



Reserve Bank
of New Zealand
Te Pūtea Matua

Restricted words policy under the Deposit Takers Act 2023

Assessment of regulatory impacts of policies under the
Reserve Bank of New Zealand Act 2021

4 June 2026

Non-technical summary

The Reserve Bank of New Zealand (**Reserve Bank**) is required under the Reserve Bank of New Zealand Act 2021 (**RBNZ Act**) to assess the regulatory impacts of any policy that we have adopted, or intend to adopt, under our prudential legislation, give reports on these assessments to the Minister of Finance, and publish these reports on our website.

This report assesses the regulatory impacts of the new restricted words policy that the Reserve Bank intends to adopt under the Deposit Takers Act 2023 (**DTA**) once it is fully in force. Use of the words 'bank', 'banker' and 'banking' is restricted under our existing prudential legislation, the Banking (Prudential Supervision) Act 1989 (**BPSA**). In line with international best practice, we generally only permit entities that are prudentially regulated and supervised by the Reserve Bank to use the word 'bank' in their name or title. The main exception to this is overseas banks that only carry on limited activities in New Zealand and do not have a physical presence here, who may be 'authorised' by us to use restricted words in specific circumstances.

The restricted words framework has been carried across to the DTA, but new authorisations will need to be made (via written notices) for the policy to take effect. The DTA allows the Reserve Bank to authorise a broader range of financial entities to use restricted words compared to current legislation – for example, non-bank deposit takers (**NBDTs**) cannot currently use restricted words, but could potentially be able to under the DTA. Therefore, decisions are required by the Reserve Bank on which entities should be permitted to use restricted words in their name or title once the DTA is fully in force, currently expected 1 December 2028. These decisions have been subject to a detailed policy review and public consultation in late 2025. Submissions were generally supportive of our policy proposals, with feedback helping to inform final policy decisions. The policies we intend to adopt are unchanged from those we consulted on:

- **We will authorise all licensed deposit takers to use restricted words.** This is a change from current practice, which has been made possible by the shift to a single, integrated regulatory framework under the DTA. This is our preferred option as it promotes competition in the sector while remaining consistent with the financial stability objective. This means we will not authorise financial service providers (**FSPs**) that are not licensed under the DTA to use restricted words in their name or title, which is a continuation of current practice.
- **We will authorise overseas banks that do not have a place of business in New Zealand to use restricted words for certain wholesale activities,** and for some other activities by exception on a case-by-case basis. This is a continuation of current practice and is our preferred option due to the economic benefits of allowing overseas banks to provide niche financial products and services to wholesale customers in New Zealand.

We considered a range of options and assessed these against criteria drawn from the purposes and principles of the DTA. We have also assessed the preferred options against the Minister of Finance's Financial Policy Remit and Letter of Expectations. Overall, we expect the new policy to have benefits to industry, particularly smaller deposit takers, and no marginal costs to industry except for rebranding costs, should a deposit taker decide to change their name.

The new policy will be implemented by issuing new authorisations under the DTA that will take effect when the DTA comes fully into force, accompanied by guidance for overseas banks. Further detail on our approach will also be provided in a refreshed Statement of Prudential Policy that we plan to publish in 2027. We will continue to monitor the impact of this policy through six-monthly data reporting from the overseas banks that rely on restricted words authorisations and will review the policy at regular intervals.

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1 Introduction

1.1 Purpose of this regulatory impact assessment

This report has been prepared in accordance with the requirements of sections 255-257 of the Reserve Bank of New Zealand Act 2021 (**RBNZ Act**) in relation to policies that the Reserve Bank of New Zealand (**Reserve Bank**) intends to adopt under sections 428-429 of the Deposit Takers Act 2023 (**DTA**). In accordance with the RBNZ Act, the report will be provided to the Minister of Finance for information following final decisions and will be published on the Reserve Bank website shortly thereafter.

1.2 Problem definition

Use of the words 'bank', 'banker' and 'banking' is restricted under the Banking (Prudential Supervision) Act 1989 (**BPSA**). The purpose of the restricted words framework is to help the public identify which entities are subject to full prudential regulation and supervision, which in turn supports the public's understanding of the 'safety net' surrounding these entities. The term 'bank' therefore acts as a cachet that certain entities benefit from being allowed to use, and protecting this term supports public trust and confidence in these entities and the financial system.

Restricting the use of the word 'bank' is a standard feature of prudential regulation for deposit-taking activity internationally. The Basel Committee's Core Principles¹ require that the term 'bank' is clearly defined in laws or regulations, and that the use of this word and its derivatives is limited to licensed and supervised institutions "in all circumstances where the general public might otherwise be misled".

