Reserve Bank of New Zealand
Te Pūtea Matua

# Restrictions on use of the word ‘bank’

## Summary of Submissions and Policy Decisions

4 June 2026

# Contents

# Introduction

In September 2025, the Reserve Bank of New Zealand – Te Pūtea Matua (the **Reserve Bank**; **we**) published a consultation paper on the use of the words 'bank', 'banker' and 'banking' (**restricted words**) under the Deposit Takers Act 2023 (**DTA**). The consultation closed on 24 November 2025.

The DTA will integrate the currently separate regimes for registered banks and non-bank deposit takers (**NBDTs**) into a single regime which is currently planned to take effect from late 2028. Currently, restricted words can be used in the name or title of banks that are registered under the Banking (Prudential Supervision) Act 1989 (**BPSA**). The Reserve Bank can also authorise certain persons to use restricted words under section 65 of the BPSA, including banks that are licensed or registered overseas but not in New Zealand (**overseas banks**). Additionally, section 66 of the BPSA provides certain exemptions from the limits on restricted words.[1] Under our current legislation, it is not possible for an NBDT, or any other financial service provider (**FSP**), to use a restricted word in its name or title.

Consistent with the BPSA regime, the DTA gives the Reserve Bank the power to authorise persons (or classes of persons) to use a restricted word in their name or title. The consultation paper therefore sought feedback on who should be able to use restricted words in their name or title once the DTA is fully in force.

The feedback we sought was on the use of restricted words by:

- firms with a place of business in New Zealand; and
- overseas banks that wish to undertake activities in New Zealand without a place of business in New Zealand.

In total, we received twelve submissions from registered banks, NBDTs, industry associations, law firms and a member of the public. We would like to thank everyone who took the time to make submissions. This document provides a summary of the feedback received. We have also published submissions alongside this summary document.

# Submissions feedback

Further detail is provided under the respective headings below but, very broadly, our two main proposals were to:

- authorise all licensed deposit takers to use restricted words in their name or title; and
- carry over the existing policy approach to the use of restricted words by overseas banks without a physical presence in New Zealand.

Overall, most respondents expressed support for our proposals.

Most (but not all) respondents supported allowing all licensed deposit takers to use restricted words. 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.

[1] Under the BPSA, a person is exempt from the limit on the use of restricted words in name or title 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 (or could not reasonably be mistaken for the name of a financial institution).

Respondents agreed it is consistent with international best practice to limit who may use restricted words, and that our proposal avoids misunderstandings around the regulatory perimeter. One respondent noted that permission to use the word 'bank' provides an incentive for entities to become prudentially regulated. Respondents highlighted that the alternative, permitting wider usage, risked confusion around coverage under the Depositor Compensation Scheme (DCS) and negative impacts on public trust and confidence if 'banks' failed outside the regulatory perimeter.

Respondents considered there were no other circumstances that should permit an FSP not licensed by the Reserve Bank to use restricted words, save for exceptions for geographic place names or names of natural persons as proposed.

Respondents supported retaining the existing class authorisation and individual authorisation regimes for overseas banks, although a consistent theme was requests for further clarity around definitions and activities permitted under the class authorisation. One respondent emphasised the positive benefits of overseas banks operating in New Zealand markets and felt the current regime was well understood by those relying on it.

Further analysis of the feedback received is addressed by topic below.

## Firms with a place of business in New Zealand

### Proposal in consultation paper

We proposed authorising all licensed deposit takers to use restricted words in their name or title. Under this proposal, deposit takers that are currently licensed as NBDTs under the NBDT Act and who are subsequently licensed under the DTA, will be able to rebrand as 'banks' if desired once the DTA is fully in force.

We did not propose authorising any FSPs that are outside the regulatory perimeter of the DTA to use restricted words in their name or title. We may consider special exceptions to this in circumstances where the FSP's name or title includes a restricted word in respect of a geographic place name or the name of a natural person, and it is obvious to the public that the FSP is not a deposit taker.

We asked:

- Do you agree with our proposal to authorise all licensed deposit takers to use the word 'bank' in their name or title?
- Are there any reasons why certain types of licensed deposit takers should not be permitted to use the word 'bank' in their name or title?
- Aside from the situation where a restricted word is part of a geographic place name or the name of a natural person, are there any other circumstances under which a financial services provider should be authorised to use a restricted word in its name or title without the requirement to become a licensed deposit taker?

### Feedback received and our comments

As noted above, most respondents supported allowing all licensed deposit takers to use restricted words, while not extending the authorisation further to FSPs not licensed by the Reserve Bank. We have set out alternative perspectives and other points we wish to comment on below.

