



Reserve Bank
of New Zealand
Te Pūtea Matua

Deposit Takers Standards – Tranche 3

Supporting information on the exposure drafts

18 June 2026

CONSULTATION
PAPER



Submission details

The Reserve Bank of New Zealand – Te Pūtea Matua invites submissions on these exposure drafts by 5.00pm on 4 September 2026. Please note the disclosure on the publications of submissions below.

Submissions and enquiries

You should make your submission by email at: dta@rbnz.govt.nz

Publication of submissions

We will publish your submission on the Reserve Bank's website.

We will make all information in submissions public unless you indicate you would like all or part of your submission to remain confidential. If you would like part of your submission to remain confidential you should provide both a confidential and a public version of your submission. Apart from redactions of the information to be withheld (i.e., blacking out of text) the two versions should be identical. You should ensure that redacted information is not able to be recovered electronically from the document; the redacted version will be published as received.

If you want all or part of your submission to be treated as confidential, you should provide reasons why this information should be withheld if a request is made for it under the Official Information Act 1982 (**OIA**). These reasons should refer to the grounds for withholding information under the OIA. If an OIA request for redacted information is made, we will make our own assessment of what must be released taking your views into account.

We may also publish an anonymised summary of the submissions received in respect of this exposure draft.

How to have your say

You can have your say by uploading a PDF of your submission. Each chapter contains its own questions, and a complete list of the questions are shown in the annex below.

Navigating this document

This Consultation Paper has been released alongside exposure drafts for six Deposit Takers Standards (the **tranche 3 standards**) to be made under the Deposit Takers Act 2023 (the **DTA**) and supporting Guidance.

The document begins with an Introduction to provide the background to the development of the standards as a whole. It is then split into chapters, one for each tranche 3 standard.

- Chapter 1: Disclosure Statements Standard
- Chapter 2: Operational Resilience Standard
- Chapter 3: Outsourcing Standard
- Chapter 4: Related Party Exposures Standard
- Chapter 5: Capital Standard
- Chapter 6: Internal Models Standard

The document uses consecutive paragraph numbering throughout. Other numbered features, such as consultation questions, are also numbered consecutively. This will aid us in the coordination of submissions on the Consultation Paper. You can read and respond to each chapter separately.

Contents

Introduction _____ 5

Our drafting approach _____ 6

Consultation process _____ 7

Chapter 1: Disclosure Statements Standard _____ 9

Chapter 2: Operational Resilience Standard _____ 14

Chapter 3: Outsourcing Standard _____ 17

Chapter 4: Related Party Exposures Standard _____ 22

Chapter 5: Capital Standard _____ 27

Chapter 6: Internal Models Standard _____ 35

Annex: Consolidated consultation questions _____ 39

Introduction

1. The Reserve Bank of New Zealand – Te Pūtea Matua (the **Reserve Bank**) is consulting on our exposure drafts of new prudential standards to be made under the Deposit Takers Act 2023 (**DTA**).
2. The DTA creates a single, modern regulatory regime for all financial institutions in the business of “borrowing and lending money” in New Zealand - this includes banks and non-bank deposit takers (**NBDTs**).
3. As the kaitiaki (guardian) of the financial system, we design rules to protect and promote the stability of the financial system. Financial stability can be considered a public good that enables communities and businesses to engage in a well-functioning financial system that allocates resources and manages risk throughout the real economy.
4. Our rules seek to avoid the major costs and disruption that could result from the failure of one or more deposit takers. As we saw in the Global Financial Crisis, failure of deposit takers can have wide ranging and long-term impacts for individuals, communities and businesses.
5. The DTA represents a paradigm shift in the way we approach financial stability. The introduction of the Depositor Compensation Scheme (**DCS**) and our new regulatory powers have come with statutory purposes that focus not just on systemic stability, but also on individual entity soundness. These features are a complementary package. The DCS provides benefits to all deposit takers and depositors through socialising the cost of failure, and this is accompanied by a new set of prudential standards to ensure entities benefiting from the DCS are individually safe and sound.
6. The Deposit Taker Standards (the **standards**) will replace our existing prudential requirements, which we discuss further under ‘Our drafting approach’. We, the Reserve Bank, may issue standards if we are satisfied they are necessary or desirable to achieve one or more of the purposes of the DTA. The main purpose of the DTA is to promote the prosperity and well-being of New Zealanders and contribute to a sustainable and productive economy by protecting and promoting the stability of the financial system. There are also four additional purposes of the DTA, which are:
 - to promote the safety and soundness of each deposit taker;
 - to promote public confidence in the financial system;
 - to the extent not inconsistent with the main purpose or the other three additional purposes, to support New Zealanders having reasonable access to financial products and services provided by the deposit-taking sector; and
 - to avoid or mitigate adverse effects of the risks to the stability of the financial system and risks from the financial system that may damage the broader economy.
7. The DTA also sets out statutory principles that we must take into account in achieving these statutory purposes. These principles include the desirability of many aspects of entity soundness, but also the desirability of taking a proportionate approach to regulation, the need to maintain competition in the sector, and the need to avoid unnecessary compliance costs.
8. Consultation on the underlying policy positions took place in two phases. The Core Standards were consulted on in May 2024, and the Non-Core Standards in August 2024.

Following those consultations, final policy decisions were published in May 2025 and July 2025 respectively.¹ By contrast, the exposure drafts are being released in three tranches. This document represents tranche 3. Tranche 1 of the exposure drafts was released in October 2025², with submissions closing in January 2026. Tranche 2 of the exposure drafts was released in February 2026³, with submissions closing in May 2026. This process has allowed us to take into account the findings of the Capital Review⁴ and more evenly spread the consultation load.

9. Building on our previous policy consultation, we are now seeking technical feedback on the exposure draft versions of the standards. We are not seeking feedback on the broader policy proposals. The purpose of this consultation phase is to seek technical input on whether the drafting delivers on our outlined policy intent.

Our drafting approach

10. The standards will replace our existing prudential requirements that are currently contained in several different sets of documents.⁵ Importantly, the standards will be secondary legislation unlike most of our existing non-legislative prudential requirements. The standards will set the rules that deposit takers must meet to be safe and sound enough to take deposits from the public and benefit from the DCS.
11. In drafting the standards, we are aiming for drafting that is legally effective, enforceable and provides certainty. We seek to draft standards that describe legal and industry concepts conventionally, uses words and phrases in a consistent way and aligns with the modern approach to drafting legislation. This includes ensuring that drafting fits within the wider statute book. Quality drafting will reduce compliance costs for industry and make us more effective as a regulator. We would like to be assessed against the standard set by the Parliamentary Counsel Office.
12. However, due to time and resource constraints, as well as the length and complexity of their content, we have not been able to attain our preferred drafting approach in the Capital Standard and Internal Models Standard. The exposure drafts are largely a 'lift and shift' of the existing banking prudential requirements. We intend to more fully redraft the Capital and Internal Models Standards to align with our preferred drafting approach in the future. For more detail on our approach to the Capital Standard and Internal Models Standard, see paragraphs 93 to 95.
13. We acknowledge feedback that we have received on tranches 1 and 2 that raised some technical issues related to this drafting approach and how this impacts industry understanding of our requirements. We will consider this feedback as we finalise the standards and will make amendments to the exposure drafts to the extent that the drafting is not accurately achieving

¹ Information on the policy decisions is available at: [Deposit Takers Core Standards - Reserve Bank of New Zealand - Citizen Space](#) and [Deposit Takers Non-Core Standards - Reserve Bank of New Zealand - Citizen Space](#)

² Information on this consultation is available here: [DTA Standards exposure drafts \(tranche 1\) - Reserve Bank of New Zealand - Citizen Space](#)

³ Information on this consultation is available here: [DTA Standards exposure drafts \(tranche 2\) - Reserve Bank of New Zealand - Citizen Space](#)

⁴ Final decisions were made in December 2025. Further detail is available on the Capital Review at: [2025 Review of key capital settings - Reserve Bank of New Zealand - Te Pūtea Matua](#)

⁵ These documents include the Banking Supervision Handbook, Banking Prudential Requirements, disclosure Orders in Council and notices made under section 80 of the Banking (Prudential Supervision) Act 1989. NBDTs have a separate set of rules that are also being consolidated.

the policy intent, but we emphasise that we are seeking to draft standards that meet the objectives of our drafting approach and value feedback with that in mind. We note that in some cases the drafting approach, but not the policy content, is significantly different to our existing prudential requirements. We are confident that deposit takers will adapt to the new drafting approach over time.

