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Deposit Takers (Governance) 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
- having regard to the matters set out in section 92(3) of that Act; and
- being satisfied of the matters set out in section 72(1) and 92(4) 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 (Governance) 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

board, in relation to a deposit taker, means the board of directors (or other persons or body exercising powers of management, however described)

chief risk officer has the same meaning as in clause 4 of the Deposit Takers (Risk Management) Standard 2027

independent, in relation to a director, means that the director satisfies the requirements for independence in clause 14 or is subject to one or more of the exceptions in clause 15

risk management framework means the risk management framework set out in clause 7 of the Deposit Takers (Risk Management) Standard 2027.

4 Meaning of related entity

(1) An entity (A) is related to a deposit taker if—

- (a) A has significant influence over a member of the deposit taker's licensed deposit taker group; or
- (b) A is an entity over which a member of the deposit taker's licensed deposit taker group has significant influence; or
- (c) A person has significant influence over both A and a member of the deposit taker's licensed deposit taker group.

(2) **Related entity** has a corresponding meaning.

5 Meaning of significant influence

(1) A person (A) has **significant influence** over an entity if—

- (a) A has the power, directly or indirectly, to—
 - (i) exercise, or control the exercise of, 20% or more of the voting rights in the entity; or
 - (ii) appoint 20% or more of the directors of the entity; or
- (b) A has, together with 1 or more connected persons, the power, directly or indirectly, to—
 - (i) exercise, or control the exercise of, 20% or more of the voting rights in the entity; or
 - (ii) appoint 20% or more of the directors of the entity.
- (2) For the purpose of subclause (1)(b), **connected person**, in relation to A, means—
 - (a) a person who is acting or will act jointly or in concert with A in exercising, or controlling the exercise of, a power referred to in subclause (1)(b)(i) or (ii); or
 - (b) a person who acts, or is accustomed to acting, in accordance with the wishes of A.

6 Transitional, savings, and related provisions

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

7 Application

- (1) Parts 2 and 3 apply to a deposit taker incorporated in New Zealand.
- (2) Part 4 applies to both a deposit taker incorporated in New Zealand and an overseas licensed deposit taker.
- (3) Part 5 applies to an overseas licensed deposit taker.

8 Group requirements for governance

- (1) This clause applies—
 - (a) when a deposit taker incorporated in New Zealand has 1 or more subsidiaries; and
 - (b) to the deposit taker in relation to the group of entities that consists of the deposit taker and its subsidiaries.
- (2) In addition to the requirements that the deposit taker must meet under this standard, the deposit taker must apply the following requirements on a group-wide basis with any necessary modifications:
 - (a) clause 9 (board responsible for prudent governance of deposit taker):
 - (b) clause 10 (skills and experience of directors and senior managers):
 - (c) clause 17 (functions of committees).
- (3) The deposit taker's audit committee must review the effectiveness of the financial reporting of the group.

- (4) The deposit taker's risk committee must review the implementation and operation of the risk management framework of the group.
- (5) The deposit taker must ensure that the activities of its subsidiaries not regulated by the Bank are undertaken in a manner that complies with any group governance requirements.

Part 2

Responsibilities of board

9 Board responsible for prudent governance of deposit taker

- (1) The board is responsible for the prudent governance of the deposit taker.
- (2) To that end, the board must—
 - (a) prepare and maintain a charter that sets out—
 - (i) the responsibilities and powers of the board collectively and in respect of each director relating to the governance of the deposit taker, such as powers of delegation:
 - (ii) the roles and responsibilities of the board's chairperson, deputy chairperson, and committee chairpersons:
 - (iii) the size, structure and composition of the board and its committees:
 - (iv) its governance processes:
 - (b) set out the deposit taker's strategic direction and oversight of the management of the deposit taker in line with its strategic direction:
 - (c) have processes in place to support—
 - (i) the timeliness, quality, and integrity of the deposit taker's financial and non-financial reports:
 - (ii) the independence of any internal or external audit.

10 Skills and experience of directors and senior managers

- (1) The board is responsible for ensuring that the deposit taker's directors and senior managers have the appropriate skills and experience, both individually and collectively, to prudently govern and manage the deposit taker.
- (2) To that end, the board must ensure that—
 - (a) the selection process for directors and senior managers is consistent with the fit and proper policy set out in clause 22:
 - (b) processes are in place to ensure that the skills and experience of directors and senior managers are appropriate for the deposit taker's size, nature, and complexity of the deposit taker's business:
 - (c) processes are in place to ensure that the skills of the directors and senior managers remain appropriate to manage the deposit taker prudently.