Under the BPSA, the existing policy is that only registered banks and certain overseas banks authorised by the Reserve Bank may use the word 'bank' in their name or title while carrying on activities in New Zealand. It is not possible under current law for the Reserve Bank to permit non-bank deposit takers (**NBDTs**), or any other financial service providers (**FSPs**), to use restricted words in their name or title. Certain persons are exempt from these restrictions if the restricted word signifies a geographic place name or the name of a natural person, and the name or title is not used in respect of a financial institution.

The DTA provides a new integrated prudential regime for the regulation and supervision of all deposit takers and will replace the existing separate regulatory regimes for registered banks and NBDTs.² The new restricted words policy under the DTA is being considered as part of the implementation process.

The restricted words policy in the DTA applies to any person that is an FSP or is entitled, qualified, able, or willing to be in the business of providing a financial service to persons in New Zealand. The DTA gives the Reserve Bank the power to issue authorisations via written notices under sections 428-429 which allow persons (or classes of persons) to use a restricted word in their name or title. The possible scope of these authorisations is broader than what is currently permitted under the BPSA, in that any deposit taker or FSP could potentially seek an authorisation.

¹ See [Basel Committee Core Principles for effective banking supervision](#), Principle 4 – Permissible activities

² The DTA was enacted in 2023 and is expected to come fully into force in December 2028 once DTA standards come into effect. The BPSA and the Non-bank Deposit Takers Act 2013 (**NBDT Act**) will remain in force until the DTA has been fully implemented

When the DTA fully commences (expected on 1 December 2028), the Reserve Bank's new policies for the use of restricted words will take effect and the existing framework will be repealed. Therefore, decisions are required on the Reserve Bank's policies for giving authorisations under section 428 and 429. We have committed to announcing these decisions in 2026 to ensure that entities have time to prepare for any change.

If no authorisations under sections 428 or 429 are made before 1 December 2028, the de facto policy under the DTA will be that licensed deposit takers that were registered banks under the BPSA can continue using restricted words in their name or title, as provided for in clause 19 of Schedule 1 of the DTA. However, no other licensed deposit taker or overseas bank with a current authorisation would be able to use restricted words in their name or title until a new authorisation is made under the DTA that covers that specific entity or class of entities. Using restricted words without appropriate authorisation is an offence under section 426 of the DTA, attracting pecuniary penalties.

Further background about why we restrict the use of the word 'bank' and our existing policy is detailed in the September 2025 consultation paper.³

Interaction with regulatory perimeter proposals

In September 2025 we also consulted on policy proposals in relation to the regulatory perimeter of the DTA.⁴ Decisions on these policies are expected later in 2026, with secondary legislation being finalised in early 2027. Our proposals would effectively retain the same regulatory perimeter that exists under our current legislation. As there are inter-dependencies between the regulatory perimeter and the restricted words policy, we may revisit our restricted words policy if the regulatory perimeter were to change in future.

1.3 What objectives are sought in relation to the problem definition?

Reviewing our policy in advance of the DTA coming into force creates an opportunity to support improvements in the competitive landscape. A greater number of entities in the market labelled as 'banks' (and covered by the Depositor Compensation Scheme (DCS)) will encourage a levelling of the competitive 'playing field', as New Zealanders may be currently reluctant to conduct business with those entities that are not called 'banks' on the assumption that they are less well managed and regulated, and more financially vulnerable.

However, any support that the prudential framework may offer to competition and efficiency in the financial system must be carefully balanced against the Reserve Bank's primary mandate of financial stability.

We have considered the DTA's purposes and principles in our analysis of preferred options. The purposes in section 3 of the DTA that are most relevant to the restricted words policy are the main financial stability purpose of the Act, and the additional purposes:

- promoting the safety and soundness of each deposit taker
- promoting public confidence in the financial system, and

³ [Consultation paper - Restrictions on the use of the word 'bank' - September 2025](#)

⁴ [Consultation paper: Second tranche of Deposit Takers Regulations - September 2025](#)

- avoiding or mitigating risks to the stability of the financial system.

In achieving these purposes, section 4 of the DTA requires the Reserve Bank to take into account certain principles that are relevant to the performance or exercise of the functions, powers, and duties conferred or imposed on it. The following principles are most relevant to the restricted words policy:

- the desirability of taking a proportionate approach to regulation and supervision
- the desirability of consistency in the treatment of similar institutions
- the desirability of the deposit-taking sector comprising a diversity of institutions to provide access to financial products and services to a diverse range of New Zealanders
- the need to maintain competition within the deposit taking sector
- the need to avoid unnecessary compliance costs
- the desirability of maintaining awareness of, and responding to, guidance or standards of international organisations, and
- the desirability of ensuring that the following risks are managed:
 - risks to the stability of the financial system (including long-term risks)
 - risks from the financial system that may damage the broader economy.

