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## **Deposit Takers (Outsourcing) 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 of the Reserve Bank of New Zealand Act 2021.

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## **Standard**

### **1 Title**

This is the Deposit Takers (Outsourcing) Standard 2027.

### **2 Commencement**

This standard comes into force on 1 December 2028.

## **Part 1**

### **General provisions**

### **3 Outcomes**

- (1) The purpose of this standard is to ensure that material service provider arrangements do not compromise a deposit taker's ability to achieve the outcomes listed in subclause (2) in the event of failure.
- (2) The outcomes are that the deposit taker must—
  - (a) meet its daily clearing and settlement obligations both immediately before the start of the first working day after the day of failure and after that day; and
  - (b) monitor and manage financial positions, including credit, liquidity, and market risk positions, both on the start of the first working day after the day of failure and after that day; and
  - (c) in the case of failure involving entry into resolution, make available the systems and financial data necessary for the resolution manager and the Bank to have available a range of options for managing the failed deposit taker both before the start of the first working day after the day of failure and after that day; and
  - (d) continue to provide basic banking services to existing customers and account activity reporting, both on the start of the first working day after the day of failure and after that day.

## 4 Interpretation

In this standard, unless the context otherwise requires,—

**Act** means the Deposit Takers Act 2023

**alternative arrangement** means an alternative arrangement to a backup capability

**basic banking services** means the key retail and business services—

- (a) that deposit taker customers typically rely on for transactions and economic life, comprising of the following:
  - (i) New Zealand dollar transactional or similar accounts used by customers for their transactional needs, including automatic teller machine services and the ability of customers to access their account through the most commonly used channels:
  - (ii) New Zealand dollar savings accounts and deposits accounts, including term deposit accounts:
  - (iii) New Zealand dollar credit services to customers, including credit cards, overdraft and revolving credit facilities, secured and unsecured lending, and home loan facilities, including pre-approvals:
  - (iv) payment clearing and settlement services, including credit card merchant acquiring services and agency arrangements:
  - (v) account activity reporting for the accounts, services, and products required in respect of basic banking services held by customers; and
- (b) that, if disrupted or suddenly discontinued, could be reasonably expected to—
  - (i) have a material negative impact on a significant number of people that rely on those services; or
  - (ii) lead to contagion effects, including adverse effects on market confidence

**critical operation** has the same meaning as in clause 10(2) of the Deposit Takers (Operational Resilience) Standard 2027

**downstream arrangement** means a contractual arrangement between a material service provider and an independent third party for the outsourcing of the supply of a critical operation as part of an outsourced material service provider arrangement

**essential service** means a service whose continuous operation is necessary to maintain premises, utilities, or other infrastructure required for a deposit taker to maintain operations or enable its employees to perform their duties and includes, but is not limited to, the following—

- (a) telecommunications, gas, electricity, and water services:
- (b) payroll, security, and technology support

**extreme event** means an event or circumstance beyond the control of a deposit taker, and which could not have been reasonably anticipated that may include the onset of natural disasters or any act of God, war, riot, act of civil or military authority, nuclear, chemical or biological contamination, epidemic or global pandemic, cyberattack, or any act of a third party engaged in subversive or terrorist activity

**failure** means when any of the following events occurs—

- (a) a deposit taker—
  - (i) enters resolution under section 274 of the Act; or
  - (ii) is no longer a subsidiary of its holding entity; or
  - (iii) is given a direction under section 265 of the Act in relation to the requirements in this standard; or
- (b) the deposit taker is, or will be, unable to meet the outcomes of clause 3 because of the interruption, suspension, or unavailability of the supply of a critical operation under a material service provider arrangement

**group 1 deposit taker** means a deposit taker that is identified as a group 1 deposit taker, for the purposes of this standard, in a document that—

- (a) sets out the deposit taker's licence conditions; and
- (b) is provided by the Bank to the deposit taker

**independent third party** means a third party that is not a related entity

**material service provider**, in relation to the deposit taker, means a third party that provides a critical operation to a deposit taker

**material service provider arrangement**, in relation to a deposit taker, means a contractual arrangement between a material service provider and the deposit taker for the provision of a critical operation on a regular or continuing basis to the deposit taker that—

- (a) could otherwise be undertaken by the deposit taker itself; and
- (b) is relevant to the outcomes in clause 3