11 Internal governance

- (1) The board is responsible for—
 - (a) establishing its own internal governance processes that support the prudent governance and management of the deposit taker; and
 - (b) ensuring that the directors have a sound understanding of what is expected of them, both collectively and individually.
- (2) To that end, the board must—
 - (a) set out how it and its committees (if any) operate and support its operations:
 - (b) establish a framework for the delegation of authorities:
 - (c) specify what constitutes a breach of a delegation and how a breach will be managed:
 - (d) have processes in place to ensure that directors have the capacity to perform their responsibilities:
 - (e) ensure that the board's processes—
 - (i) set out the obligations of senior managers and the reporting lines between the board, board committees, and senior managers:
 - (ii) provide for the flow of information between the board, board committees, and senior managers and set out the nature of that information:
 - (iii) align with the deposit taker's strategic direction:
 - (f) have procedures in place that support proper inquiry into how senior managers are managing the deposit taker:
 - (g) conduct reviews of its performance and ensure that—
 - (i) reviews are carried out by a person with sufficient operational independence from the deposit taker's governance functions:
 - (ii) reviews cover the performance of the board as a collective, the performance of its committees, and the performance of individual directors:
 - (iii) reviews are carried out in accordance with the deposit taker's licence conditions:
 - (h) establish and maintain a policy on board renewal:
 - (i) establish and maintain a succession plan for board members and senior managers.
- (3) A condition of the deposit taker's licence may specify when the performance reviews referred to in subclause (2)(g) must be carried out, which may be once a year, every 2 years, or every 3 years.

12 Remuneration policy

- (1) A board is responsible for ensuring that the deposit taker has a remuneration policy and that it is consistent with the deposit taker's strategic direction, and risk management framework and that it supports the safety and soundness of the deposit taker.
- (2) To that end, a board must ensure the following:

- (a) that the deposit taker's remuneration policy is clearly laid out and able to be understood, specifies the objectives of the policy, and is communicated clearly:
 - (b) that the remuneration policy covers all types of remuneration, regardless of the form it takes (for example, fixed remuneration, variable remuneration, and benefits):
 - (c) that the remuneration policy promotes good performance:
 - (d) that the remuneration policy provides for how any conflicts of interest concerning decisions about remuneration will be managed:
 - (e) that there is a process for regular reviews of the remuneration policy and how the policy supports the deposit taker's strategic direction.
- (3) In this clause,—
- fixed remuneration** means employee remuneration that is not conditional on a performance measure being met
- variable remuneration** means employee remuneration that is conditional on a performance measure being met.

Part 3 Structure and composition of board

13 Board size and composition

- (1) A condition of the deposit taker's licence may specify the minimum number of directors, which may be a minimum of either 3 or 5 directors.

Option A

- (2) The chairperson of the board must meet the requirements for independence set out in clause 14, except in relation to clause 14(1)(a) if the Bank gives its approval in accordance with clause 15(3).
- (3) A majority of board members must meet the requirements for independence set out in clause 14 (except as provided for in clause 15), which may include the chairperson of the board.
- (4) At least half of the independent directors must be ordinarily resident in New Zealand.

Option B

- (5) The chairperson of the board must meet the requirements for independence set out in clause 14, except in relation to clause 14(1)(a) if the Bank gives its approval in accordance with clause 15(3).
- (6) A majority of board members must meet the requirements for independence set out in clause 14 (except as provided for in clause 15), which may include the chairperson of the board unless the Bank gives its approval in accordance with clause 15(3).
- (7) At least half of the independent directors must be ordinarily resident in New Zealand.

Options end

- (8) A deposit taker's constitution or rules must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what they believe is the best interests of the deposit taker.