Additionally, we have also considered whether the proposed options would assist the public in understanding which entities are covered by the DCS.

Beyond the DTA's general purposes and principles and our additional policy objectives, we have been guided by both the Minister of Finance's December 2024 Financial Policy Remit (**FPR**) and 2025/26 Letter of Expectations for the Reserve Bank in the development of this policy.⁵ Note that the RBNZ Act requires this report to include a statement that explains how we have had regard to the FPR in preparing the proposed policies. This statement is provided in Annex A.

We have also considered the submissions to, and recommendations of, the Commerce Commission's market study into personal banking services and the Finance and Expenditure Committee (**FEC**) Inquiry into banking competition.⁶ Both the market study and the FEC inquiry made specific recommendations on expanding who can use the word 'bank' and the importance of this work in supporting competition.

1.4 What consultation has been undertaken?

On 30 September 2025 we published a consultation paper seeking feedback on our proposed policy approach to the use of the word 'bank' under the DTA. The consultation was open for eight weeks. We received 12 submissions in total from a range of deposit takers, industry bodies and other interested parties.

⁵ See [Financial Policy Remit 2024](#) and [Letter of Expectations 2025/26](#)

⁶ See [Commerce Commission Market Study](#) and [FEC Inquiry](#)

Submissions were generally supportive of our policy proposals, with some providing technical drafting suggestions and other useful information that the Reserve Bank has had regard to as it has developed its final policy decisions. A detailed summary of the submissions received and responses to these will be published in due course.

2 Assessing options and impacts

What criteria will be used to assess options?

The criteria we have used to assess the options are derived from the purposes and principles in the DTA and the FPR. We have focused in particular on:

- Promoting stability of the financial system
- Maintaining competition
- Compliance costs
- International practice

We have explicitly weighted the first of these criteria, promoting stability of the financial system, higher than the other three criteria in our assessment of options. This reflects that protecting and promoting the stability of the financial system is the main purpose of the DTA (refer section 3) and is also one of the Reserve Bank's three main objectives stated in section 9 of the RBNZ Act. The other three criteria are principles of the DTA (refer section 4) that are relevant and important to our analysis, but in giving consideration to these principles (or the FPR) it is important that the stability of the financial system is not compromised.

What scope will options be considered within?

The DTA sets out the scope of the authorisations that are allowed under sections 428 and 429. As noted above in section 1.3, the options were considered within the scope of the purposes and principles of the DTA (linked to the assessment criteria above). Options to amend primary legislation are not in scope of this policy review.

2.1 Use of the word 'bank' for firms with a place of business in New Zealand

As mentioned in section 1.2, the DTA will give the Reserve Bank the ability to authorise any FSP to use restricted words in their name or title. This section analyses options for how broad this authorisation should be extended for firms with a place of business in New Zealand, relative to the status quo where only registered banks can call themselves a 'bank'. Note that all registered banks will have the ability to use the word 'bank' grandparented under Schedule 1 of the DTA

The narrowest option we have presented (Option 1 below) involves approximating the status quo by considering 'registered banks' under the BPSA to be broadly equivalent to branches and Group 1 and 2 deposit takers under the DTA's proportionality framework, excluding Group 3 deposit takers considered equivalent to NBDTs.

Another even narrower option is in theory possible. At the extreme, we could issue no further authorisations to use the word 'bank' and instead rely solely on the grandparenting provision in Schedule 1 of the DTA. The 27 existing registered banks would be the only ones permitted to use restricted words in future, regardless of new market entrants. While this would reflect the status quo today, we do not consider it is a realistic scenario over the longer term and so have not presented this as an option for further consideration.

The broadest possible option (Option 4 below) would be to authorise all licensed deposit takers in addition to other types of entities that provide financial services but are not in the prudential perimeter because they are not carrying on the business of borrowing and lending. In particular, fintechs are increasingly offering banking-like products and services without replicating the full infrastructure of a traditional deposit taker. We understand there is increased interest from certain types of fintechs in being able to use the word 'bank' in their name or title to reflect evolving customer preferences. We did not receive any submissions on our consultation from the fintech sector.