**outsourced material service provider arrangement** means a material service provider arrangement in which the supply of a critical operation is outsourced to an independent third party by a material service provider that is a related entity

**overseas deposit taker group** means—

- (a) an entity that—
  - (i) is incorporated, formed, or established in a jurisdiction other than New Zealand, regardless of whether it has a primary place of business in New Zealand or carries on business in New Zealand; and
  - (ii) carries on deposit-taking business with authorisation, licence, or similar permission from a deposit-taking supervisory authority having jurisdiction in that entity's country of incorporation; and
- (b) all subsidiaries of that entity

**parallel rights** means—

- (a) step-in rights that allow a deposit taker to enforce the rights of a related entity (other than a subsidiary) under a downstream arrangement—
  - (i) if the deposit taker were to no longer be a subsidiary of its holding entity; or

- (ii) on the failure of the other related entity; or
- (b) a separate contract between the deposit taker and the independent third party involved in an outsourced material service provider arrangement that—
  - (i) provides for the continuation of the supply of a critical operation on substantially the same terms as under the downstream arrangement; and
  - (ii) comes into force if the deposit taker were to no longer be a subsidiary of its holding entity or on the failure of the other related entity.

**related entity** has the same meaning as in clause 6 of the Deposit Takers (Capital) Standard 2027

**third party** means a person that is not the deposit taker.

## **5 Transitional, savings, and related provisions**

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

## **6 Application**

- (1) This standard applies to a group 1 deposit taker.
- (2) However, despite subclause (1), Part 5 (separation-planning requirements) only applies to a group 1 deposit taker that is part of an overseas deposit taker group.

# **Part 2**

## **Risk mitigation requirements**

## **7 Prescribed contractual terms requirement**

A deposit taker must ensure that a material service provider arrangement includes the following terms:

- (a) a clause that ensures continuing supply, on arm's-length commercial terms, of a critical operation to the deposit taker if the deposit taker enters resolution under section 274 of the Act;
- (b) a clause that gives the Bank the ability to access documentation and other information that relates to the material service provider arrangement.

## **8 Parallel rights requirement**

A deposit taker must ensure that a material service provider arrangement has parallel rights in relation to that arrangement if it is an outsourced material service provider arrangement with a related entity other than a subsidiary, unless the deposit taker—

- (a) has received the Bank's approval in accordance with Part 3—
  - (i) to substitute parallel rights with a backup capability or an alternative arrangement; and
  - (ii) for the backup capability or the alternative arrangement; or

- (b) is not part of an overseas deposit taker group and the material service provider arrangement is with a related entity that is incorporated in New Zealand.

## **9 Requirement to have backup capability or alternative arrangement**

- (1) A deposit taker must have in place a backup capability or an alternative arrangement if the material service provider arrangement is with a related entity other than a subsidiary, unless the deposit taker is not part of an overseas deposit taker group and the arrangement is with a related entity that is incorporated in New Zealand.
- (2) This clause does not apply to an outsourced material service provider arrangement.

## **10 Ongoing requirements for backup capability**

A deposit taker must ensure, in relation to its backup capability, that—

- (a) no records of transactions are permanently lost; and
- (b) all disrupted transactions are processed within 48 hours of the event that triggers the failure or disruption of the supply of a critical operation; and
- (c) the deposit taker has legal and practical control over all aspects of the system used in the backup capability; and
- (d) the switch-over from the material service provider arrangement to the deposit taker's backup capability is delivered—
  - (i) within 6 hours of the event that triggers the day of failure, for functions related to the outcomes in clause 3(2)(a) and (c) of continuing to meet daily clearing and settlement obligations and making available the systems and financial data necessary for the resolution manager and the Bank to have available a range of options for managing the failed deposit taker; and
  - (ii) before 9am on the first working day after the day of failure for functions related to the outcomes in clause 3(2)(b) and (d) of monitoring and managing financial positions, including credit, liquidity, and market risk positions, and providing basic banking services to existing customers and account activity reporting; and
- (e) the backup capability is sustainable, in that it could be substituted for the material service provider arrangement on an ongoing and fully automated basis to deliver the critical operation with minimal impact and disruptions to both the deposit taker's customers and its own business operation; and
- (f) testing of end-to-end functionalities for the backup capability is conducted within a 12-month period in an environment that replicates the functional, operational, and infrastructure capabilities that will be in place if the backup capability is required and is carried out in a manner that enables the deposit taker to demonstrate that the backup capability meets the requirements of this clause; and
- (g) changes made to the live environment are also made in the backup capability environment.