14. Draft Guidance has been provided with each exposure draft in tranche 3 (as with previous tranches). Guidance is designed to support the standards by explaining requirements in more detail.
15. In some cases, where standards are principle-based (for example, requiring a deposit taker to have processes or controls to achieve an outcome) the Guidance includes more detail on the Reserve Bank's view of factors that could be relevant to evaluating a deposit taker against that standard. In cases where we consider that what 'good' looks like is already well-established, we have not included a best-practice description in Guidance. Similarly, we have not provided guidance when we consider the content of the relevant standard is self-explanatory. The form and length of Guidance will therefore vary depending on the nature of a standard and the topic being discussed. We welcome views on the appropriateness of the draft Guidance, for example, in terms of the scope of issues and level of detail.

Consultation process

16. We have consulted on the draft standards and Guidance in tranches 1 and 2. We are currently working through the feedback from those consultations in finalising standards and Guidance. In tranches 1 and 2, some of the draft standards and Guidance referred to the expected substance of standards that are included in tranche 3 of this process (for example, key definitions that overlap across standards). Now that tranche 3 is being consulted on, submitters will be able to view things in a 'package' and comment on the interactions given that the exposure drafts for the majority of the standards have been released. We have appreciated comments on those interactions in tranches 1 and 2 but also accept that feedback on tranche 3 may also cast back to tranches 1 and 2, as how those interactions are intended to work in practice become clearer. We encourage those comments as we finalise the standards and Guidance for all the standards.
17. We intend to issue the majority of the final standards at the same time, currently scheduled for May 2027. The Crisis Preparedness Standard and the Continuity of Access to Deposits (CoAD) Standard (previously referred to as the Open Banking Resolution (OBR) Pre-positioning Standard) are currently scheduled to be issued in late 2028. We are seeking feedback on the policy for these two standards as part of the concurrent crisis management consultation package.⁶ There will then be a licensing application period, which is intended to be 18 months, before the majority of the standards are due to commence on 1 December 2028.
18. This consultation document is designed to support consultation on the exposure drafts, and we do not intend to release an equivalent document with the final standards. This document identifies specific decisions that were made in preparing the exposure drafts and identifies specific questions that will support development towards the final standards. Each standard

⁶ See: <https://consultations.rbnz.govt.nz/dta-and-dcs/dta-crisis-preparedness-package>

provides the opportunity for stakeholders to submit on any area of the standard including where no specific question has been raised.

Credit rating requirement consulted on as part of the Disclosure Statements Standard

19. We direct the attention of all deposit takers, including Group 3 deposit takers, to clause 140 in Part 14 of the Disclosure Statements Standard concerning the draft definition of 'credit rating'. This sets out what specific type of credit rating deposit takers are required to have to comply with section 59 of the DTA. This carries over our current policy position.



Reserve Bank
of New Zealand
Te Pūtea Matua

Chapter 1

Disclosure Statements Standard

Supporting information on the exposure draft

18 June 2026

CONSULTATION
PAPER



1. Non-technical summary

20. The Deposit Takers (Disclosure Statements) Standard 2027 (the **Disclosure Statements Standard**) sets out requirements regarding the disclosure statements that certain deposit taker are required to publish for prudential regulatory purposes.
21. This is the second consultation on the Disclosure Statements Standard exposure draft. This version of the exposure draft also covers disclosures related to risk management, counterparty exposures, capital adequacy and other fiduciary activities (such as insurance business). We consulted on the remainder of the Disclosure Statements Standard in the earlier [Tranche 2 exposure draft consultation](#). This version does not reflect the feedback we received in the Tranche 2 consultation, which we are still considering.
22. The disclosure requirements in this version of the standard largely carry over the disclosure requirements set out in Orders in Councils⁷ (OICs) under the Banking (Prudential Supervision) Act 1989 with several important changes. These changes include:
 - establishing a prescribed order for how information is presented in disclosure statements (with the order specified in the corresponding Guidance document);
 - disclosures about credit exposures that account for changes to standardised risks weights, and are consistent with proposals in the April 2026 exposure draft consultation on the Banking Prudential Requirements (BPRs) for some of the 2025 Review of Key Capital Settings decisions ([2026 Banking Prudential Requirements \(BPRs\) exposure drafts - Reserve Bank of New Zealand - Citizen Space](#));⁸
 - disclosures about the composition of capital and capital ratios to account for the removal of Additional Tier 1 capital among other changes under the Capital Standard; and
 - other technical updates to ensure disclosure requirements align with the new DTA standards such as the Risk Management Standard (among others).
23. There is also accompanying draft Guidance, which should be read alongside the exposure draft of the Disclosure Statements Standard.
24. The requirements under the Disclosure Statements Standard will not apply to Group 3 deposit takers. Instead, prudential information for Group 3 deposit takers will be made available by the Reserve Bank on the [Financial Strength Dashboard](#). The Ministry of Business, Innovation and Employment is also considering the implications of the DTA on disclosure requirements for non-bank deposit takers under the Financial Markets Conduct Act 2013.
25. Having said that, we direct the attention of all deposit takers, including Group 3 deposit takers, to clause 140 in Part 14 concerning the draft definition of 'credit rating'. We have provided that definition as part of the Disclosure Statements Standard exposure draft for consultation purposes, but intend to incorporate the definition in another standard that is applicable to all deposit takers rather than the Disclosure Statements Standard itself.

⁷ See [2024.06.12 - OIC locally incorporated amended June 2024](#) and [OIC overseas branches amended December 2021](#)

⁸ Note these changes do not reflect feedback received as part of that consultation but will be updated once the amended OIC is issued October 2026.

2. Policy development

26. The exposure draft is the next step in developing the Disclosure Statements Standard. The policy decisions reflected in this exposure draft were subject to public consultation on 16 May 2024 until 16 August 2024. A copy of this consultation is available at [Deposit Takers Core Standards Consultation Paper for publication](#).
27. 26 submissions were received on this consultation and are available at [Deposit Takers Core Standards - Reserve Bank of New Zealand - Citizen Space](#).
28. In May 2025, we published a summary of these submissions and our response to these, which is available at [Deposit Takers Core Standards - Reserve Bank of New Zealand - Citizen Space](#).
29. The policy decisions confirmed that the proposed disclosure requirements, with some adjustments, are appropriate under the DTA. We touch on these adjustments below.

3. Exposure draft

30. The exposure draft of the Disclosure Statements Standard is intended to follow the policy decisions that were published in May 2025 (linked above). As part of developing the exposure draft of the Disclosure Statements Standard more detailed decisions have needed to be made. In particular, we draw your attention to the points below.
31. This version of the exposure draft is the same as the version we published on 26 February 2026 apart from the addition of Parts 3-7, Parts 10, 11 and 14, and clauses 95-96 in Part 9 (as well as consequential changes to the table of contents and explanatory note). We have published both a clean and marked up version of the accompanying draft guidance to illustrate the changes.

