactions

10 Material part of overseas deposit taker's New Zealand business

For the purposes of section 41(2)(a)(i) of the Act, a transaction that involves the transfer of an overseas deposit taker's New Zealand business to another person is the transfer of a material part of that business if the transfer decreases, directly or indirectly and by 1 transaction or a series of transactions, the total assets of the New Zealand business of the deposit taker and its subsidiaries (if any) by an amount equal to or greater than 25% of those total assets as at the deposit taker's most recent balance date.

Guidance note

See subpart 5 of Part 2 of the Act, which provides that the transfer of all or a material part of the overseas deposit taker's New Zealand business is a significant transaction in respect of which the Bank's approval is required.

11 Material part of other deposit taker's business

For the purposes of section 41(2)(a)(ii) of the Act, a transaction that involves the transfer of a deposit taker's business to another person is the transfer of a material part of that business if either of the following applies:

- (a) the transfer decreases, directly or indirectly and by 1 transaction or a series of transactions, the total assets of the deposit taker and its subsidiaries (if any) by an amount equal to or greater than 25% of those total assets as at the deposit taker's most recent balance date:
- (b) the net consideration payable or receivable in respect of the transaction or series of transactions is an amount equal to or greater than 25% of the deposit taker's CET1 capital as at the deposit taker's most recent balance date.

Guidance note

See subpart 5 of Part 2 of the Act, which provides that the transfer of all or a material part of the deposit taker's business to another person is a significant transaction in respect of which the Bank's approval is required.

12 Transfer of subsidiary business

For the purposes of section 41(2)(b) of the Act, the following are significant transactions in respect of which approval is required under subpart 5 of Part 2 of the Act:

- (a) in the case of an overseas deposit taker, a transaction that involves the transfer of all or a part of the New Zealand business of a subsidiary of the deposit taker to another person if the transfer decreases, directly or indirectly and by 1 transaction or a series of transactions, the total assets of the deposit taker and its subsidiaries by an amount equal to or greater than 25% of those total assets as at the deposit taker's most recent balance date:
- (b) in the case of a deposit taker incorporated in New Zealand, a transaction that involves the transfer of all or a part of the business of a subsidiary of the deposit taker to another person if—
 - (i) the transfer decreases, directly or indirectly and by 1 transaction or a series of transactions, the total assets of the deposit taker and its subsidiaries by an amount equal to or greater than 25% of those total assets as at the deposit taker's most recent balance date:
 - (ii) the net consideration payable or receivable in respect of the transaction or series of transactions is an amount equal to or greater than 25% of the deposit taker's CET1 capital as at the deposit taker's most recent balance date.

13 Transfer of business to deposit taker or subsidiary

For the purposes of section 41(2)(b) of the Act, the following are significant transactions in respect of which approval is required under subpart 5 of Part 2 of the Act:

- (a) in the case of an overseas deposit taker, a transaction that involves the transfer of a person's business to the New Zealand business of the deposit taker or its subsidiary if the transfer increases, directly or indirectly and by 1 transaction or a series of transactions, the total assets of the New Zealand business of the deposit taker and its subsidiaries (if any) by an amount equal to or greater than 25% of those total assets as at the deposit taker's most recent balance date:
- (b) in the case of a deposit taker incorporated in New Zealand, a transaction that involves the transfer of a person's business to the deposit taker or its subsidiary if—
 - (i) the transfer increases, directly or indirectly and by 1 transaction or a series of transactions, the total assets of the deposit taker and its subsidiaries (if any) by an amount equal to or greater than 25% of those total assets as at the deposit taker's most recent balance date:
 - (ii) the net consideration payable or receivable in respect of the transaction or series of transactions is an amount equal to or greater than 25% of the deposit taker's CET1 capital as at the deposit taker's most recent balance date.

Subpart 3—Notifiable transactions

14 Transfer of deposit taker or subsidiary business

A transaction that involves the transfer of business of a deposit taker or its subsidiary to another person is a notifiable transaction if either of the following applies:

- (a) the transfer decreases, directly or indirectly and by 1 transaction or a series of transactions, the total assets of the deposit taker and its subsidiaries (if any) by an amount equal to or greater than 10%, but less than 25%, of those total assets as at the deposit taker's most recent balance date:
- (b) the net consideration payable or receivable in respect of the transaction or series of transactions is an amount equal to or greater than 10%, but less than 25%, of the deposit taker's CET1 capital as at the deposit taker's most recent balance date.