**11 Reporting on testing of end-to-end functionalities for backup capability**

- (1) The deposit taker must provide a report on the results of the annual testing of end-to-end functionalities for a backup capability required under clause 10(f) to—
  - (a) the board at the first board meeting after the test if it is reasonably practicable to do so; and
  - (b) the Bank within 8 weeks of the test.
- (2) The report must specify whether and how the end-to-end functionalities for the backup capability were affected by material service provider arrangements that are the subject of a temporary suspension (*see* Part 4).

**Part 3  
Bank approvals**

*Material service provider arrangements*

**12 Bank approval required for certain material service provider arrangements**

A deposit taker must obtain the approval of the Bank before entering into a material service provider arrangement with a related entity.

**13 Consideration of application for approval of material service provider arrangement with a related entity**

The Bank must approve a material service provider arrangement if it is satisfied that the material service provider arrangement with a related entity—

- (a) will not compromise the ability of the deposit taker to achieve the outcomes in clause 3; and
- (b) is consistent with the requirements of this standard, as applicable, including requirements—
  - (i) to incorporate prescribed contractual terms;
  - (ii) in relation to parallel rights;
  - (iii) to have in place a backup capability or an alternative arrangement; and
- (c) will not create undue risks to the safety and soundness of the deposit taker or the stability of the financial system.

**14 Responsibility of deposit taker for compliance**

The granting of the Bank's approval to a material service provider arrangement with a related entity does not affect the deposit taker's obligations in this standard in relation to the arrangement.

*Backup capability or alternative arrangement*

**15 Bank approval required for backup capability or alternative arrangement**

A deposit taker must obtain the approval of the Bank before entering into—

- (a) a backup capability; or
- (b) an alternative arrangement.

**16 Requirements for approval of backup capability**

The Bank must approve a backup capability if it is satisfied that the arrangement will meet the ongoing requirements set out in clause 10.

**17 Requirements for approval of alternative arrangement**

The Bank must approve an alternative arrangement if it is satisfied that—

- (a) due to the nature and complexity of a critical operation provided under the material service provider arrangement, backup capability can be substituted with an alternative arrangement; and
- (b) the deposit taker has demonstrated that it can achieve the outcomes in clause 3.

*Substitution of parallel rights*

**18 Bank approval required for substitution of parallel rights**

A deposit taker must apply to the Bank for its approval of the substitution of parallel rights with a backup capability or an alternative arrangement.

**19 Requirements for approval of substitution of parallel rights**

The Bank must approve the substitution of parallel rights with a backup capability or an alternative arrangement if it is satisfied that the substitution will not compromise the ability of the deposit taker to achieve the outcomes in clause 3.

**Part 4**

**Temporary suspension from risk mitigation requirements**

*Temporary suspension*

**20 Application for temporary suspension**

- (1) A deposit taker may apply to the Bank for a temporary suspension if it considers it needs to enter into or modify a material service provider arrangement to respond directly to an adverse impact, or likely adverse impact, of an extreme event that has occurred or is likely to occur.
- (2) Parts 2 and 3 do not apply in respect of the material service provider arrangement that is the subject of the application under subclause (1) if the Bank has granted a temporary suspension in respect of that arrangement.

**21 Time to decide application**

- (1) The Bank must decide whether to grant a temporary suspension within 5 working days from the date of receipt of the application unless the Bank requests further information from the deposit taker, in which case the Bank may extend the time to make its decision.

- (2) Parts 2 and 3 do not apply in respect of a material service provider arrangement while the Bank is considering an application for temporary suspension.

**22 Grant of temporary suspension if Bank satisfied of certain matters**

The Bank must grant a temporary suspension if it is satisfied that the deposit taker has demonstrated—

- (a) a clear link between the extreme event and the adverse impact (for example, the adverse impact results in the deposit taker not being able to meet the outcomes in clause 3 or carry-on normal business) and that the link between the extreme event and the adverse impact could not have been reasonably anticipated; and
- (b) that entering into a new material service provider arrangement or modifying an existing arrangement is needed to directly respond to that adverse impact; and
- (c) that it cannot reasonably comply with Parts 2 and 3 in respect of the arrangement.