Options considered

We consulted on the following options, which have been relabelled in this regulatory impact statement for ease of comparability, and are ordered from narrowest to broadest:

- **Option 1:** Maintaining our status quo protections on the use of the word 'bank' (using Groups 1 and 2 under the DTA's Proportionality Framework, as well as branches, as a proxy for the concept of a 'registered bank'). This option would not, for the time being, result in any new restricted words authorisations. Registered banks will have a grandparented ability to continue using the word 'bank' regardless of our authorisations approach, so this would include two Group 3 deposit takers as well as all branches and all Group 1 and 2 deposit takers. New entrant branches would be authorised to use restricted words, consistent with our status quo policy. New entrants that become locally incorporated would only be allowed to use the word 'bank' in their name once they are large enough to be Group 2 deposit takers.
- **Option 2:** Authorising all deposit takers that offer transactional services to use the word 'bank' in their name or title. This option assumes that there is some minimum level of 'banking products and services' that a deposit taker is required to provide before it can call itself a 'bank'. Under this option, most (but not all) credit unions and building societies would be able to use restricted words, but finance companies would not. We note that while finance companies do not currently offer transaction accounts, this may change over time. This option would also exclude new entrant branches from using restricted words unless a specific carve-out from the 'transactional services' criteria was provided.
- **Option 3 (preferred):** Authorising all licensed deposit takers to use the word 'bank' in their name or title. This authorisation would cover all licensed deposit takers, including entities that are currently licensed as NBDTs, as well as new entrants.
- **Option 4:** Authorising all licensed deposit takers, and 'bank-like' fintechs (for example, e-money providers) outside the prudential perimeter to use the word 'bank' in their name or title. This option would require us to assess the types of non-deposit taker entities that should be authorised, likely on a case-by-case basis under an individual authorisations approach.

What is the preferred option?

As indicated by the below table, our preferred option is Option 3 – authorise all licensed deposit takers. Further commentary on this is provided below the table.

	Option 1 – Status Quo	Option 2 – Transactional ‘banks’ only	Option 3 – All licensed deposit takers	Option 4 – All licensed deposit takers and fintechs
Promoting stability of the financial system	0	0 No material financial stability impact compared to status quo. May mislead public to believe that some deposit takers are regulated and supervised to a lesser extent than ‘banks’, or that some licensed deposit takers are not able to offer DCS-protected deposits.	0 No material financial stability impact compared to status quo. All authorised entities are subject to prudential regulation and supervision by the Reserve Bank and can offer DCS-protected deposits.	-- Would undermine the cachet of the word ‘bank’, making it difficult for the public to understand which entities are prudentially regulated and can offer DCS-protected deposits. Failure of a non-regulated entity could have significant flow-on effects for the financial sector if reported as a ‘bank’ failure.
Maintaining competition	0	+ Supports competition as more deposit takers can use ‘bank’ terms compared to the status quo.	++ Supports competition as more deposit takers can use ‘bank’ terms, and provides consistency in the treatment of all licensed deposit takers.	++ Supports competition to the extent that smaller deposit takers and other ‘bank-like’ entities offering banking products and other financial services to customers would be able to use ‘bank’ terms.
Compliance costs	0	0 No compliance costs, ability to use ‘bank’ would be granted automatically and is optional to ‘comply’ with.	0 No compliance costs, ability to use ‘bank’ would be granted automatically and is optional to ‘comply’ with.	- Minor compliance costs for non-deposit takers that would be required to apply to use restricted words.
International practice	0	- Creating a ‘transactional’ category of deposit taker and distinguishing them in this way would be unusual internationally.	+ Authorising all deposit takers that are licensed and supervised by the prudential regulator is consistent with international practice.	-- Authorising entities that are outside the prudential perimeter contradicts the Basel Core Principles and would put us out of step with other countries.

	Option 1 – Status Quo	Option 2 – Transactional ‘banks’ only	Option 3 – All licensed deposit takers	Option 4 – All licensed deposit takers and fintechs
Overall assessment	0	0	+	-
		Option not preferred due to arbitrary exclusion of some licensed deposit takers.	Preferred option for clarity, simplicity and consistency in the treatment of similar institutions. Rates highest against criteria.	This option undermines our primary objective for restricting the use of the word ‘bank’ and is inconsistent with international standards.

Key for qualitative judgements

Symbol	Description
++	much better than the status quo
+	better than the status quo
0	about the same as the status quo
-	worse than the status quo
--	much worse than the status quo

As discussed in the consultation paper, the shift to a single, integrated regulatory framework for deposit-taking activity justifies a consistent approach to the use of the term ‘bank’ for all licensed deposit takers. We consider that the benefits of allowing all deposit takers to rebrand as banks outweigh the risks once the full regulatory and supervisory powers under the DTA are available to us.

This proposal is consistent with our policy considerations, including the DTA purposes and principles. In particular:

- By clearly demarcating the prudential safety net that sits around deposit takers and signalling to the public that all deposit takers are regulated and supervised in a robust manner, these proposals contribute to the DTA’s statutory purposes of promoting financial stability, the soundness of individual deposit takers, and public confidence in the financial system (including public confidence in the Reserve Bank’s role as a prudential regulator).
- Authorising all licensed deposit takers provides consistency in the treatment of similar institutions, which in turn supports competition within the deposit-taking sector, while allowing smaller deposit takers the option to choose whether to rebrand as a ‘bank’ or not.
- Aligning the use of the word ‘bank’ with the regulatory perimeter of the DTA is consistent with the standards or guidance of international organisations and is similar to the approach taken by other jurisdictions, as discussed later in this section.
- Aligning the use of the word ‘bank’ with the scope of entities that can offer DCS-protected deposits supports the public’s understanding of the coverage of the DCS.