15 Transfer of business to deposit taker or subsidiary

A transaction that involves the transfer of all or a part of a person's business to the deposit taker or its subsidiary is a notifiable transaction if either of the following applies:

- (a) the transfer increases, directly or indirectly and by 1 transaction or a series of transactions, the total assets of the deposit taker and its subsidiaries (if any) by an amount equal to or greater than 10%, but less than 25%, of those total assets as at the deposit taker's most recent balance date:
- (b) the net consideration payable or receivable in respect of the transaction or series of transactions is an amount equal to or greater than 10%, but less than 25%, of the deposit taker's CET1 capital as at the deposit taker's most recent balance date.

16 Requirement to notify Bank

- (1) A deposit taker must give the Bank written notice of a notifiable transaction at least 10 working days before the transaction takes effect.
- (2) The notice must specify the following information:
 - (a) the parties to the transaction; and
 - (b) the business being transferred; and
 - (c) the proposed date of the transfer; and
 - (d) the amount of the increase in the total assets of the deposit taker and its subsidiaries (if any); and
 - (e) the total value of the transaction or series of related transactions.
- (3) A failure to comply with this clause does not affect the validity of the transaction.

Part 3 Holding entities

17 Holding entity of deposit taker

A deposit taker must not have a holding entity in its licensed deposit taker group except for a holding entity that is—

- (a) a deposit taker incorporated in New Zealand; or
- (b) an entity incorporated in New Zealand to which either of the following applies:
 - (i) the only business the holding entity carries on is that of a holding entity;
 - (ii) the deposit taker has the Bank's approval to have a holding entity that carries on business other than that of a holding entity; or
- (c) an entity incorporated outside New Zealand.

18 Bank approval for holding entity of deposit taker

- (1) In deciding whether to give its approval under clause 17(b)(ii) and any conditions of that approval, the Bank must be satisfied that despite the carrying on of the other business, the deposit taker has the ability to comply with prudential obligations (including the conditions that the Bank proposes to impose if the Bank gives its approval).

Guidance note

See subpart 4 of Part 8 of the Act, which provides for the Bank's power to specify the manner in which a request for approval is made.

Part 4 Restricted activities

19 Restriction on acting as insurer

A deposit taker may act, or have a subsidiary that acts, as an insurer only if the total liabilities of the deposit taker and its subsidiaries (if any) under contracts of insurance does not at any time exceed 1% of the total assets of the deposit taker and its subsidiaries as at the deposit taker's most recent balance date.

20 Restriction on carrying on business other than providing financial service

A deposit taker may carry on, or have a subsidiary that carries on, business other than providing a financial service only if the carrying on of that business is not material information required to be disclosed in financial statements prepared by the deposit taker, or its subsidiary, in accordance with generally accepted accounting practice.

21 Restriction on carrying on deposit-taking business outside New Zealand

- (1) A deposit taker may carry on, or have a subsidiary that carries on, deposit-taking business in an overseas jurisdiction only if the deposit taker has the Bank's approval to carry on deposit-taking business in the jurisdiction.
- (2) In deciding whether to give its approval and any conditions of that approval, the Bank must be satisfied that the deposit-taking business in the overseas jurisdiction would not—
 - (a) compromise the safety and soundness of the deposit taker; or
 - (b) increase the adverse effects of the following:
 - (i) risks to the stability of the financial system;
 - (ii) risks from the financial system that may damage the broader economy.

Guidance note

See subpart 4 of Part 8 of the Act, which provides for the Bank's power to specify the manner in which a request for approval is made.

22 Restriction on issuing covered bonds

The value of the total cover pool property for covered bonds issued by a deposit taker must not at any time exceed 10% of the total assets of the deposit taker and its subsidiaries (if any) as at the deposit taker's most recent balance date.

Schedule 1

Transitional, savings, and related provisions

Part 1

Provisions relating to this standard as made

1 Restriction on carrying on business other than providing financial service

- (1) Despite clause 20, a deposit taker may carry on, or have a subsidiary that carries on, business other than providing a financial service if—
 - (a) the deposit taker, immediately before the date on which the Deposit Takers Act 2023 comes into force, is a licensed non-bank deposit taker under the Non-bank Deposit Takers Act 2013; and
 - (b) the deposit taker has continuously carried on that business since a date no later than 30 June 2025; and
 - (c) the deposit taker has the Bank's approval to carry on, or have a subsidiary that carries on, that business.
- (2) In deciding whether to give its approval and any conditions of that approval, the Bank must be satisfied that—
 - (a) the deposit taker will have a reasonable period for the deposit taker or its subsidiary to cease carrying on that business; and
 - (b) the deposit taker or its subsidiary continuing to carry on that business during that period would not compromise the safety and soundness of the deposit taker; and
 - (c) a condition of the approval specifies a date on which the deposit taker or its subsidiary must cease carrying on that business.
- (3) The Bank's approval expires on the date specified in the conditions as the date on which a deposit taker or its subsidiary must cease carrying on that business other than providing a financial service.