**23 Commencement date and duration of temporary suspension**

- (1) If the Bank grants an application for temporary suspension, it must specify the commencement date and duration of the temporary suspension.
- (2) The duration of the temporary suspension must not exceed a period of 6 months.

**24 Effect of temporary suspension**

A temporary suspension applies for the duration of the suspension.

**25 Approval of material service provider arrangement before temporary suspension expires**

A deposit taker must obtain the approval of the Bank for a material service provider arrangement that is the subject of a temporary suspension in accordance with Part 3 before the temporary suspension expires.

**26 Reporting requirements**

On the first working day after the expiry of a temporary suspension, a deposit taker must provide a report to the Bank stating whether or not the deposit taker complies with this standard in respect of the material service provider arrangement that has been subject to a temporary suspension or that the material service provider arrangement has been terminated.

*Extension of temporary suspension*

**27 Application for extension of temporary suspension**

- (1) A deposit taker may apply to the Bank for extension of a temporary suspension.
- (2) An application must be made no later than 25 working days before the original expiry date of the temporary suspension.

**28 Time to decide application**

The Bank must decide whether to grant an extension within 15 working days from the date of receipt of the application for an extension of the temporary suspension.

**29 Grant of extension of temporary suspension if Bank satisfied of certain matters**

The Bank must grant the extension of the temporary suspension if it is satisfied that the adverse impact of the extreme event is continuing and the deposit taker still cannot reasonably comply with Parts 2 and 3 in respect of the material service provider arrangement.

**30 Commencement date and duration of extension of temporary suspension**

- (1) If the Bank grants an extension of a temporary suspension, the commencement date is the day after the expiry of the temporary suspension.
- (2) The duration of the extension of the temporary suspension must be specified by the Bank and must not exceed a period of 6 months.

**Part 5**

**Separation-planning requirements**

**31 Separation plan required**

A deposit taker that is part of an overseas deposit taker group must have a separation plan.

**32 Content and form of separation plan**

- (1) A deposit taker must ensure that a separation plan addresses the possibility of an abrupt loss of access to the critical operations provided by a related entity other than a subsidiary both on the day of failure and after that date.
- (2) A separation plan must contain the following:
  - (a) a description of the process that the deposit taker will take to operate critical operations that were previously provided by, or with, a related entity other than a subsidiary under a material service provider arrangement in the event that the deposit taker—
    - (i) enters resolution; or
    - (ii) is otherwise separated from the overseas deposit taker group:
  - (b) details of the following from the day the deposit taker enters resolution or separates from its overseas deposit taker group—
    - (i) how the deposit taker will meet the outcomes set out in clause 3, including the processes it will implement to meet those outcomes; and
    - (ii) how the deposit taker will ensure that parallel rights for the deposit taker are available for critical operations provided under an outsourced material service provider arrangement with a related entity other than a subsidiary; and

- (iii) the deposit taker's own backup capability or capabilities for material service provider arrangements with a related entity other than a subsidiary; and
    - (iv) how the backup capability or capabilities will be activated, including time frames:
  - (c) details of which staff positions are responsible for taking actions under the separation plan:
  - (d) details of governance and communication plans:
  - (e) the relevant time frames under which the separation and transition will be undertaken:
  - (f) the technology and other resources needed by the deposit taker to implement the separation plan.
- (3) If a temporary suspension from Parts 2 and 3 applies in respect of a material service provider arrangement, the separation plan does not need to include the information in subclause (2)(b)(ii) to (iv) in relation to that arrangement.

### **33 Approval of separation plan**

- (1) A deposit taker's separation plan must be approved by the Bank.
- (2) Before the deposit taker applies for Bank approval, the separation plan must be approved by the deposit taker's board.

### **34 Bank must approve separation plan if satisfied of certain matter**

The Bank must approve a separation plan if it is satisfied that the separation plan is likely to ensure that the deposit taker can continue to meet the outcomes in clause 3 in the event of the deposit taker entering resolution or separating from its overseas deposit taker group.

### **35 Deposit taker to ensure compliance of separation plan**

The Bank's approval of a separation plan does not affect the responsibility of the deposit taker to ensure that it complies with this standard in respect of its separation plan.