3.1 Disclosure statement presentation requirements

32. Clause 15 requires information in disclosure statements to be presented in a required manner. The intent is to improve the accessibility and comparability of disclosure statements, while also preserving some flexibility for deposit takers to present the details of required information in a manner that suits their circumstances.
33. In Appendix A of the guidance, we provide a draft list of headings under which disclosure information must be reported. Each heading has the relevant clauses or Parts that we expect to be disclosed within it. Our intent is to follow the high-level structure that is commonly used for annual reports of listed companies, where the financial statements follow other information on topics such as corporate governance and risk management. We recognise that this is a change from most deposit takers' current practices.

3.2 Changes to the capital framework

34. Much of the change presented in this tranche 3 exposure draft is to reflect corresponding changes in the capital framework under the Capital Standard. In principle we have carried over requirements from the OICs but have made technical updates to ensure they align with the new standard. For example:
 - Disclosures about credit exposures account for changes to standardised risks weights, and are consistent with proposals in the April 2026 exposure draft consultation on the BPRs

for some of the 2025 Review of Key Capital Settings decisions ([2026 Banking Prudential Requirements \(BPRs\) exposure drafts - Reserve Bank of New Zealand - Citizen Space](#)). Note that we are still considering feedback on this consultation and will incorporate any resulting changes to the OIC into the Disclosure Statement Standard where relevant.

- Disclosures about the composition of capital and capital ratios to account for the removal of Additional Tier 1 capital and new features such as loss absorbing capacity and the counter-cyclical capital buffer.
35. For reference, Parts 3-6 are most impacted by changes under the Capital Standard and Internal Models Standard, though we have also sought to align terminology in other parts with those standards where relevant.

3.3 Prudential disclosure updates and other technical changes

36. Much of the change presented in this tranche 3 exposure draft is to reflect corresponding changes in various prudential requirements. In principle we have carried over requirements from the OICs but have made technical updates to ensure they align with the new DTA standards. For example, risk management disclosures align with the categories of risk, material risk and the internal audit and compliance functions requirements in the Risk Management Standard.
37. For reference, Part 7 incorporates changes to the Business Transfers, Holding Entities, and Restricted Activities Standard, Part 10 to the Related Party Exposures Standard and Part 11 to the Risk Management Standard.
38. Furthermore, the policy decisions for the Disclosure Statements Standard included carrying over aspects of the disclosure OICs with several technical changes, mainly to streamline disclosure requirements and align with other DTA standards. Please refer to our proposed technical changes in Appendix 3 of the policy consultation document ([Deposit Takers Core Standards Consultation Paper for publication](#)) and see Table 4.4 of the final policy decisions for confirmed technical changes ([Deposit Takers Core Standards Report back publication version](#)).

3.4 Defining 'credit rating' in a standard

39. Under section 59 of the DTA a licensed deposit taker must have a current credit rating that is given by an approved rating agency. Section 79(d) allows the Reserve Bank to set out in a standard what specific type of credit rating deposit takers are required to have. We provide that definition of 'credit rating' in clause 140 Part 14 of the Disclosure Statements Standard exposure draft for consultation. This carries over our current policy position.
40. We intend to incorporate the definition in one of the standards when we issue the final versions. It is likely to be contained within a standard that is applied to all deposit takers rather than the Disclosure Statements Standard, which is not intended to apply to Group 3 deposit takers.
41. Determining a list of approved rating agencies under section 62 of the DTA and issuing exemptions under section 70 of the DTA will be managed separately to the DTA standards. These will be in place by 1 December 2028 when the DTA standards come into effect.

4. Specific questions

- Q1** Do you have any comments on the draft list of headings in Appendix A of the Guidance or how it relates to clause 15 of the exposure draft?
- Q2** Do you have any comments on the drafting of the prudential disclosure requirements or their alignment with each respective standard?
- Q3** Do you have any comments on the proposed definition of 'credit rating' in clause 140?
- Q4** Do you have any other comments on the attached exposure draft of the Disclosure Statements Standard?
- Q5** Do you have any comments on the attached draft Guidance to support the Disclosure Statements Standard? For example, are there any areas of the standard that you think would benefit from further guidance?



Reserve Bank
of New Zealand
Te Pūtea Matua

Chapter 2

Operational Resilience Standard

Supporting information on the exposure draft

18 June 2026

CONSULTATION
PAPER



1. Non-technical summary

42. The Deposit Takers (Operational Resilience) Standard 2027 (the **Operational Resilience Standard**) sets out requirements that will help ensure that deposit takers adequately manage their operational risk practices and remain resilient through operational disruptions. The objective of the Operational Resilience Standard is to promote sound, effective and efficient operational risk practices in deposit takers that enhance the operational resilience of each deposit taker.
43. The Operational Resilience Standard includes requirements in 4 key areas as follows:
 - **Operational Risk Management:** requirements to manage operational risk through identification and assessment of the deposit taker’s operational risk profile, effective operational risk controls and reporting relating to operational risk incidents.
 - **Information and Communication Technology:** requirements to manage risks arising from the use of information and communications technology, including cyber risks.
 - **Material Service Providers (MSPs):** requirements to manage risks arising from the use of external service providers to provide critical operations to the deposit taker’s business. This area also relates to the Deposit Takers (Outsourcing) Standard 2027 (the Outsourcing Standard).
 - **Business Continuity Planning:** requirements to support the operational resilience of critical functions through business disruptions.

2. Policy development

44. The exposure draft is the next step in developing the Operational Resilience Standard. The policy decisions reflected in this exposure draft were subject to public consultation from 21 August 2024 until 22 November 2024. A copy of this consultation is available at [Deposit Takers Non-Core Standards - Reserve Bank of New Zealand - Citizen Space](#).
45. 25 submissions were received on this consultation and are available at [Deposit Takers Non-Core Standards - Reserve Bank of New Zealand - Citizen Space](#).
46. A summary of these submissions and our response to these is available at [Deposit Takers Non-Core Standards - Reserve Bank of New Zealand - Citizen Space](#).

3. Exposure draft

47. The Operational Resilience Standard is designed to be principles based to ensure the high-level framework and principles of effective risk management within the proposed standard are longstanding and future-proof. The role of the accompanying guidance is to encourage best practice, and we expect to update our guidance around expectations for deposit takers on a more regular basis.
48. The exposure draft of the Operational Resilience Standard is intended to follow the policy decisions that were published in July 2025 (linked above).
49. In our response to submissions, we indicated that we would seek to consolidate the requirements relating to MSPs between the Operational Resilience Standard and the Outsourcing Standard in the Operational Resilience Standard, where appropriate. The

Operational Resilience Standard includes requirements relating to the actions that a deposit taker must undertake ahead of entering into an MSP arrangement and how a deposit taker manages risks that may arise from these arrangements.

50. The Operational Resilience Standard also requires that deposit takers establish and maintain a register of their critical operations and MSPs. The register includes information requirements to ensure compliance across both the Operational Resilience Standard and the Outsourcing Standard. We are also seeking views on the draft register template we have prepared for complying with this requirement.
51. The Outsourcing Standard supplements these requirements with more specific requirements intended to support recovery and resolution. We welcome comments on how these two standards interact.

4. Specific questions

- Q6** Do you have comments on the structure of the exposure draft of the Deposit Takers (Operational Resilience) Standard?
- Q7** Do you have any comments on the exposure draft of the Guidance to support the Deposit Takers (Operational Resilience) Standard?
- Q8** Do you have comments on the interactions between the Operational Resilience Standard and the Outsourcing Standard?
- Q9** Do you have comments on our draft template for the critical operations and material service providers register?