The main risk associated with authorising all licensed deposit takers is that the cachet of the word 'bank' could be undermined by a failure of a smaller 'bank', which could impact trust and confidence in the regulatory framework for all deposit takers. Therefore, it is important to consider the extent to which failure of smaller deposit takers is mitigated by the regulatory and supervisory uplift expected under the DTA.

All locally-incorporated licensed deposit takers will be required to meet the DTA standards applicable to the size of their entity as outlined in the Proportionality Framework (refer to Table 1 in section 1.4). Branches will also be required to meet a subset of the DTA standards. The standards are being developed to reflect the need for minimum requirements to support the safety and soundness of individual deposit takers. This approach is being taken to support public confidence in the financial system by minimising the significant harm that could arise if several deposit takers were to fail.

Following consultation, our analysis of the preferred option still holds. This reflects that nearly all submissions were supportive of our preferred option. Respondents highlighted the benefits of simplicity, transparency and clearly signalling who will be prudentially regulated by the Reserve Bank under the DTA. Respondents from the NBDT sector noted benefits for competition by levelling the playing field between all licensed deposit takers. Option 4, permitting wider usage, was not preferred by respondents as it risked confusion around coverage under the Depositor Compensation Scheme and negative impacts on public trust and confidence if 'banks' failed outside the regulatory perimeter. Further detail on how we have had regard to the feedback received is contained in the forthcoming Summary of Submissions document.

Our assessment of the preferred option against the FPR is provided in Annex A.

What are the marginal costs and benefits of the preferred option?

There are no 'required' costs to industry associated with the preferred option. This is because rebranding as a 'bank' is optional for all authorised entities and we are not imposing any new regulatory requirements. There would be direct one-off costs associated with any rebranding so we expect that individual entities will consider whether the benefits to them of using the word 'bank' outweigh these rebranding costs.

The main benefit of our preferred option is consistency for industry in applying the same policy settings to all licensed deposit takers. As discussed above, this supports competition within the deposit-taking sector and flows through to customers of deposit takers in terms of providing clarity around who is and isn't regulated by the Reserve Bank under the DTA. This in turn supports financial stability and public confidence in the financial system.

2.2 Use of the word 'bank' in New Zealand for overseas banks

Under the BPSA and the DTA, the Reserve Bank can authorise the use of restricted words by banks that are licensed or registered overseas and carry on activity in New Zealand without a physical presence. We refer to these entities as 'overseas banks'. Our general expectation is that an overseas bank wanting to carry on activity in New Zealand should apply to become a licensed deposit taker in New Zealand (either as a locally-incorporated subsidiary, a branch, or both). This is because we are limited in our ability to apply tools to mitigate risks to financial stability arising from financial institutions that are outside our perimeter, as our regulatory powers can largely be applied to licensed deposit takers only.

However, we recognise that there may be some niche banking products and services that overseas banks can offer to New Zealand customers that licensed deposit takers do not currently offer, which could support competition within New Zealand's financial services sector. Not allowing these overseas banks to use restricted words in New Zealand is likely to be prohibitive to many of them operating here.

To this end, our current policy under the BPSA is to authorise overseas banks that wish to undertake limited activities in New Zealand to use a restricted word in their name or title. These banks must not have a physical presence in New Zealand and must be prudentially regulated and supervised by their 'home' regulator, but can remain outside our prudential perimeter if certain conditions of their authorisations are met.

This policy is primarily administered through a class authorisation, which permits only prescribed forms of wholesale activity in New Zealand. There are currently 25 overseas banks relying on this notice, which was issued in 2019.⁷ Four overseas banks operate under bespoke individual authorisations for limited activities such as remittances that are not covered by the class authorisation. Prior to 2019, the Reserve Bank issued letters of non-objection to overseas banks using restricted words in New Zealand, and twelve banks continue to rely on these. As noted in the consultation paper, this is a legacy approach that we intend to phase out in the transition to the DTA (further detail is provided in section 3.1).

Our authorisations regime keeps barriers for entry into the New Zealand market for these overseas banks very low, improving the range of financial products and services available to the New Zealand market, thereby supporting competition and efficiency in the financial system.

We recently consulted on a separate proposal to require any overseas bank with a physical presence in New Zealand to be licensed (reflecting current policy settings).⁸ Overseas banks with a physical presence are therefore covered by the analysis in section 2.1 for firms with a place of business in New Zealand. This section assesses options for overseas banks that do not have a place of business in New Zealand.