### **36 Testing of separation plan**

- (1) A deposit taker must test its separation plan annually.
- (2) The results of the test must be reported to—
  - (a) the board at the first board meeting after the test; and
  - (b) the Bank within 8 weeks of the test.

### **37 Impediments to separation**

- (1) If the deposit taker identifies a relevant impediment during the test, it must, despite clause 36,—

- (a) advise the Bank within 24 hours of the impediment being identified of the fact that an impediment has been identified and, if possible, the cause of the impediment; and
  - (b) as soon as reasonably practicable, and not later than 2 weeks after the impediment is identified, provide the Bank with details of how the deposit taker proposes to remedy the impediment.
- (2) A **relevant impediment** is an impediment that risks the deposit taker being unable to meet the outcomes in clause 3.
  - (3) If a material service provider arrangement that is the subject of a temporary suspension caused or contributed to a relevant impediment, the deposit taker must include in the information provided under subclause (1)(b) an explanation of whether and how the impediment will be remedied when the temporary suspension expires.

### **38 Reporting and approval of changes to separation plan**

- (1) A deposit taker must report all material changes to its separation plan to the Bank and apply to the Bank for approval of the amended separation plan.
- (2) The Bank must approve the amended separation plan if it is satisfied of the matter set out in clause 34.
- (3) The requirement to report changes in subclause (1) does not apply to a change relating to a material service provider arrangement subject to a temporary suspension.

## **Part 6 Miscellaneous provisions**

### **39 Deposit taker must maintain list of essential service providers**

- (1) A deposit taker must—
  - (a) prepare and maintain a list of essential service providers; and
  - (b) set out the services provided by each service provider.
- (2) A deposit taker must—
  - (a) review the list annually; and
  - (b) provide the list to the Bank on request.

### **40 Payments to essential service providers**

A deposit taker must ensure that payments are made to essential service providers both before the start of the first working day after the day of failure and after that day.

### **41 Information required to be added to register of critical operations and material service providers**

A deposit taker must add the following information to the register of critical operations and material service providers required to be established and maintained under clause 12 of the Deposit Takers (Operational Resilience) Standard 2027:

- (a) the total value of each material service provider arrangement, including both upfront costs and ongoing expense; and
- (b) if applicable, a description of the parallel rights, backup capability, or alternative arrangement that is in place for the material service provider arrangement; and
- (c) any other information specified by the Bank.

#### **42 3-yearly advisory review**

- (1) A deposit taker must engage an independent reviewer at least once every 3 years to conduct an advisory review as to whether the deposit taker has appropriate arrangements in place to ensure the deposit taker meets the requirements of this standard.
- (2) The deposit taker must obtain the Bank's approval of both the person nominated by the deposit taker to carry out the advisory review and that person's terms of reference.
- (3) The Bank must approve the person nominated to carry out the advisory review, if it is satisfied that the person—
  - (a) is appropriately qualified and experienced to undertake the advisory review, having regard to the nature, scale, and complexity of the deposit taker; and
  - (b) is operationally and commercially independent of the deposit taker and its related entities and has no conflicts of interest that could reasonably be expected to compromise the reviewer's objectivity.
- (4) The Bank must approve the terms of reference of the advisory review if it is satisfied that the terms of reference—
  - (a) are appropriately scoped to enable an advisory 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; and
  - (b) permit the reviewer to identify material gaps, weaknesses, or areas for improvement relevant to achieving the requirements of this standard.
- (5) The deposit taker must provide the advisory review report to—
  - (a) the board at the first board meeting after receiving the report; and
  - (b) the Bank within 8 weeks of receiving the report.

## **Schedule 1** **Transitional, savings, and related provisions**

### **Part 1** **Provisions relating to this standard as made**

#### **1 Existing arrangements and separation plan**

- (1) An outsourcing arrangement in existence immediately before this standard comes into force must be treated as an approved material service provider arrangement under this standard.
- (2) In this clause, **outsourcing arrangement** means an outsourcing arrangement that has received a notice of non-objection under *BS11 Outsourcing Policy*, issued by the Bank on 18 January 2006.