2 Restriction on carrying on deposit-taking business outside New Zealand in relation to Heartland Bank Limited

- (1) Clause 21 does not apply to Heartland Bank Limited (NZBN 9429031360449) in respect of its subsidiary Heartland Bank Australia Limited (ABN 54 087 651 750).
- (2) If Heartland Bank Australia Limited ceases to be authorised to accept deposits under the law of Australia, this clause ceases to apply.

Made at Wellington on [day month year].

Reserve Bank of New Zealand

Explanatory note

This note is not part of the standard but is intended to indicate its general effect.

This standard comes into force on 1 December 2028.

The standard is issued under section 72 of the Deposit Takers Act 2023 (the **Act**). It imposes restrictions relating to holding entities and activities of a deposit taker and sets out which transactions are significant transactions requiring the approval of the Reserve Bank of New Zealand (the **Bank**) or notifiable transactions that the deposit taker must notify to the Bank.

The purpose of *Part 2* (business transfers) is to mitigate risks to financial stability arising from transfers involving deposit takers by requiring either Bank approval of the transfer (for significant transactions) or notification to the Bank (for notifiable transactions). These transactions involve the transfer of all or a material part of the deposit taker's or its subsidiaries' business.

Subpart 1 of Part 2 (relating to the application of *Part 2* and the valuation rule) provides that the significant transaction and notifiable transaction provisions do not apply to—

- transfers between a deposit taker and its subsidiaries or between its subsidiaries if the deposit taker believes on reasonable grounds that the transfer would not transfer a more than minor financial risk to a person other than the deposit taker or its subsidiary;
- transfers of business involving certain debt securities (e.g. debt securities issued by the Crown or the Bank);
- an overseas deposit taker other than in relation to the New Zealand business of the deposit taker and its subsidiaries.

The subpart also provides that the valuation of total assets or consideration is its fair value. Fair value is determined in accordance with generally accepted accounting practice.

Subpart 2 of Part 2 (relating to significant transfers) applies both to a deposit taker incorporated in New Zealand and to an overseas deposit taker. It sets out the thresholds that apply when determining what is a material part of a deposit taker's business and specifies certain other kinds of transactions that require the Bank's approval.

Subpart 3 of Part 2 (relating to notifiable transactions) only applies to a deposit taker incorporated in New Zealand. It sets out thresholds that apply when determining whether the Bank must be notified of the transaction. The deposit taker must give written notice to the Bank of the transaction at least 10 working days before the transaction takes effect. The notice must contain certain information. A failure to notify does not affect the validity of the transaction.

Part 3 imposes restrictions relating to holding entities of a deposit taker incorporated in New Zealand. The effect of the restriction is that a New Zealand deposit taker is not allowed to have in its licensed deposit taker group a holding entity incorporated in New Zealand unless the entity is—

- a New Zealand deposit taker; or

- a holding entity the only business of which is that of a holding entity, unless the deposit taker has the Bank's approval to carry on other business.

Before giving its approval, the Bank must be satisfied that, despite the holding entity carrying on the other business, the deposit taker has the ability to comply with prudential obligations (including the conditions that the Bank proposes to impose if the Bank gives its approval).

Part 4 imposes restrictions on the following activities of a deposit taker:

- acting as an insurer:
- carrying on business other than providing a financial service:
- carrying on a deposit-taking business outside New Zealand:
- issuing covered bonds.

All the restrictions apply to a deposit taker incorporated in New Zealand. However, in relation to an overseas deposit taker, only the restrictions relating to acting as an insurer or carrying on business other than providing a financial service apply.

The restrictions relating to acting as an insurer, carrying on business other than providing a financial service, or carrying on a deposit-taking business outside New Zealand also apply in relation to the deposit takers subsidiaries (if any).

However, a deposit taker or its subsidiary may carry on a deposit-taking business in an overseas jurisdiction if it has the Bank's approval. In deciding to give its approval and any conditions of approval, the Bank must be satisfied that the deposit-taking business in the overseas jurisdiction would not:

- compromise the safety and soundness of the deposit taker; or
- increase the adverse effects of risks to the stability of the financial system or increase risks from the financial system that may damage the broader economy.

The restriction on carrying on a deposit-taking business outside New Zealand does not apply to Heartland Bank Limited in respect of its subsidiary Heartland Bank Australia Limited unless it ceases to be authorised to accept deposits under the law of Australia.

This is secondary legislation issued under the authority of the Legislation Act 2019 .	
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