Options considered

We consulted on the following options, which have been relabelled in this regulatory impact statement for ease of comparability, and are ordered from narrowest to broadest:

- **Option 1:** Discontinuing the use of authorisations for any overseas banks that are outside the regulatory perimeter of the DTA. This is the narrowest option and would only allow entities that are licensed and supervised by the Reserve Bank (including branches) to use the word 'bank' in their name or title. Under this option, the current authorisations would be revoked when the BPSA is repealed, and we would not issue any new authorisations for overseas banks under the DTA.
- **Option 2 (preferred):** Maintaining our status quo policy for authorising overseas banks to use the word 'bank' for certain limited activities. Under this option, we would continue to permit overseas banks to undertake prescribed forms of wholesale activity in New Zealand under a class authorisation, subject to specific conditions such as providing regular information to the

⁷ Overseas banks authorised to use restricted words are listed on this Reserve Bank webpage: [Restrictions on use of the word 'bank' - Reserve Bank of New Zealand - Te Pūtea Matua](#)

⁸ [Consultation paper: Second tranche of Deposit Takers Regulations - September 2025](#)

Reserve Bank. We would reissue the four existing individual authorisations as part of this process and continue to assess applications for bespoke individual authorisations on a case-by-case basis for activities not covered by the class authorisation.

- **Option 3:** Allowing limited retail activities under the class authorisation for overseas banks (which currently only permits wholesale activities); for example, remittances could be added to the scope of the permitted activities, as this is an activity we have approved for individual authorisations.

What is the preferred option?

As indicated by the below table, our preferred option is Option 2 (status quo). Further commentary on this is provided below the table.

	Option 1 – No overseas bank authorisations outside of perimeter	Option 2 – Retain status quo approach to authorisations	Option 3 – Certain retail activities added to class authorisation
Promoting stability of the financial system	+ Promotes the cachet of the word 'bank' by more tightly restricting its use..	0	- Would increase the scope of activities that overseas banks can carry on outside of our regulatory perimeter. Creates an inconsistency with the new branch policy, as branches are only permitted to engage in wholesale business. Could result in some retail deposits being unprotected by the DCS.
Maintaining competition	-- This would be more restrictive than our current settings for overseas banks and would increase barriers to entry for these entities. It is likely that some niche banking products and services would cease to be offered in New Zealand.	0	+ This option may slightly reduce barriers to entry, therefore encouraging competition in relation to any new retail activities that are permitted. However, it would result in different levels of regulation between entities offering retail products and services.
Compliance costs	-- For overseas banks wishing to continue operating in New Zealand, they would need to apply for a licence under the DTA. This is a significantly higher compliance	0	0 No material change to compliance costs compared to status quo.

		burden than the current authorisations approach for these banks.		
International practice	-	This option would be inconsistent with APRA's approach, as detailed in the consultation paper.	0	-
				Likely inconsistent with Basel Core Principles, which require that the term 'bank' is limited to licensed and supervised institutions "in all circumstances where the general public might otherwise be misled". There is a marginally greater risk of the general public being misled when the overseas bank is carrying on retail activities.
Overall assessment	-	We do not think there is a strong case to tighten these settings.	0	-
				Our view is that individual authorisation applications for limited retail activities such as remittances should continue to be assessed on a case-by-case basis

Key for qualitative judgements

Symbol	Description
++	much better than the status quo
+	better than the status quo
0	about the same as the status quo
-	worse than the status quo
--	much worse than the status quo

Notwithstanding our general view that only financial institutions that are prudentially regulated and supervised in New Zealand should be able to use the word 'bank' in their name or title, we believe our current approach to authorising overseas banks is appropriate because:

- The risks to financial stability associated with these overseas banks are very low due to both their small scale in New Zealand and the conditions of their authorisations, particularly the prohibition from engaging in any retail borrowing and lending, as well as the requirement to not have a physical presence in New Zealand.
- An overseas bank carrying on limited wholesale business in New Zealand using the word 'bank' in its name or title is unlikely to mislead the public to believe that it is prudentially regulated and supervised in New Zealand.
- Overseas banks that have the scale to offer niche products and services may bring efficiency benefits, including increased competition and choice for New Zealand wholesale customers.

- It is consistent with the DTA principles of taking a proportionate approach to regulation and supervision, and avoiding unnecessary compliance costs, to permit certain levels and types of activities under the lighter-touch regulatory requirements of a restricted words authorisation.
- An overseas bank must be prudentially regulated and supervised in another jurisdiction if it is to rely on a restricted words authorisation in New Zealand.