#### **2 Other existing arrangements and separation plan**

- (1) The following arrangements in existence immediately before this standard comes into force that has received a notice of non-objection under *BS11 Outsourcing Policy*, issued by the Bank on 18 January 2006, must be treated as having been approved under this standard:
  - (a) a robust back-up capability;
  - (b) an alternative arrangement;
  - (c) a substitution of parallel rights.
- (2) A separation plan in existence immediately before this standard comes into force that has received a notice of non-objection under *BS11 Outsourcing Policy*, issued by the Bank on 18 January 2006, must be treated as having been approved under this standard.

#### **3 Existing temporary suspensions**

A temporary suspension or an extension of a temporary suspension in existence immediately before this standard comes into force under *BS11 Outsourcing Policy*, issued by the Bank on 18 January 2006, must be treated as having been granted by the Bank under this standard.

#### **4 3-yearly advisory review**

The date of calculation of the first 3-yearly advisory review is the date that is 3 years from the last review before this standard comes into force.

#### **5 Pending applications for approval**

- (1) This clause applies if,—

- (a) before the date this standard comes into force, a deposit taker has applied for a non-objection from the Bank in accordance with *BS11 Outsourcing Policy*, issued by the Bank on 18 January 2006, for any of the following:
    - (i) an outsourcing arrangement;
    - (ii) a robust back-up capability or an alternative arrangement;
    - (iii) a substitution of parallel rights;
    - (iv) a separation plan; and
  - (b) on that date, the non-objection from the Bank has not been obtained.
- (2) The application must be treated as an application for approval under this standard.

## 6 Pending applications for temporary suspensions

- (1) This clause applies if,—
- (a) before the date that this standard comes into force, a deposit taker has applied for a temporary suspension or an extension of a temporary suspension in accordance with *BS11 Outsourcing Policy*, issued by the Bank on 18 January 2006; and
  - (b) on that date, the suspension has not been granted.
- (2) The application must be treated as an application for a temporary suspension or an extension of a temporary suspension under this standard.

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**) and prescribes matters relating to the outsourcing of critical operations of a deposit taker to a third party (a **material service provider**) under a material service provider arrangement (an **MSPA**), as contemplated by section 90(1)(a) of the Act.

An MSPA is a contractual arrangement between a deposit taker and a material service provider for the provision of a critical operation on a regular or continuing basis that could otherwise be undertaken by the deposit taker and are relevant to the outcomes listed in *clause 3*. Those outcomes are the deposit taker being able to—

- meet its daily clearing and settlement obligations:
- monitor and manage financial positions:
- make available systems and financial data necessary for the resolution manager and the Reserve Bank of New Zealand (the **Bank**):
- continue to provide basic banking services to existing customers and account activity reporting.

An MSPA must not compromise a deposit taker's ability to achieve these outcomes in the event of failure.

The standard applies to a deposit taker that is identified as a group 1 deposit taker in its licence conditions, except *Part 5* (separation-planning requirements), which only applies if the deposit taker is part of an overseas deposit taker group.

Under *Part 2*, MSPAs and outsourced MSPAs (an MSPA that is further outsourced to an independent third party by an MSPA that is a related entity) are required to have risk mitigation requirements in place. The requirements are—

- prescribed contractual terms to ensure continuing supply of a critical operation on arms-length commercial terms if the deposit taker enters resolution and the ability of the Bank to access documentation and other information relating to an MSPA:
- parallel rights, in the case of an outsourced MSPA with a related entity other than a subsidiary, unless the Bank has approved a substitution with an approved backup capability or approved an alternative arrangement or the deposit taker is not part of an overseas deposit taker group and the MSPA is with a related entity that is incorporated in New Zealand.

A backup capability must meet certain specified ongoing requirements.

There are also reporting requirements relating to end-to-end functionalities for backup arrangements.

*Part 3* provides that MSPAs with a related entity, backup capability or alternative arrangements, and substitution of parallel rights require Bank approval. The Bank must approve these risk mitigations if it is satisfied of certain matters.

The standard expressly provides that the Bank's approval of an MSPA with a related entity does not affect the deposit taker's obligations in the standard in relation to the arrangement.

Under *Part 4*, a deposit taker may apply to the Bank for a temporary suspension from *Parts 2 and 3* (which relate to risk mitigations and Bank approvals) for a period of up to 6 months if it needs to enter or modify an MSPA to respond directly to an adverse impact, or likely adverse impact, of an extreme event (which is defined in *clause 4*) that has occurred or is likely to occur. The Bank must specify the commencement date and the duration of the suspension. An extension for a further 6-month period may be applied for. The extension of a temporary suspension commences on the day after the expiry of the original suspension.