14 Requirements for independence

- (1) An independent director means a director who—
- (a) does not have, and has not had, significant influence over the deposit taker, and has not been a director or senior manager of an entity that had significant influence over the deposit taker at any point during the 3 years immediately before their current appointment to the board, except that a person may fail this criterion and still be considered independent in the cases set out in clause 15; and
 - (b) is not a director of a related entity (other than an entity referred to in clause 14(1)(a)) of the deposit taker, except that a person may fail this criterion and still be considered independent in the cases set out in clause 15; and
 - (c) is not and has not previously been employed as a senior manager by the deposit taker or a related entity (other than an entity referred to in clause 14(1)(a)) at any point during the 3 years immediately before their current appointment to the board;
 - (d) is not and has not been a material professional adviser or consultant to the deposit taker or a related entity at any point during the 3 years immediately before their current appointment to the board;
 - (e) has not held a position as director of the deposit taker for more than 9 years, unless approved by the Bank, which must be satisfied before giving its approval that the length of the appointment would not affect that person's ability to promote the safety and soundness of the deposit taker.
- (2) In this clause,—
- material professional adviser or consultant** means an individual who directly or indirectly provides advice to a deposit taker or a related entity concerning matters of strategic importance.

15 Exceptions to independence requirements

- (1) A director does not need to meet the requirements of clause 14(1)(a) or (b) in relation to a particular entity if any of the following apply:
- (a) they are a director of an entity other than the ultimate holding company, if that entity's functions are limited to acting as a legal vehicle to hold investments in its subsidiaries and it does not undertake any direct revenue generating activity;
 - (b) in the case that the business or part of the business of an entity is transferred to another entity on a reorganisation, they were a director of the entity whose business was transferred and are now a director of the entity to which the business is transferred.
- (2) The Bank may approve a chairperson of the board as meeting the independence requirements even if the person does not meet the independence requirement in clause

14(1)(a) by reason of being a director of an entity that had significant influence over the deposit taker.

- (3) The Bank may approve a director as meeting the requirements of clause 14(1)(b) but before giving its approval the Bank must be satisfied that the related entity directorships held by that person would not affect their ability to promote the safety and soundness of the deposit taker.

Option A

- (4) Before the Bank gives approval under subclause (2), the Bank must be satisfied that—
- (a) the person possesses the capacity, competence, and integrity to perform the duties of the position; and
 - (b) the person has the capacity to act as both the chairperson of the board of the deposit taker and a senior manager or director of the related entity; and
 - (c) there are processes in place to ensure that any conflicts of interest between these roles are managed appropriately.

Option B

- (5) Before the Bank gives approval under subclause (2), the Bank must be satisfied that, in addition to the requirement in clause 13(7) that at least half of the independent directors must be ordinarily resident in New Zealand, the chairperson is also ordinarily resident in New Zealand.
- (6) In this clause,—
- ultimate holding company** means a body corporate that—
- (a) is A's holding entity; and
 - (b) is not itself a subsidiary of a body corporate.

16 Board committee requirements

- (1) A condition of a deposit taker's licence may require the deposit taker to establish and maintain the following committees:
- (a) an audit committee;
 - (b) a risk committee;
 - (c) a remuneration committee.
- (2) If it is a condition of a deposit taker's licence to have the committees referred to in subclause (1), each committee must meet the following requirements:
- (a) it must have at least 3 members; and
 - (b) every member of the committee must be a non-executive director of the deposit taker; and
 - (c) the majority of the committee members must be independent; and
 - (d) the chairperson of the committee must meet the independence requirements set out in clause 14 (except as provided in clause 15(1)) and must not be the chairperson of the deposit taker's board.

- (3) If it is not a condition of a deposit taker's licence to have the committees referred to in this clause, the deposit taker must, if it has not established a committee referred to in subclause (1), have arrangements in place to ensure that the board of the deposit taker allocates appropriate time to the functions specified in clause 17.
- (4) If a deposit taker referred to in subclause (3) has established a committee referred to in subclause (1), the membership requirements in subclause (2) do not apply.

17 Functions of committees

- (1) The function of an audit committee is to ensure the integrity of financial controls, reporting systems, and internal audit standards of the deposit taker.
- (2) The functions of a risk committee are to—
 - (a) advise the board on the deposit taker's overall current and future risk appetite and risk management strategy;
 - (b) oversee the deposit taker's current and future risk position relative to its risk appetite and financial strength (including its capital and liquidity position);
 - (c) oversee senior managers' implementation of the risk management framework;
 - (d) review the performance and set the objectives of the deposit taker's chief risk officer;
 - (e) oversee the appointment and renewal of the chief risk officer.
- (3) The functions of a remuneration committee are to—
 - (a) conduct regular reviews of the deposit taker's remuneration policy and to make recommendations to the board in relation to the policy;
 - (b) make annual recommendations to the board on the remuneration of the chief executive officer and other senior managers consistent with the remuneration policy;
 - (c) make annual recommendations to the board on the remuneration of any other categories of persons covered by the remuneration policy.
- (4) The functions of the committees set out in subclauses (1) to (3) are the minimum functions required by each committee and additional functions may be specified by the board.
- (5) In this clause,—

chief risk officer means a person who carries out the functions set out in clause 31 of the Deposit Takers (Risk Management) Standard 2027.