Reserve Bank
of New Zealand
Te Pūtea Matua

Chapter 3

Outsourcing Standard

Supporting information on the exposure draft

18 June 2026

CONSULTATION
PAPER



1. Non-technical summary

52. Outsourcing occurs when a deposit taker uses another party to perform activities that would normally be undertaken by the deposit taker itself. Outsourcing can reduce costs and allow a deposit taker to access specialist expertise. However, there is a risk that outsourcing can complicate the resolution of a deposit taker should it fail.
53. The Deposit Takers (Outsourcing) Standard 2027 (the **Outsourcing Standard**) sets risk mitigation requirements for arrangements with third parties that provide critical operations to a deposit taker. It also contains separation planning requirements for deposit takers that are part of an overseas deposit taker group.
54. The requirements in the Outsourcing Standard are designed to ensure that the outsourcing of certain critical operations does not prevent a deposit taker from meeting the following outcomes, even if it fails or is separated from the wider deposit taker group:
 - continuing to meet daily clearing and settlement obligations;
 - monitoring and managing financial positions;
 - making available the systems and financial data necessary for the resolution manager and the Reserve Bank to have a range of options for managing the failed deposit taker; and
 - continuing to provide basic banking services to existing customers.
55. The risk mitigation requirements in the Outsourcing Standard include:
 - prescribed contractual terms to ensure continuing supply of the critical operation on arm's-length commercial terms and the ability of the Reserve Bank to access documentation and other information about the arrangement;
 - parallel rights that either enable the deposit taker to step in and enforce the rights of certain related entities, or that take the form of a separate contract between the deposit taker and an independent third party; and
 - the deposit taker having back-up capability in place for certain material service provider arrangements, or an alternative arrangement to back-up capability.
56. The Outsourcing Standard also requires Reserve Bank approval of certain material service provider arrangements, back-up capability or alternative arrangements, and separation plans.
57. The Outsourcing Standard will replace most of the existing requirements for registered banks contained in the Outsourcing Policy (BS11). Some requirements will be captured by the Deposit Takers (Operational Resilience) Standard 2027. We therefore encourage deposit takers to review the Outsourcing Standard in conjunction with the Operational Resilience Standard when preparing feedback on this consultation.
58. The Outsourcing Standard will apply to all deposit takers who are specified in their licence as a group 1 deposit taker for the purpose of the Outsourcing Standard. On commencement of the Standard, this will be all banks that are in scope of the Outsourcing Policy.

2. Policy development

59. The exposure draft is the next step in developing the Outsourcing Standard. The policy decisions reflected in this exposure draft were subject to public consultation from 21 August 2024 until 22 November 2024. 25 submissions were received on this consultation.
60. A copy of the consultation document and a summary of submissions and our response to these is available at [Deposit Takers Non-Core Standards - Reserve Bank of New Zealand - Citizen Space](#)

3. Exposure draft

61. The exposure draft is intended to follow the policy determined in the previous consultation document, with any amendments as a result of submissions. As part of developing the exposure draft, more detailed decisions have needed to be made. In particular, we draw your attention to the points below.

3.1 Alignment with the Operational Resilience Standard

62. Respondents to the policy consultation on the DTA Non-Core Standards noted they would like to see greater alignment in the scope and requirements of the proposed Outsourcing Standard and Operational Resilience Standard. We have sought to better integrate the requirements in these Standards where possible, and our approach is reflected in the exposure drafts and guidance for each Standard.
63. Deposit takers who are currently captured by the Outsourcing Policy will note that the structure and framing of some of the requirements and terminology has changed in the transition to the Outsourcing Standard. This is largely because of the alignment exercise and is not intended to change the policy intent behind any of the requirements. The key points to note are:
 - New terminology, including 'critical operation' and 'material service provider' (these terms are both used in the Outsourcing Standard and Operational Resilience Standard).
 - Instead of 'outsourcing arrangement', the Outsourcing Standard uses the term 'material service provider arrangement'. Importantly, this term is defined more narrowly in the Outsourcing Standard than in the Operational Resilience Standard to ensure that the scope of arrangements captured by the Outsourcing Standard remains the same as under the Outsourcing Policy. The distinction is that for the purposes of the Outsourcing Standard, a material service provider arrangement must be for a critical operation that the deposit taker could otherwise undertake itself and must also be relevant to the outcomes of the Outsourcing Standard.
 - Requirements relating to business continuity planning in the Outsourcing Policy have not been carried over to the Outsourcing Standard as these are now captured under the Operational Resilience Standard.
 - The substantive requirements relating to the compendium of outsourcing arrangements in the Outsourcing Policy have not been carried over to the Outsourcing Standard. This is because the Operational Resilience Standard includes a requirement for all deposit takers to establish and maintain a register of critical operations and material service providers. The Outsourcing Standard will require deposit takers to include some additional

information to that register that is only relevant to material service provider arrangements that are in scope of that Standard.

64. As a result of these changes, we consider that ensuring compliance with both the Operational Resilience Standard and Outsourcing Standard should be more straightforward for deposit takers that are in scope of both Standards. In terms of practical implications, all arrangements with material service providers will be captured by the requirements of the Operational Resilience Standard, including notification requirements. We consider that deposit takers will be able to draw on the work required to comply with the Operational Resilience Standard in taking steps to ensure that the subset of arrangements that are also in scope of the Outsourcing Standard meet the relevant risk mitigation and separation planning requirements.

3.2 External review requirements

65. The Outsourcing Policy currently requires a reasonable assurance review every three years to assess whether the deposit taker, its outsourcing arrangements and its separation plan are compliant with the Policy. Respondents to the policy consultation suggested that a reasonable assurance review is not suitable in the context of the Outsourcing Policy. They noted that a reasonable assurance review requires having a reliable, complete and consistent method of measurement or evaluation of factors that must be taken into account to complete the review. They consider that the Outsourcing Policy does not provide sufficient criteria upon which to base a reasonable assurance engagement.
66. We acknowledge the concerns raised by respondents about the suitability of a reasonable assurance review. For the purpose of consultation on the exposure draft, we are proposing a 3-yearly independent advisory review that we consider would align more closely with the broader DTA standards architecture. There would continue to be a requirement for the Reserve Bank to approve the terms of reference of the review. Through that approval process we would ensure that such a review will provide a sufficient assessment of whether the deposit taker's arrangements are consistent with, and appear sufficient to support, the deposit taker meeting the requirements of this standard.
67. We note that the outcome of the current 3-yearly review under the Outsourcing Policy, which is based on the design and effectiveness of the systems and controls in place to support compliance, will provide further insight into what type of review is most appropriate under the Outsourcing Standard. The proposal in the exposure draft is therefore subject to change. We will engage further with deposit takers on this issue as the review progresses.

3.3 Reserve Bank lists under the Outsourcing Policy

68. The Reserve Bank will no longer maintain an Exempt List or a List of Pre-approved services and functions, as is currently the case under the Outsourcing Policy. This change supports a more principles-based approach and removes reliance on regulator-maintained "safe lists".
69. Deposit takers will identify and manage outsourcing risk based on whether an arrangement meets the definition of "material service provider arrangement", which largely depends on the criticality of the operation provided by a third party. This is intended to align with the Operational Resilience Standard and the new, shared terminology (including 'critical operation' and 'material service provider'). As noted above, it should be more straightforward for deposit takers to identify in-scope arrangements through their register maintained under

the Operational Resilience Standard rather than by reference to static lists. It also reduces the need for the Reserve Bank to keep such lists up to date.

3.4 Transition from non-objection to approval process

70. In order to align with the requirements in the DTA, the existing processes around 'non-objection' will instead be approval processes in the Outsourcing Standard. We have also included more specific criteria for granting approvals, as required by section 91 of the DTA.
71. The application forms for non-objection under the Outsourcing Policy will no longer be relevant under the Outsourcing Standard. Instead, we will issue notices under section 450 of the DTA that set out the form that must be used by a deposit taker when seeking approval for a material service provider arrangement, backup capability or alternative arrangement, or its separation plan. The notices will also specify any information or other evidence or documents that must be provided when seeking approval. Where still relevant, we expect that similar information will be required as is set out in the existing application forms.