The Bank must grant a temporary suspension or an extension if it is satisfied of certain matters. A deposit taker must have obtained the Bank's approval of an MSPA before a temporary suspension expires. A deposit taker must provide a report to the Bank on the expiry of the temporary suspension stating whether it complies with the standard in respect of the MSPA that was the subject of the suspension.

Under *Part 5* a deposit taker that is part of an overseas deposit taker group is required to have a separation plan that it can activate in the event of a separation event to ensure that MSPAs covered by the standard will continue. The separation plan must address the possibility of an abrupt loss of access to the critical operations provided by a related entity other than a subsidiary both on the day of failure and after that date. The standard sets out the matters that a separation plan must contain. Bank approval is required for a deposit taker's separation plan, and it must approve a plan if it is satisfied that the plan is likely to ensure that the deposit taker can continue to meet the outcomes in *clause 3* in the event of the deposit taker entering resolution or separating from its overseas deposit taker group. Approval does not affect the responsibility of the deposit taker to ensure that its separation plan complies with the standard.

A separation plan must be tested annually and the results of the test reported to the deposit taker's board and the Bank within specified time frames. If an impediment that risks the deposit taker being unable to meet the outcomes in *clause 3* is identified during testing the deposit taker must do the following:

- advise the Bank that an impediment has been identified within 24 hours of the impediment being identified and, if possible, of the cause of the impediment:
- as soon as reasonably practicable, and no later than 2 weeks after the impediment is identified, provide the Bank with details on how the deposit taker intends to remedy the impediment.

In the case that an MSPA that is the subject of a temporary suspension caused or contributed to the impediment; the deposit taker must include an explanation of whether and how the impediment will be remedied when the temporary suspension expires.

All material changes to a separation plan must be reported to the Bank and the deposit taker must apply for the Bank's approval to amend the separation plan. The Bank must approve the change if it is satisfied of the same matter in relation to the original separation plan.

*Part 6* provides for four additional matters. A deposit taker must—

- prepare and maintain a list of essential service providers. A deposit taker must review the list annually and provide the list to the Bank on request:
- ensure payments are made to essential service providers both immediately before the start of the first working day after the day of failure and after that day:
- add certain information to the register of critical operations and material service providers required to be established and maintained under the Deposit Takers (Operational Resilience) Standard 2027:
- engage an independent reviewer to review whether the deposit taker has appropriate arrangements in place to ensure that its MSPAs do not compromise its ability to meet the outcomes in *clause 3* (an **advisory review**). The review must occur at least every 3 years. The Bank must approve both the person nominated to conduct the advisory review and its terms of reference if the Bank is satisfied of certain matters. The deposit taker must provide the advisory review report to both its board and the Bank within specified time frames.

*Schedule 1* provides for transitional arrangements relating to the following:

- outsourcing arrangements existing immediately before the standard comes into force, which are to be treated as approved MSPAs:

- certain arrangements and separation plans existing immediately before the standard comes into force under *BS11 Outsourcing Policy*, issued by the Bank on 18 January 2006, which are to be treated as having been approved under the standard:
- temporary suspensions, including extensions, existing immediately before the standard comes into force under *BS11 Outsourcing Policy*, issued by the Bank on 18 January 2006, which are to be treated as granted under the standard:
- the date of calculation of the first 3-yearly advisory review, which is the date that is 3 years from the last review:
- pending applications for non-objection from the Bank or for temporary suspensions or extensions are to be treated as applications under the standard.

This is secondary legislation issued under the authority of the <a href="#">Legislation Act 2019</a> .	
Title	Deposit Takers (Outsourcing) Standard 2027
Principal or amendment	Principal
Consolidated version	No
Empowering Act and provisions	Deposit Takers Act 2023 section 72
Replacement empowering Act and provisions	Not applicable
Maker name	Reserve Bank of New Zealand
Administering agency	Reserve Bank of New Zealand
Date made	[day month year]
Publication date	Click or tap to enter a date
Notification date	Click or tap to enter a date
Commencement date	1 December 2028
End date (when applicable)	Not applicable
Consolidation as at date	Not applicable
Related instruments	Not applicable