Part 4

Fit and proper requirements for deposit takers

18 When fit and proper assessment required

- (1) A deposit taker must carry out a fit and proper assessment,—
 - (a) in the case of a deposit taker incorporated in New Zealand, —

- (i) when applying for a licence under section 16 of the Act; and
 - (ii) when requesting the Bank's approval of the appointment of a new director or senior manager in accordance with section 26 of the Act; and
 - (iii) when the Bank gives notice to the deposit taker that a further fit and proper certificate is required under section 31 of the Act.
 - (b) in the case of an overseas licensed deposit taker,—
 - (i) when applying for a licence under section 16 of the Act; and
 - (ii) when notifying the Bank of the appointment of a new director or senior manager in accordance with section 30 of the Act; and
 - (iii) when the Bank gives notice to the deposit taker that a further fit and proper certificate is required under section 31 of the Act.
- (2) A deposit taker incorporated in New Zealand must carry out a fit and proper reassessment as required by clause 20.

19 Fit and proper requirements for directors and senior managers

- (1) For the purposes of assessing whether a person is a fit and proper person to hold, and continue to hold, a position as a director or a senior manager, a deposit taker must have regard to—
- (a) the fit and proper criteria set out in clause 21; and
 - (b) the deposit taker's fit and proper policy as required by clause 22.
- (2) A deposit taker must make all reasonable efforts to obtain information that it believes may be relevant to a fit and proper assessment.

20 Fit and proper reassessment of directors and senior managers

- (1) This clause applies to a deposit taker incorporated in New Zealand.
- (2) A deposit taker must carry out a further fit and proper assessment of each director or senior manager of whom a fit and proper assessment has already been carried out by the deposit taker and who is still a director or is employed as a senior manager of the deposit taker.
- (3) The further fit and proper assessment must be carried out within 3 years of the previous fit and proper assessment in accordance with this Part.
- (4) After conducting a further fit and proper assessment the deposit taker must notify the Bank of the outcome of the reassessment and provide the information contained in a fit and proper certificate.

Fit and proper criteria

21 Fit and proper criteria

- (1) The fit and proper criteria are whether the person—
- (a) possesses the capacity, competence, and integrity to perform the duties of the position:

-
- (b) is disqualified under legislation from holding the position and, in the case of an overseas licensed deposit taker, whether the person is disqualified from holding the position in their home jurisdiction:
 - (c) raises concerns in relation to any of the following:
 - (i) their financial position:
 - (ii) current or previous bankruptcy or related proceedings:
 - (iii) current or previous influence over an entity subject to prudential legislation in the circumstances set out in subclause (2):
 - (iv) any criminal record or prosecution:
 - (v) any findings of professional or occupational malpractice, or refusal of admission to, or expulsion from, a professional body:
 - (vi) any findings of non-compliance by a market regulator against the person when acting as a market participant:
 - (vii) any sanctions applied by a regulator of another similar industry:
 - (viii) any evidence of the perpetration of or participation in negligent, deceitful, or otherwise discreditable business or professional practices:
 - (ix) any conflict of interest.
 - (2) The circumstances referred to in subclause (1)(c)(iii) are as follows:
 - (a) the entity is insolvent or is likely to become insolvent:
 - (b) the circumstances of the entity are such as to be prejudicial to the soundness of the financial system:
 - (c) the entity's affairs are being conducted in a manner prejudicial to—
 - (i) the entity's solvency; or
 - (ii) the soundness of the financial system:
 - (d) the entity has contravened, may have contravened, or is likely to contravene a requirement under an applicable standard, or a condition of its licence, to maintain a minimum amount (or ratio) of capital:
 - (e) the entity has contravened, may have contravened, or is likely to contravene any other prudential obligation in a material respect:
 - (f) the entity has been operating fraudulently or recklessly:
 - (g) an overseas supervisor has taken, or is taking, regulatory action against the entity or against a person that controls the entity (whether or not that action has been completed).
 - (3) Subclause (2)(d) does not limit subclause (2)(e).