4. Specific questions

- Q10** Do you have any comments on the alignment of scope, requirements, and terminology between the Outsourcing Standard and the Operational Resilience Standard? In particular, do you have any comments on the use of 'material service provider arrangement' in both Standards, noting that it has a narrower definition in the Outsourcing Standard?
- Q11** Do you have any comments on the review requirements in the Outsourcing Standard?
- Q12** Do you have any other comments on the exposure draft of the Outsourcing Standard?
- Q13** Do you have any comments on the attached draft Guidance to support the Outsourcing Standard? For example, are there any areas of the Standard that you think would benefit from further guidance?



Reserve Bank
of New Zealand
Te Pūtea Matua

Chapter 4

Related Party Exposures Standard

Supporting information on the exposure draft

15 June 2026

CONSULTATION
PAPER



1. Non-technical summary

72. The purpose of the Deposit Takers (Related Party Exposures) Standard (the **Related Party Exposures Standard**) is to help address the risks to financial stability posed by a deposit taker's exposures to its related parties (examples of related parties include a director, a senior manager, a close family member or an entity with significant influence over the deposit taker).⁹ This Standard sets quantitative and qualitative requirements, including maximum limits on a deposit taker's total exposures to related parties, and the requirement for deposit takers to enter transactions with related parties on the same terms as they would any other party.
73. The Related Party Exposures Standard replaces both the existing requirements for registered banks under the Connected Exposures Policy (**BS8**)¹⁰ and the requirements for NBDTs in the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010.¹¹

2. Policy development

74. Before commencing the DTA Non-Core Standards consultation, we undertook a review of the Connected Exposures Policy between 2021 and 2023. This involved a policy consultation, an exposure draft consultation and the publication of a Regulatory Impact Statement. All consultation papers, submissions and decisions in this review are available on our website.¹² The updated version of BS8 that resulted from this review came into force on 1 October 2023.
75. Although BS8 was not developed under the DTA, we reviewed and updated it in anticipation of the DTA being passed into law. We considered that its purpose aligned with the DTA's main purpose and was a good starting point from which to develop the new Related Party Exposures Standard. Therefore, the current requirements in BS8 have been largely carried across without substantive changes.
76. The exposure draft is the next step in developing the standard. The policy decisions reflected in this exposure draft were subject to public consultation as part of the DTA Non-Core Standards consultation from 21 August 2024 until 22 November 2024. A copy of this consultation is available at [Deposit Takers Non-Core Standards Consultation Paper](#). 25 submissions were received on this consultation and are available at <https://consultations.rbnz.govt.nz/prudential-policy/deposit-takers-non-core-standards/>. A summary of these submissions and our response to these is available at [DTA Non-core Standards - Summary of Submissions and Policy Decisions](#).

3. Exposure draft

77. The exposure draft is intended to follow the policy decisions that were published in July 2025 (linked above). As part of developing the exposure draft of the Related Party Exposures Standard more detailed decisions have needed to be made. In particular, we draw your attention to the points below.

⁹ The Related Party Exposures Standard applies to Group 1, Group 2 and Group 3 deposit takers under the Reserve Bank's [proportionality framework](#). This Standard does not apply to overseas licensed deposit takers.

¹⁰ [BS8 Connected Exposures Policy - October 2023](#)

¹¹ [Deposit Takers \(Credit Ratings, Capital Ratios, and Related Party Exposures\) Regulations 2010 | New Zealand Legislation](#)

¹² [Review of the Connected Exposures policy for banks - Reserve Bank of New Zealand - Te Pūtea Matua](#)

3.1 Group supervision requirements under the Related Party Exposures Standard

78. The exposure draft contains new requirements for New Zealand deposit takers that have overseas subsidiaries that are carrying on deposit taking business outside of New Zealand. These requirements are consistent with the policy direction indicated in the Group Supervision Policy for deposit takers consultation paper, published in October 2025.¹³ However, this is the first time we have consulted on detailed group supervision requirements to be included in the Related Party Exposures Standard. Therefore, we wish to invite feedback from submitters on any aspects of these new requirements, and the supporting guidance included in the draft Guidance document.
79. The new requirements can be summarised as follows:
- New Zealand deposit takers that have overseas subsidiaries that are carrying on deposit taking business outside of New Zealand will be required to meet additional requirements in relation to a subset of their licensed deposit taker group, referred to as their 'New Zealand deposit taker group'.
 - The New Zealand deposit taker group will generally consist of the deposit taker and its New Zealand subsidiaries; however, the Reserve Bank can specify in a deposit taker's conditions of licence if certain entities should be included or excluded from this group.
 - The additional requirements applying to the New Zealand deposit taker group are a total related party exposures limit (which is contingent on the deposit taker's credit rating), a non-deposit taker related party exposures limit of 15%, and a requirement to ensure that all of the New Zealand deposit taker group's related party exposures are conducted at arm's length.
 - All three of these new requirements mirror existing requirements in the Related Party Exposures Standard that apply to all Group 1, 2 and 3 deposit takers. However, deposit takers that are subject to the additional requirements will need to meet these requirements at both a 'licensed deposit taker group' level and a 'New Zealand deposit taker group' level. This reflects the policy intent of mitigating intra-group exposure risks and contagion risks, which are discussed in more detail in the Group Supervision Policy consultation paper that was released in October 2025.

3.2 Meaning of 'related party'

80. Consistent with policy decisions on the non-core standards consultation paper, the definition of 'related party' in the Related Party Exposures Standard is based on the 'connected person' definition from BS8. Through the drafting process, we have taken the opportunity to simplify the way this definition is expressed in the Related Party Exposures Standard. However, our intention is to capture the same scope of persons and entities in the 'related party' definition as the BS8 'connected person' definition (with the exception of the 'significant influence' thresholds, which are discussed separately below). We invite feedback on this matter, particularly if any submitters believe we have inadvertently narrowed or broadened the meaning of related party from the BS8 definition.

¹³ [Group Supervision Policy for deposit takers - Reserve Bank of New Zealand - Citizen Space](#)

3.3 Meaning of 'significant influence'

81. The definition of 'significant influence' that is used in BS8 was primarily selected for its alignment with section 39 of the DTA. This change was made in anticipation of the section 39 definition potentially being used more widely once the DTA passed into law. Under this definition, a person (A) has significant influence over an entity if A can control the exercise of 25% or more of the voting rights in the entity or appoint 50% or more of the directors of the entity.
82. Subsequently, as the DTA standards have been developed, a different definition of 'significant influence' has been adopted across the suite of standards. Under this definition, a person (A) has significant influence over an entity if A can control the exercise of 20% or more of the voting rights in the entity or appoint 20% or more of the directors in the entity. We did not consider there was a policy justification for the Related Party Exposures Standard to continue to align with section 39 of the DTA, so the exposure draft has instead adopted the definition with lower thresholds that is used across other standards.
83. We note that the lowering of these thresholds in the Related Party Exposures Standard effectively broadens the scope of 'significant influence', which has flow-on impacts to the meaning of 'related party' and the calculation of related party exposures. We consider this change to be small and not consequential to deposit takers' related party exposures limits. However, we welcome feedback from submitters on this change, particularly regarding any unintended consequences or special cases that we should be aware of.
84. We note our intention remains that ordinary members of mutual deposit takers should not be caught by the related party definition. An ordinary member, dependent on the mutual deposit taker's rules, would generally not meet the 'significant influence' definition. We invite feedback on whether the exposure draft is consistent with our intention.

3.4 Removal of duplicative requirements

85. Through the drafting process, some requirements that were previously included in BS8 have not been carried over to the Related Party Exposures Standard because we considered these to be duplicative of other requirements. This includes the requirement for registered banks to adequately monitor transactions with connected persons in order to control risks of conflict of interest (B.2.2), and requirements relating to governance and compliance management (B.3). We welcome feedback on whether the removal of any of these requirements is likely to have unintended consequences.