Following consultation, our analysis of the preferred option still holds. This reflects that all submitters on this issue supported our proposal. Respondents emphasised the positive benefits of overseas banks operating in New Zealand markets and felt the current regime was well understood, although some further guidance on implementation was requested. Further detail on how we have had regard to the feedback received is contained in the forthcoming Summary of Submissions document. Our assessment of the preferred option against the FPR is provided in Annex A.

What are the marginal costs and benefits of the preferred option?

There are no marginal costs of the preferred option because this is a continuation of the status quo policy approach. The main benefits are described above and include New Zealand wholesale customers continuing to have access to niche financial products and services that may not be offered by New Zealand licensed deposit takers.

2.3 Limitations and constraints on analysis

The Reserve Bank is confident in the accuracy of this regulatory impact statement to enable informed decisions. Certain impacts or outcomes have been difficult to quantify, however our public consultation has helped us to understand the trade-offs of different policy options, as outlined in our forthcoming Summary of Submissions document.

3 Delivering the policy

3.1 Implementation of the new restricted words policy

To enable all licensed deposit takers (including branches of overseas banks) to use the word 'bank' in their name or title under the DTA if desired, we will issue a class authorisation notice under section 429 of the DTA. This will be a simple and broad authorisation for all activities carried on by licensed deposit takers in accordance with the Act, including any new entrants that become licensed after the authorisation notice has been made. It is unlikely that any guidance will be necessary to accompany this authorisation.

To enable overseas banks without a physical presence in New Zealand to continue to use the word 'bank' in their name or title while undertaking limited wholesale activities, we will issue a new class authorisation notice under the DTA with broadly the same limits on permitted activities, bearing in mind consistency with the Incorporation outside New Zealand Standard which determines the activities licensed overseas deposit takers may undertake.⁹ We will also review and update the Reserve Bank's existing guidance for overseas banks, including guidance on limitations on the use

⁹ These permitted activities include wholesale banking activities, wholesale lending activities, financial advisory services for wholesale clients, capital markets issuances and capital market activities (and acting in supporting roles), wholesale foreign exchange and derivatives markets (and acting in supporting roles), and investing or trading in New Zealand financial products on their own account.

of restricted words, and guidance on our approach to issuing restricted words authorisations for overseas banks.¹⁰

We will also carry across the existing individual authorisations that are in place for a small number of overseas banks by issuing new individual authorisations under the DTA. These entities will not be required to reapply for their individual authorisation unless they wish to modify the scope of permitted activities. The process for an overseas bank to apply for a new individual authorisation will remain unchanged and these applications will continue to be assessed by the Reserve Bank on a case-by-case basis.

As mentioned, we intend to phase out the remaining letters of non-objection that some overseas banks are relying on (or have previously relied on) for the use of restricted words while undertaking certain activities in New Zealand. Our preference is for these overseas banks to shift to an appropriate restricted words authorisation, to the extent this is required for any activities that will be carried out once the DTA is fully in force. We will contact the affected entities to discuss this in more detail. For the avoidance of doubt, it is not our intention to disallow any activities that have been approved through this mechanism previously.

Under the RBNZ Act 2021, the Reserve Bank is required to publish a Statement of Prudential Policy. Section 431 of the DTA specifically requires this statement to set out the Reserve Bank's policies in relation to minimum requirements for a deposit taker to be authorised to use a name or title that includes a restricted word. The Statement of Prudential Policy will be updated before final policy decisions come into effect.

3.2 Monitoring, evaluating and reviewing the restricted words policy

The Reserve Bank has a key regulatory stewardship role outlined in the Reserve Bank of New Zealand Act 2021, which specifies that a function of the RBNZ is to keep under review the law, policies, and practices that are relevant to its other functions. This stewardship function requires us to be kaitiaki of the financial system.

In July 2025 we introduced a new reporting template for collecting six-monthly data from the overseas banks that rely on the class authorisation and individual authorisations for the use of the word 'bank' under the BPSA. This reporting is a condition of the authorisations and will enable the Reserve Bank to better understand the types and levels of activities these banks are undertaking in New Zealand.

We are continuing to monitor developments in the fintech sector and, where necessary, we may consider requiring certain types of entities to license under the DTA in the future. At that time, we can also consider how the restricted words policy should apply to these entities.

¹⁰ Refer to [Guidance note for overseas banks on limitations on the use of restricted words](#) and [Reserve Bank's approach to section 65 authorisations for overseas banks](#)

Annex A: Financial Policy Remit considerations

The Minister of Finance’s Financial Policy Remit (FPR), issued under section 203 of the RBNZ Act, emphasises the desirability of a stable financial system that contributes to New Zealand’s economic growth, with a low incidence of failure of regulated entities. It also signals that we should have regard to Government priorities on competition, financial inclusion, and supporting an innovative and adaptive regulatory system. This section outlines a summary of how we have had regard to the FPR in the policy proposals for the use of the word ‘bank’ under the DTA. The full text of the FPR is available on the Reserve Bank’s website.¹¹

Summary of Analysis

The table below outlines the components of the FPR that are relevant for this regulatory impact statement and summarises the expected impacts.