*Fit and proper policy***22 Deposit taker must have fit and proper policy**

- (1) A deposit taker must have a fit and proper policy for the purpose of ensuring that only fit and proper persons are appointed to, and continue to hold, positions as directors and senior managers.
- (2) A deposit taker's fit and proper policy must—
 - (a) require the development of position descriptions and other documents that specify the qualifications, requirements, and other criteria for the position of each director or senior manager, including matters relating to the person's capacity, competence, and integrity relative to their duties; and
 - (b) contain provisions to encourage any person to disclose information to the deposit taker or the Bank that may be relevant to a fit and proper assessment; and
 - (c) contain provisions for giving or obtaining any consents required for the collection and use of any information by—
 - (i) the deposit taker to comply with subpart 4 of Part 2 of the Act (fit and proper requirements); and
 - (ii) the Bank for the performance or exercise of its functions, powers, or duties in connection with the policy; and
 - (d) include adequate provisions to allow persons who have information that the deposit taker has not complied with this standard or the Act to provide that information to the Bank; and
 - (e) include processes for ensuring that the provisions of the fit and proper policy encouraging the disclosure of information, and the procedures for disclosure, are adequately explained to directors, senior managers, and employees who are likely to have information relevant to a fit and proper assessment; and
 - (f) include adequate provisions to ensure that a director, senior manager, or employee who discloses, in good faith, information that is permitted to be disclosed by the fit and proper policy will not suffer, or be threatened with, any detriment because of a disclosure; and
 - (g) set out the process for carrying out a fit and proper assessment (which must include the details specified in clause 23); and
 - (h) specify the actions the deposit taker must take when it has assessed, or could reasonably form the opinion, that a person is not a fit and proper person or where 1 or more concerns are raised; and
 - (i) provide that information collected or used in relation to a fit and proper assessment must be kept for at least 6 years after the date of the assessment; and
 - (j) provide that a copy of the fit and proper policy be given to a person before a fit and proper assessment of that person is carried out.
- (3) An overseas licensed deposit taker may rely on its home jurisdiction fit and proper policy in relation to its New Zealand business if the fit and proper policy meets the requirements set out in subclause (2).

- (4) If any requirement set out in subclause (2) is not covered in the overseas licensed deposit taker's home jurisdiction fit and proper policy, then it must ensure that the requirement is met in relation to its business in New Zealand unless the Bank gives its approval under subclause (5).
- (5) The Bank may approve an overseas licensed deposit taker's fit and proper policy if it is satisfied that to impose any of the requirements in subclause (2) would cause unnecessary compliance costs.

23 Fit and proper assessment process

- (1) The fit and proper assessment process required to be set out in the fit and proper policy must include details of—
 - (a) who will conduct fit and proper assessments on behalf of the deposit taker; and
 - (b) the information that needs to be obtained to support the fit and proper assessments and how it will be obtained; and
 - (c) the matters that will be considered before determining whether a person possesses the capacity, competence, and integrity to be appointed as a director or senior manager; and
 - (d) the decision-making process for determining whether to recommend a person as a fit and proper person.

24 Approval and review of fit and proper policy

- (1) A deposit taker's fit and proper policy must,—
 - (a) in the case of a deposit taker incorporated in New Zealand, —
 - (i) be approved by the deposit taker's board; and
 - (ii) be reviewed regularly and amended to ensure that it continues to reflect the deposit taker's business strategy and risk appetite and otherwise remains fit for purpose;
 - (b) in the case of an overseas licensed deposit taker, —
 - (i) be approved by its New Zealand chief executive officer; and
 - (ii) be reviewed regularly and amended to ensure that it remains appropriate for its business in New Zealand.

Fit and proper certificate

25 When fit and proper certificate required

A deposit taker must provide a fit and proper certificate,—

- (a) in the case of a deposit taker incorporated in New Zealand, —
 - (i) when requesting the Bank's approval of the appointment of a new director or senior manager in accordance with section 26 of the Act; and
 - (ii) when the Bank gives notice to the deposit taker that a further fit and proper certificate is required under section 31 of the Act.