4. Specific questions

- | | |
|------------|---|
| Q14 | Do you have any feedback on the new requirements in the Related Party Exposures Standard for New Zealand deposit takers that are subject to group supervision in New Zealand? |
| Q15 | Do you agree that the drafting of the 'related party' definition reflects the previously announced policy intent? |
| Q16 | Are there any unintended consequences of changing the 'significant influence' definition to align with other Standards that we should be aware of? |

- Q17** Do you have any other comments on the attached exposure draft of the Related Party Exposures Standard?
- Q18** Do you have any comments on the attached draft of the Guidance to support the Related Party Exposures Standard?



Reserve Bank
of New Zealand
Te Pūtea Matua

Chapter 5

Capital Standard

Supporting information on the exposure draft

18 June 2026

CONSULTATION
PAPER



1. Non-technical summary

86. The Deposit Takers (Capital) Standard 2027 (**the Capital Standard**) sets minimum capital requirements for deposit takers in New Zealand. Capital requirements mean that the deposit taker can absorb losses, reducing the risk of deposit taker failure and supporting financial stability. It covers:
- overarching requirements – including preliminary provisions (part 1), capital requirements (part 2), components of capital (part 3) and new capital and changes in capital (part 4);
 - credit risk – credit risk weighted assets (part 5) and credit risk mitigation (part 6);
 - market risk (part 7);
 - operational risk (part 8); and
 - funds management, securitisation, insurance and loan transfers (part 9).
87. The Capital Standard is designed to support the main purpose of the DTA – to promote the prosperity and well-being of New Zealanders and contribute to a sustainable and productive economy by protecting and promoting the stability of the financial system – by helping to make deposit takers more resilient to economic shocks and downturns.
88. The Capital Standard will replace existing requirements for registered banks contained in the Banking Prudential Requirements (**BPR**) documents, and imposed through Conditions of Registration, and for non-bank deposit takers in the Non-Bank Deposit Takers Act 2013. The Capital Standard replaces **BPR100: Capital adequacy**, **BPR110: Capital definitions**, **BPR120: Capital adequacy process requirements**, **BPR130: Credit risk RWAs overview**, **BPR131: Standardised credit risk RWAs**, **BPR132: Credit risk mitigation**, **BPR140: Market risk exposure**, **BPR150: Standardised operational risk**, **BPR151: AMA operational risk**, **BPR160: Insurance, securitisation, and loan transfers** and **BPR001: Glossary**. The separate Internal Models Standard (see Chapter 6) replaces the other BPRs: **BPR133: IRB credit risk RWAs** and **BPR134: IRB minimum system requirements**. Table 1 below maps the sections of the Capital Standard on to the BPRs.
89. The BPRs were introduced in 2021 following a review of capital rules from 2017 to 2019 (**the 2019 Capital Review**). The BPRs replaced our capital requirements at the time, with additional requirements being phased in over time. Last year we conducted a further review of key capital settings (the **2025 Capital Review**), and in April 2026 we consulted on updated BPRs to reflect some of the decisions from that review.¹⁴ The remainder of the 2025 Capital Review decisions will come into effect as part of the Capital Standard.
90. The exposure draft of the Capital Standard is consistent with the BPR changes we consulted on in April 2026. We are in the process of assessing the feedback we received and considering whether changes are needed to the final drafting of the BPRs and have not reflected any of the feedback provided into the drafting of the Capital Standard or Internal Models Standard. Once we have concluded our assessment of the BPR feedback, and made the final changes to BPRs, we will also reflect that drafting in the final Standards. Therefore, it is not necessary to repeat feedback provided during the BPR process as part of feedback on the Standards, although stakeholders are of course welcome to do so.

¹⁴ [2026 Banking Prudential Requirements \(BPRs\) exposure drafts - Reserve Bank of New Zealand - Citizen Space](#).

91. We are also consulting on Capital Guidance (the **Capital Guidance**), which provides more detail around some of the requirements in the Capital Standard. The purpose of the guidance is to assist deposit takers in interpreting and complying with the Capital Standard. Guidance will assist individual deposit takers with their own compliance and support a more consistent approach across the industry. The Capital Guidance does not contain any requirements for deposit takers.

1.1 Industry engagement on the Capital Standard

92. Given the scale and complexity of the Capital Standard, we intend to run workshops with interested industry stakeholders on key areas of feedback following this consultation. This will help us refine the drafting ahead of the Standard being issued in May 2027.

1.2 Further development of the drafting of the Capital Standard

93. As mentioned in the introduction to this document, across the DTA Standards, we are aiming for drafting that is legally effective, enforceable, provides certainty, describes legal and industry concepts conventionally and uses words and phrases in a consistent way. Quality drafting will reduce compliance costs for industry and make us more effective as a regulator.
94. However, due to time constraints and the complexity of the content, the Capital Standard has been largely based on the existing BPRs (amended to reflect policy changes arising from the DTA Core Standards consultation and the 2025 Capital Review), with only limited drafting improvements. There has also been less time to refine the guidance than for other standards.
95. Given the benefits of high-quality drafting and our commitment to regulatory stewardship, we intend to more fully redraft the Capital Standard in the future to improve drafting clarity. However, this will be sequenced to occur after the DTA has been fully implemented, be well signalled in advance, include consultation and ensure sufficient time for implementation by industry.

2. Policy development

96. The exposure draft is the next step in developing the Capital Standard. The policy decisions reflected in this exposure draft were subject to public consultation in two rounds. First, from 21 August 2024 until 22 November 2024, we consulted on policy proposals as part of the DTA Core Standards consultation.¹⁵ For most areas, decisions following that consultation were published on 25 August 2025. However, for some areas, we reassessed our proposals and consulted again as part of the 2025 Capital Review from 25 August to 3 October.¹⁶ We announced final decisions on 17 December 2025.¹⁷
97. A copy of the consultation documents, summary of submissions and our response to submissions is available at [Deposit Takers Core Standards - Reserve Bank of New Zealand - Citizen Space](#) and [Review of key capital settings - Reserve Bank of New Zealand - Citizen Space](#).

¹⁵ [Deposit Takers Core Standards - Reserve Bank of New Zealand - Citizen Space](#)

¹⁶ [Review of key capital settings - Reserve Bank of New Zealand - Citizen Space](#)

¹⁷ [2025 Review of key capital settings decision document](#)

98. There are some areas of the Capital Standard that have placeholders or are not yet drafted as final policy decisions have not yet been made. These are:
- Following feedback received as part of the 2025 Capital Review, we announced our intention to review some further areas, particularly some additional risk weights, over 2026. We intend to consult on further risk weight changes in October 2026 and integrate any changes into the Capital Standard before it is issued in 2027.
 - Following the 2025 Capital Review, we announced our intention to introduce a new capital requirement known as loss absorbing capacity (LAC). We are consulting on the design of this requirement as part of our Crisis Preparedness consultation package, which has been released at the same time as the exposure draft of the tranche 3 standards. We intend to integrate the final LAC requirements into the Capital Standard before it is issued in 2027.
99. We also note the draft Capital Standard does not include the Capital Buffer Response Framework that currently features in the BPRs. Instead, elements of the Capital Buffer Response Framework will be in the Crisis Preparedness Standard – due to be consulted on in 2027. This will include developing a targeted recovery plan, which would be activated once trigger conditions are met. While the Capital Standard does not specify these requirements, the Capital Standard does cover dividend restrictions that will apply if a deposit taker does not have the prudential capital buffer specified in its Conditions of Licence and/or Standard.