Component of the FPR	Summary of analysis and relevance to proposals in this paper
<p>“The Government supports the Reserve Bank’s objective of promoting and protecting financial stability”</p>	<p>Financial stability is one of the main criteria we assessed options against. The restricted words policy supports the financial stability objective by helping the public to understand which entities are subject to full prudential regulation and supervision, which in turn supports the public’s understanding of the ‘safety net’ surrounding these entities. Our preferred option to only authorise licensed deposit takers to use the word ‘bank’ supports public trust and confidence in these entities and the financial system.</p>
<p>“The Government also wishes to see a financial system that contributes to New Zealand’s economic growth”</p> <p>“A more competitive financial system is critical to deliver services at a low cost to customers and promote greater innovation in product offerings.”</p>	<p>The proposal to continue to permit overseas banks to undertake prescribed wholesale activities in New Zealand without a banking licence from the Reserve Bank is supportive of economic growth, and innovation in product offerings for wholesale customers. Not authorising these activities (without a licence) would reduce the availability of niche financial products and services, including funding for large projects, for wholesale customers in New Zealand. Any such reduction in product offerings would likely have a negative impact on efficiency, growth, and innovation in product offerings.</p>
<p>“should seek to avoid large disruptions to the financial system that could negatively impact real economic activity”</p>	<p>The preferred options in this paper are not expected to have a significant impact on the risk of large disruptions to the financial system. This component has been given a low weighting for consideration in our analysis.</p>

¹¹ The text of the Financial Policy Remit is available on the Reserve Bank’s website: <https://www.rbnz.govt.nz/about-us/corporate-publications/our-financial-policy-remit>

Component of the FPR	Summary of analysis and relevance to proposals in this paper
<p>“achieve financial stability, while encouraging competition and the efficient provision of financial services”</p>	<p>The preferred options in this paper reflect that we have carefully balanced the promotion of competition through expanding the use of the word ‘bank’ with our primary mandate of financial stability. Please refer to the multicriteria analysis earlier in this paper for more detail.</p>
<p>“failures of individual institutions for institution-specific reasons will occur from time to time, consistent with the normal operation of a dynamic market. The Government expects these to be managed in a manner that minimises the disruption to the financial system and broader economy, and prioritises protections for consumers, depositors, and public funds”</p>	<p>The main risk associated with authorising all licensed deposit takers to use restricted words is that the cachet of the word ‘bank’ could be undermined by a failure of a smaller ‘bank’, which would impact trust and confidence in the regulatory framework for all deposit takers. Therefore, we are only proceeding with this proposal on the basis that this risk is mitigated by the regulatory and supervisory uplift for smaller deposit takers expected under the DTA.</p>
<p>“the Reserve Bank should ensure that prudential regulation and supervision do not impede effective competition and facilitates the goal of improving competition, while remaining consistent with the financial stability objective”</p>	<p>Our preferred option to authorise all licensed deposit takers will result in a greater number of entities in the market being able to label themselves as ‘banks’. We expect this will encourage a levelling of the competitive ‘playing field’, as New Zealanders may be currently reluctant to conduct business with those entities that are not called ‘banks’ on the assumption that they are less well managed and regulated, and more financially vulnerable.</p>
<p>“the Reserve Bank should consider how its regulations can be used to reduce barriers to entry and exit. Regulatory settings should enable competition from growth of smaller players by seeking a proportionate approach to regulation”</p>	<p>Our preferred option to permit certain levels and types of activities under the lighter-touch regulatory requirements of a restricted words authorisation keeps barriers to entry into the New Zealand market very low for overseas banks. This is consistent with taking a proportionate approach to regulation and supervision, particularly because the risks to financial stability associated with these overseas banks are very low.</p>
<p>“The regulatory environment should have sufficient flexibility to prioritise adapting to new situations, and not unnecessarily inhibit innovation”</p>	<p>Our approach to restricted words authorisations allows for flexibility to adapt to new situations to ensure regulation does not unnecessarily inhibit innovation. Our individual authorisations process reflects that, from time to time, overseas entities may make a compelling case for being authorised to carry on activities that are not in scope of the class authorisation. We also review the scope of the class authorisation periodically and may make variations to this in response to new innovations in wholesale banking products and services.</p>
<p>“support financial inclusion and the ability of New Zealanders to access financial products and services”</p>	<p>The preferred options in this paper are not expected to have a significant impact on financial inclusion. This component has been given a low weighting for consideration in our analysis.</p>