- (b) in the case of an overseas licensed deposit taker, —
 - (i) when notifying the Bank of the appointment of a new director or senior manager in accordance with section 30 of the Act; and
 - (ii) when the Bank gives notice to the deposit taker that a further fit and proper certificate is required under section 31 of the Act.

26 Contents of fit and proper certificate

- (1) A fit and proper certificate must contain the following information:
 - (a) the title of the person's proposed position and main responsibilities;
 - (b) the person's full name;
 - (c) either,—
 - (i) in the case of a deposit taker incorporated in New Zealand, that the person is assessed as meeting the fit and proper requirements set out in this standard and the deposit taker's fit and proper policy; or
 - (ii) in the case of an overseas licensed deposit taker, that the person is assessed as meeting their home jurisdiction fitness and propriety requirements.
- (2) If a deposit taker has assessed that a person raises 1 or more concerns, the fit and proper certificate must also—
 - (a) identify the relevant concern; and
 - (b) describe how each concern has been addressed, mitigated, or managed.

27 Information to accompany fit and proper certificate

The deposit taker must provide the following documents with the fit and proper certificate:

- (a) the person's curriculum vitae;
 - (b) identification documentation;
 - (c) any official criminal records (including any foreign criminal records);
 - (d) financial credit checks from a credit bureau;
 - (e) fit and proper assessments by overseas prudential regulators (if any);
 - (f) conflicts of interest disclosure, and if there is any conflict, whether the conflict is manageable and an explanation of how it will be managed;
 - (g) the deposit taker's fit and proper policy if requested by the Bank.
- (2) Despite subclause (1), an overseas licensed deposit taker does not need to provide documents that it is not required to provide in its home jurisdiction.

28 Additional information for deposit takers incorporated in New Zealand

A deposit taker incorporated in New Zealand must also provide a letter signed by the person seeking appointment consenting to the Bank running any background checks that are necessary, in the Bank's opinion, for the assessment.

29 Additional information for overseas licensed deposit takers

- (1) An overseas licensed deposit taker must also provide the following:
 - (a) a statement confirming that the home jurisdiction fitness and propriety requirements have been met;
 - (b) in the case of a senior manager, documentation confirming that they are ordinarily resident in New Zealand.
- (2) In this clause—
ordinarily resident in New Zealand has the same meaning as in clause 1(3) of Schedule 2 of the Act.

*Appointment of interim senior manager***30 Appointment of interim senior manager for deposit taker incorporated in New Zealand**

- (1) A deposit taker may appoint a senior manager without the Bank's approval if—
 - (a) the appointment is made on an interim basis; and
 - (b) the term of the appointment is no longer than 90 days, unless the Bank approves a longer term.
- (2) The Bank may approve a longer term of the appointment of an interim senior manager if it considers that the longer term will not compromise the prudent governance of the deposit taker.
- (3) Before making an appointment, the deposit taker must—
 - (a) take reasonable steps to assess the fitness and propriety of the person in accordance with its fit and proper policy; and
 - (b) be satisfied that the person is a fit and proper person, having regard to the following information:
 - (i) the person's curriculum vitae;
 - (ii) any criminal records;
 - (iii) any disclosure of a conflict of interest.
- (4) The deposit taker must notify the Bank of an interim appointment of a senior manager on or before the date the appointment begins.
- (5) The notification must include—
 - (a) the results of the interim fit and proper assessment it has carried out with a summary of the checks supporting the assessment;
 - (b) the term of the interim appointment;
 - (c) the reasons for the interim appointment;
 - (d) the date when the deposit taker expects to send a request for approval to appoint a person as a senior manager on a permanent basis.

Part 5

Responsibilities of New Zealand chief executive officer of overseas licensed deposit taker

31 New Zealand chief executive officer responsible for overseeing New Zealand business and ensuring compliance

- (1) A New Zealand chief executive officer of an overseas licensed deposit taker is responsible for—
 - (a) overseeing its New Zealand business; and
 - (b) ensuring compliance with its prudential obligations in New Zealand.
- (2) To that end, a New Zealand chief executive officer must ensure that—
 - (a) senior managers' responsibilities are clear and up to date and support the prudent management of the deposit taker;
 - (b) the deposit taker's strategic direction, risk management, and remuneration arrangements in relation to its New Zealand operations are clear and support prudent management, and that any deficiencies are addressed;
 - (c) financial and non-financial reporting relating to its New Zealand operations are accurate and delivered within required deadlines.