3. Exposure draft

100. The exposure draft is intended to follow the policy determined in the previous consultation documents and is based on the existing BPRs.
101. We have made minor drafting improvements to improve clarity and readability of provisions, and where appropriate moved contents to guidance. However, except in the cases where we have decided to amend or implement new policy, such changes are not intended to change the meaning or the outcome of the provisions in comparison to the existing BPRs. The changes include:
- clarifying the distinction between requirements and guidance (including by elevating some aspects of existing guidance into requirements in the Capital Standard);
 - eliminating discretions and replacing them with either conditions or approvals as provided for in the DTA;
 - some rationalisation and clarification of defined terms and concepts; and
 - some re-ordering of provisions to improve flow and navigation.
102. Table 1 maps the sections of the Capital Standard with the BPRs they are based on.

Table 1: Sections of the Capital Standard and which BPRs they are based on

BPR	Section of the Capital Standard
BPR001: Glossary	Part 1: Preliminary provisions
BPR100: Capital adequacy	Part 2: Capital requirements

BPR	Section of the Capital Standard
BPR110 Capital definitions	Part 3: Components of capital
BPR120 Capital adequacy process requirements	Part 4: New capital and changes in capital
BPR130: Credit risk RWAs overview	Part 5: Total credit risk RWAs
BPR131 Standardised Credit Risk RWAs	Part 5: Total credit risk RWAs
BPR132 Credit risk mitigation	Part 6: Credit risk mitigation
BPR140 Market Risk exposure	Part 7: Capital requirement for market risk
BPR150: Standardised operational risk	Part 8: Capital requirement for operation risk
BPR151: AMA Operational risk	Part 8: Capital requirement for operation risk
BPR160: Insurance, Securitisation, and Loan Transfers	Part 9: Funds management, securitisation, insurance, and loan transfers

103. Table 2 summarises the key policy changes the between the BPRs and the Capital Standard and signals where they can be found in the Capital Standard.

Table 2: Key policy changes the between the BPRs and the Capital Standard, and where they can be found in the Capital Standard.

Decisions	Change reflected in Capital Standard
1 ICAAP applies to all deposit takers	
ICAAP requirements will apply to Groups 1, 2, and 3, moving from “should” to “must”.	Clause 24
Group 3 ICAAP will be simplified and proportionate	Clause 35
2 Capital overlays are retained	
Retain flexibility to impose Sectoral Capital Requirements (SCRs), and Entity-specific capital overlays	Clause 103 (credit risk) Clause 241 (market risk) Clause 295 (operational risk)
3 AT1 capital to be removed	
Existing AT1 instruments are grandfathered and phased out gradually:	Schedule 1, Part 1, Clause 3

Decisions	Change reflected in Capital Standard
<ul style="list-style-type: none"> no new AT1 issuance after 1 October 2026. complete derecognition by 1 December 2031 	
4 Foreign Currency Translation Reserves (FCTR)	
FCTR will be treated as Tier 1 (not Tier 2)	Clause 38(2)
5 Credit risk weight changes¹⁸	
Risk weight for long-term exposures to A-rated deposit takers move from 50% to 30%	Clause 129
New 20% risk weight for NZ Superannuation Fund exposures	Clause 146
Align three-month bank bill maturity with NZ market convention	See guidance for clause 129
New, more granular residential mortgage categories introduced	Part 5, Subpart 5
New, more granular SME lending categories introduced	Clause 142
New, more granular agricultural lending categories introduced	Clause 143
New Community Housing Providers (CHPs) category with risk weights aligned to owner-occupied mortgages, with 30% cap where long-term Crown contracts exist	Clause 145
6 Market risk framework redesigned	
Treatment of the banking book (IRRBB) largely based on existing BPR140	Part 7, Subparts 3-5
Treatment of the trading book based on Basel MAR40 simplified standardised approach.	Clause 239
IRRBB calculation frequency reduced to at least quarterly (daily still allowed).	Clause 236
Details of impact on Group 3 crossing threshold to G2 for market risk after secondary trigger	Clause 240(3)
7 Operational risk: Basel III standardised approach	
Adopt OPE25 standardised approach.	Part 8

¹⁸ For specific risk weight decisions, see [2025 Review of key capital settings decision document](#)

Decisions	Change reflected in Capital Standard
Internal Loss Multiplier (ILM) fixed at 1.	Clause 287
Business Indicator aligned with IFRS	Clause 289
8 Capital stack and overall requirements¹⁹	
Group 1 capital ratio requirements and transition path	Clauses 12-20 and Schedule 1
Group 2 capital ratio requirements and transition path	Clauses 12-20 and Schedule 1
Group 3 capital ratio requirements and transition path	Clauses 12-20 and Schedule 1
9 Loss absorbing capacity (LAC)	
New internal LAC requirement applies to Group 1 deposit takers	Clause 16
11 Counter-cyclical capital buffer (CCyB)	
Long-run CCyB set at 1% for Groups 1 and 2	Clause 19
12 Dividend restrictions	
Ability to impose dividend restrictions when deposit takers are outside of buffer zones	Clause 21
12 Group 3 specific changes	
Minimum capital base set at \$5 million applicable to all deposit takers from commencement of the Capital Standard	Clause 12
Simplified credit risk mitigation (CRM) option introduced for Group 3, with ability to use the standardised approach to CRM as used by Group 2 deposit takers if preferred	Clause 189
Market risk escalation threshold of moving to Group 2 trading-book rules if VaR > 2% of credit RWA (with tolerance and transition period).	Clause 240
Treatment of perpetual preference shares	Schedule 1, clause 7

¹⁹ For specific capital ratio decisions, see [2025 Review of key capital settings decision document](#)

3.1 Treating PPS as Tier 2 capital for Group 2 deposit takers

104. Additional Tier 1 (**AT1**) capital ceasing to be a form of eligible regulatory capital was one of the outcomes of the 2025 Capital Review. AT1 is typically issued in the form of perpetual preference shares (**PPS**). However, for Group 3 deposit takers, PPS which currently meet the requirements of the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010 will be able to be treated as Tier 2 capital on a permanent basis.^{20,21} We have not extended that option to Group 2 deposit takers, for whom the current, subordinated debt form of Tier 2 would remain the only option. However, we would be interested to understand whether there is appetite for us to extend the option available to Group 3 deposit takers to Group 2 deposit takers as well.

3.2 Tier 2 instruments issued by Australian subsidiaries of a New Zealand deposit taker

105. 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 deposit taker to be considered as capital for the group as part of the exposure draft process for the Capital Standard.
106. We have determined it is not appropriate to consider this further in light of the overall approach we are taking to the design of capital instruments and capital requirements. Tier 2 instruments for Group 1 deposit takers will have similar features to APRA-eligible Tier 2 capital. However, 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. The same concerns do not arise in relation to Group 2 (or Group 3) deposit takers.
107. 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.

4. Specific questions

- Q19** Do you have comments on the structure of the exposure draft of the Capital Standard?
- Q20** Do you think that Group 2 deposit takers should also have the option of using PPS as Tier 2 capital on a permanent basis? If so, why?
- Q21** Do you have any other comments on the exposure draft of the Capital Standard?
- Q22** Do you have any comments on the attached draft Guidance to support the Capital Standard? For example, are there any areas of the Capital Standard that you think would benefit from further guidance?

²⁰ Section 10(4) [Deposit Takers \(Credit Ratings, Capital Ratios, and Related Party Exposures\) Regulations 2010 | New Zealand Legislation](#)

²¹ See page 14 [2025 Review of key capital settings decision document](#)



Reserve Bank
of New Zealand
Te Pūtea Matua

Chapter 6

Internal Models Standard

Supporting information on the exposure draft

18 June 2026

CONSULTATION
PAPER



1. Non-technical summary

108. The Deposit Takers (Internal Models) Standard 2027 (the **Internal Model Standards**) only applies to deposit takers that have been approved by the Reserve Bank to use the internal models approach to calculating risk-weighted assets (**RWAs**) on some of their credit exposures. It sets out the methods that an approved deposit taker must use to calculate RWAs on credit exposures that are subject to the internal models approach, as part of the calculation of total RWAs as required by the Capital Standard.
109. The Internal Models Standard also sets out the methods to be used for calculating expected losses (**EL**) on the same credit risk exposures, which is used as part of the definition of regulatory capital in the Capital Standard. These form part of the calculation of capital ratios, as defined in the Capital Standard, which a deposit taker must carry out to check that it complies with minimum regulatory capital requirements.
110. The Internal Models Standard will replace existing requirements for registered banks contained in **BPR133: IRB credit risk RWAs** and **BPR134: IRB minimum system requirements**, and includes elements of **BPR130: Credit risk RWAs overview**.
111. We are also consulting on Internal Models Guidance (the **Internal Models Guidance**), which provides more detail around some of the requirements in the Internal Models Standard. The Internal Models Guidance does not contain any requirements for deposit takers.