32 Internal governance, risk management, and remuneration

- (1) The New Zealand chief executive officer must ensure that the New Zealand business of the overseas licensed deposit taker has robust governance and risk management arrangements that provide clear lines of responsibility.
- (2) To that end, the New Zealand chief executive officer must ensure that—
 - (a) the governance arrangements of the New Zealand business of the overseas licensed deposit taker, including reporting lines with its head office, are clear and up to date and support the governance arrangements of the overseas licensed deposit taker;
 - (b) any deficiencies identified in its governance arrangements are remediated;
 - (c) conflicts of interest are managed;
 - (d) the following matters relating to delegation are transparent and clear:
 - (i) the delegation of powers and accountabilities for delegation of those powers;
 - (ii) information on what constitutes a breach of a delegated power and how a breach will be managed.

Schedule 1

Transitional, savings, and related provisions

Part 1

Provisions relating to this standard as made

1 Fit and proper reassessment of existing directors and senior managers

- (1) This clause applies in respect of every director and senior manager who when the Act comes into force is a director or senior manager of a deposit taker incorporated in New Zealand.
- (2) The deposit taker must carry out a further fit and proper assessment of every director and senior manager in accordance with either clause 2 (a **list assessment approach**) or clause 3 (a **3-year post initial appointment assessment approach**) of this Part.
- (3) A deposit taker must advise the Bank of the assessment approach it will take, and any further fit and proper assessments of those directors and senior managers required by this standard must be carried out using the same assessment approach.

2 List assessment approach

- (1) This clause applies to a deposit taker who has advised the Bank that it will take a list assessment approach.
- (2) The deposit taker must carry out a further fit and proper assessment of each director and senior manager within the first 3 years of the commencement of the Act.
- (3) The deposit taker may provide the Bank with a list of persons for whom it has carried out a further fit and proper assessment at a time agreed between the deposit taker and the Bank.
- (4) Each list provided to the Bank may only include persons who are either directors or senior managers and may not include a mixture of both directors and senior managers.

3 3-year post initial appointment assessment approach

- (1) This clause applies to a deposit taker who has advised the Bank that it will take a 3-year post initial appointment assessment approach.
- (2) The deposit taker must carry out a further fit and proper assessment of each director and senior manager at the first 3-year post initial appointment period that occurs after the commencement of the Act.
- (3) In this clause, **3-year post initial appointment period** means the period that starts on the date of the initial appointment of a director or senior manager and continues every 3 years from that date.

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 prescribes arrangements that a deposit taker must have in place to support its prudent governance, as contemplated by section 78 of the Act. It also prescribes matters to ensure that only fit and proper persons are appointed to hold and continue to hold positions as director or senior manager, as contemplated by section 81 of the Act.

Part 2 (responsibilities of the board) and *Part 3* (structure and composition of board) apply to a deposit taker incorporated in New Zealand. *Part 4* (fit and proper requirements for deposit takers) applies to both a deposit taker incorporated in New Zealand and an overseas licensed deposit taker. *Part 5* (responsibilities of New Zealand chief executive officer of overseas licensed deposit taker) applies to an overseas licensed deposit taker.

The standard sets out group requirements for governance when a deposit taker incorporated in New Zealand has 1 or more subsidiaries. The requirements apply to the deposit taker in relation to the group of entities consisting of the deposit taker and its subsidiaries. This is in addition to the requirements a deposit taker must meet under this standard.

Part 2 (relating to responsibilities of the board) sets out 4 areas of board responsibility and certain requirements to ensure that it meets those areas of responsibility. The areas of responsibility are—

- prudent governance of the deposit taker:
- skills and experience of directors and senior managers:
- internal governance:
- remuneration.

Part 3 (relating to structure and composition of the board) provides 2 options for board composition for consultation purposes. Option A provides that the chairperson of the board may be included in the requirement that a majority of the board meet the independence requirements set out in the Part if approved by the Reserve Bank of New Zealand (the **Bank**). Option B provides that the chairperson of the board cannot be included in the majority if the Bank has approved the chairperson as being excepted from meeting the independence requirements.

The Part sets out the requirements for a director to be considered independent. It also provides for some exceptions to those requirements relating to significant influence over a deposit taker and related entity directorships. The Part provides 2 options for consultation purposes, relating to the matters the Bank must be satisfied of before it approves a chairperson as meeting the independence requirement relating to significant influence. The exception relating to related entity directorships requires that the Bank, before giving its approval, must be satisfied that the related entity directorships held by the person would not affect their ability to promote the safety and security of the deposit taker.

The standard also sets out requirements for the following board committees if it is a condition of the deposit taker's licence that it establishes and maintains the following committees:

- an audit committee:
- a risk committee:
- a remuneration committee.

If it is not a condition of a deposit taker's licence to have these committees and it has not established any committees, it must still have arrangements in place to ensure that the board allocates appropriate time to the functions required to be carried out by the committees (which are set out in the Part). If it has established any of the committees, then the requirements relating to membership do not apply.

Part 4 (relating to fit and proper requirements for deposit takers) sets out requirements to ensure that a deposit taker's directors and senior managers are fit and proper to perform their roles. Both a deposit taker incorporated in New Zealand and an overseas licensed deposit taker must carry out a fit and proper assessment when applying for a license under the Act and when the Bank gives notice under the Act that a further fit and proper certificate is required under section 31 of the Act. A New Zealand incorporated deposit taker must also carry out a fit and proper assessment when requesting the Bank's approval of the appointment of a new director or senior manager and, in the case of an overseas licensed deposit taker, when notifying the Bank of the appointment of a new director or senior manager.

When assessing whether a person is a fit and proper person to hold, or continue to hold, a position as a director or senior manager, a deposit taker must have regard to the fit and proper criteria set out in the standard and the deposit taker's fit and proper policy. A deposit taker must have a fit and proper policy, and the standard sets out the matters that must be included in the policy. An overseas licensed deposit taker may rely on its home jurisdiction fit and proper policy if it meets the requirements in the standard. If a requirement is not covered by that policy, then it must ensure that the requirement is met in relation to its business in New Zealand unless the Bank gives its approval. The Bank may give its approval if it is satisfied that the imposition of any requirements would cause unnecessary compliance costs on the overseas licensed deposit taker.

The standard also provides for fit and proper reassessment of directors and senior managers of a deposit taker incorporated in New Zealand. This further assessment must be carried out by the deposit taker within 3 years of the previous fit and proper assessment and the same criteria and requirements apply. The deposit taker must notify the Bank of the outcome of the reassessment.

The fit and proper assessment process must be set out in the deposit taker's fit and proper policy and must include certain specified details relating to the process. A deposit taker's fit and proper policy must be approved by the deposit taker's board in the case of a New Zealand incorporated deposit taker or by the New Zealand chief executive office in the case of an overseas licensed deposit taker. The fit and proper policies must be regularly reviewed and amended if needed.

A deposit taker must also provide a fit and proper certificate when requesting the Bank's approval of the appointment of a new director or senior manager in the case of a New Zealand incorporated deposit taker, or when notifying the Bank of the appointment of a new director or senior manager in the case of an overseas licensed deposit taker. A fit and proper certificate must also be provided when the Bank gives notice under the Act that a fit and proper certificate

is required. The standard sets out the contents of a fit and proper certificate and the information that must accompany the certificate.

In the case of the appointment of an interim senior manager for a deposit taker incorporated in New Zealand, a deposit taker may appoint a senior manager without the Bank's approval if the term of the appointment is no longer than 90 days, unless the Bank approves a longer interim term. The Bank may approve a longer term if it considers that the longer term will not compromise the prudent governance of the deposit taker. Before making the interim appointment, the deposit taker must take reasonable steps to assess the person's fitness and propriety in accordance with its fit and proper policy and be satisfied that the person is a fit and proper person, having regard to certain specified information. The deposit taker must notify the Bank of the appointment before the appointment begins. The standard sets out what information is required to be included in the notice.

Part 5 (relating to the responsibilities of the New Zealand chief executive officer of a licensed overseas deposit taker) provides that the New Zealand chief executive officer is responsible for overseeing the New Zealand business of the deposit taker and ensuring compliance with its prudential obligations in New Zealand. It also sets out the responsibilities of the New Zealand chief executive officer in relation to internal governance, risk management, and remuneration.

Schedule 1 provides for transitional arrangements in relation to the fit and proper assessment of existing directors and senior managers.

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