1.1 Further development of the drafting of the Internal Models Standard

112. Similar to the Capital Standard, the Internal Models Standard is largely based on the existing BPRs, with limited drafting improvements. This means, as set out in paragraphs 93 to 95 above, we intend to more fully redraft the Internal Model Standard in the future (alongside the Capital Standard), to similarly improve drafting clarity.

2. Policy development

113. Most requirements in the Internal Models Standard match those that are currently in the Banking Prudential Requirements (**BPRs**). However, we have made minor drafting improvements to improve clarity and readability of provisions – and made small changes, as noted below.
114. The exposure draft of the Internal Models Standard is consistent with the policy decisions that were subject to public consultation in two rounds. First, from 21 August 2024 until 22 November 2024, we consulted on policy proposals as part of the DTA Core Standards consultation.²² For most areas, decisions following that consultation were published on 25 August 2025. However, for some areas, we reassessed our proposals and consulted again as part of the 2025 Capital Review from 25 August to 3 October.²³ We announced final decisions on 17 December 2025.²⁴

²² [Deposit Takers Core Standards - Reserve Bank of New Zealand - Citizen Space](#)

²³ [Review of key capital settings - Reserve Bank of New Zealand - Citizen Space](#)

²⁴ [2025 Review of key capital settings decision document](#)

115. A copy of the consultation documents and summary of submissions and our response to these is available at [Deposit Takers Core Standards - Reserve Bank of New Zealand - Citizen Space](#) and [Review of key capital settings - Reserve Bank of New Zealand - Citizen Space](#).

3. Exposure draft

116. The exposure draft is intended to follow the policy determined in the previous consultation documents, with any amendments as a result of submissions. As part of developing the exposure draft more detailed decisions have needed to be made. In particular, we draw your attention to the following points:

- The threshold for using SME lending within the retail exposure class has lifted from \$1 million in total exposures to \$2 million (Clause 34).
- Incorporation of specified Loss Given Default for Crown indemnities for certain types of lending (Clause 50).
- We have provided a list of principles that we will use to assess any applications from deposit takers that are applying to be approved to use internal models (Clause 23).
- For any instances where a deposit taker using internal models is seeking our approval to utilise specified aspects of any flexibility, we have noted the criteria that we will take into account before approving (Clauses 48, 65, 77, 97, 106 and Schedule 4 clause 5).

117. As with the Capital Standard, most requirements in the Internal Models Standard match those that are currently in the BPRs. However, we have made minor drafting improvements to improve clarity and readability of provisions.

3.1 Structure of the Standard

118. The Internal Models Standard combines elements of the following BPRs:

- BPR130: Credit Risk RWAs Overview
- BPR133: IRB Credit Risk RWAs
- BPR134: IRB Minimum System Requirements

119. The requirements from the three BPRs have been reorganised into a combined document in a way that attempts to enhance clarity and avoid duplication.

120. We have made minor drafting improvements to improve clarity and readability of provisions, and where appropriate moved contents to guidance. However, except in the cases where we have decided to amend or implement new policy, such changes are not intended to change the meaning or the outcome of the provisions in comparison to the existing BPRs. The changes include:

- clarifying the distinction between requirements and guidance (including by elevating some aspects of existing guidance into requirements in the standard);
- eliminating discretions and replacing them with either conditions or approvals as provided for in the DTA;
- some rationalisation and clarification of defined terms and concepts; and,
- some re-ordering of provisions to improve flow and navigation.

4. Specific questions

- Q23** Do you have comments on the structure of the exposure draft of the Internal Models Standard, including separating requirements related to internal models from the Capital Standard?
- Q24** Do you have any other comments on the exposure draft of the Internal Models Standard?
- Q25** Do you have any comments on the attached draft Guidance to support the Internal Models Standard? For example, are there any areas of the Internal Models Standard that you think would benefit from further guidance?

Annex: Consolidated consultation questions

Chapter 1: Disclosure Statements Standard

- Q1** Do you have any comments on the draft list of headings in Appendix A of the Guidance or how it relates to clause 15 of the exposure draft?
- Q2** Do you have any comments on the drafting of the prudential disclosure requirements or their alignment with each respective standard?
- Q3** Do you have any comments on the proposed definition of 'credit rating' in clause 140?
- Q4** Do you have any other comments on the attached exposure draft of the Disclosure Statements Standard?
- Q5** Do you have any comments on the attached draft Guidance to support the Disclosure Statements Standard? For example, are there any areas of the standard that you think would benefit from further guidance?

Chapter 2: Operational Resilience Standard

- Q6** Do you have comments on the structure of the exposure draft of the Deposit Takers (Operational Resilience) Standard?
- Q7** Do you have any comments on the exposure draft of the Guidance to support the Deposit Takers (Operational Resilience) Standard?
- Q8** Do you have comments on the interactions between the Operational Resilience Standard and the Outsourcing Standard?
- Q9** Do you have comments on our draft template for the critical operations and material service provider register?

Chapter 3: Outsourcing Standard

- Q10** Do you have any comments on the alignment of scope, requirements, and terminology between the Outsourcing Standard and the Operational Resilience Standard? In particular, do you have any comments on the use of 'material service provider arrangement' in both Standards, noting that it has a narrower definition in the Outsourcing Standard?
- Q11** Do you have any comments on the review requirements in the Outsourcing Standard?
- Q12** Do you have any other comments on the exposure draft of the Outsourcing Standard?
- Q13** Do you have any comments on the attached draft Guidance to support the Outsourcing Standard? For example, are there any areas of the Standard that you think would benefit from further guidance?

Chapter 4: Related Party Exposure Standard

- Q14** Do you have any feedback on the new requirements in the Related Party Exposures Standard for New Zealand deposit takers that are subject to group supervision in New Zealand?
- Q15** Do you agree that the drafting of the 'related party' definition reflects the previously announced policy intent?
- Q16** Are there any unintended consequences of changing the 'significant influence' definition to align with other Standards that we should be aware of?
- Q17** Do you have any other comments on the attached exposure draft of the Related Party Exposures Standard?
- Q18** Do you have any comments on the attached draft of the Guidance to support the Related Party Exposures Standard?

Chapter 5: Capital Standard

- Q19** Do you have comments on the structure of the exposure draft of the Capital Standard?
- Q20** Do you think that Group 2 deposit takers should also have the option of using PPS as Tier 2 capital on a permanent basis? If so, why?
- Q21** Do you have any other comments on the exposure draft of the Capital Standard?
- Q22** Do you have any comments on the attached draft Guidance to support the Capital Standard? For example, are there any areas of the Capital Standard that you think would benefit from further guidance?

Chapter 6: Internal Models Standard

- Q23** Do you have comments on the structure of the exposure draft of the Internal Models Standard, including separating requirements related to internal models from the Capital Standard?
- Q24** Do you have any other comments on the exposure draft of the Internal Models Standard?
- Q25** Do you have any comments on the attached draft Guidance to support the Internal Models Standard? For example, are there any areas of the Internal Models Standard that you think would benefit from further guidance?