### Insufficient regulatory controls on Group 3 deposit takers

Two respondents expressed concern about permitting NBDTs, who will become Group 3 deposit takers[2] if licensed under the DTA, to use restricted words. One emphasised that these entities are not real banks, so therefore being able to call themselves banks would give customers a false sense of security.

The other respondent noted differences between how Groups 1, 2 and 3 deposit takers would be regulated, with significantly lighter regulatory standards applying to Group 3. They considered the public may erroneously conclude that all 'banks' are subject to the same stringent requirements. Although the requirements for a Group 3 deposit taker represent a regulatory uplift compared to the current NBDT regime, the respondent considers they represent a relaxation compared to the current banking regime. They suggested that eligibility to use restricted words should be granted when Group 3 entities comply with certain additional requirements over and above the Group 3 prudential requirements, to preserve existing minimum standards.

Alternatively, they suggested a phased approach where Group 3 entities should be subject to close supervision and required to demonstrate compliance before being allowed to rebrand as banks. They consider this appropriate given the DTA prescribes a constrained licensing process for existing deposit takers and involves elements of self-assessment rather than comprehensive analysis by the regulator.

## Comments

We acknowledge the Proportionality Framework results in a graduated scale of regulatory requirements, consistent with our desire to create a single, coherent regulatory regime for all deposit takers of different sizes, and to give effect to the principle of proportionality within the DTA. 'Proportionate' does not equate to 'light touch'. Taking a proportionate approach means the public can benefit from not only a safe and stable deposit-taking sector, but also one that can be diverse, innovative and inclusive. It also means that the regulatory requirements are commensurate to the size of the entity and its risk to financial stability.

We are satisfied that the package of prudential requirements applying to Group 3 deposit takers is sufficiently robust, and provides adequate safeguards, to allow this group to use restricted words. These prudential requirements represent an uplift compared to the existing NBDT regime, with the Reserve Bank taking on the role of prudential supervisor.

We do not consider additional controls are necessary, beyond qualifying as a licensed deposit taker and complying with the accompanying requirements on an ongoing basis. Introducing separate requirements to use the word 'bank' would further entrench the pre-existing differences between deposit takers, rather than supporting our intention to unify our approach to regulating and supervising all licensed deposit takers under the same regime.

Further, we consider the benefits of aligning the use of restricted words with the regulatory perimeter and DCS coverage outweigh any marginal benefits we might gain from imposing additional checks and balances.

---

[2] Our Proportionality Framework sets out how the Reserve Bank will group deposit takers for the purpose of issuing proportionate standards. Group 3 deposit takers are locally incorporated with total assets less than NZ$2 billion. Based on total assets as of 2026, all existing NBDTs plus two registered banks would become Group 3 deposit takers if licensed under the DTA.

We are also satisfied all existing deposit takers should be permitted to use restricted words once they have received a licence and the DTA is fully in force. The relicensing framework is being designed in such a way to give the Reserve Bank confidence that any existing deposit taker that can meet the core prudential standards would be granted a licence. While the issuance of a licence will be dependent on the information provided by the existing deposit taker, relicensing does not operate in isolation and will be supported by other supervisory tools and powers. Our approach will provide a mechanism to satisfy us that deposit takers will have the ability to comply with the core DTA standards.

### Inconsistency in uptake of voluntary industry standards that provide consumer protection

Two respondents noted that existing registered banks hold themselves to industry standards and customer facing conduct responsibilities, including data safety, managing customer vulnerability, fraud prevention and complaints handling. These standards are set by an industry association and are voluntary to comply with. Both respondents stressed that all bank customers both expect and deserve these protections. They suggested that expanding the use of restricted words may lead to inconsistencies in whether customers of banks benefit from these protections.

#### Comments

All licensed deposit takers providing financial services to retail clients must belong to a dispute resolution scheme and additionally may choose to join industry groups and associations. Although we see great benefit in deposit takers collectively raising standards beyond regulatory requirements, membership of a particular group should not determine whether a deposit taker can describe itself as a 'bank'. It is up to each licensed deposit taker to consider the offerings and benefits of belonging to each of these organisations. Similarly, customers may choose their deposit taker based on the products and services offered, including the deposit taker's commitments to voluntary consumer protections.

If industry groups consider it important for all 'banks' to hold themselves to the same consumer standards, regardless of industry membership, we welcome these groups coordinating with one another to discuss opportunities for consistency.

### Risks posed by new entrants

One respondent supported our proposal to allow all licensed deposit takers to use restricted words, but noted undue risk may arise as new entrants enter the regulatory perimeter. They suggested mitigating this risk through the Reserve Bank's licensing process (rather than alternatives such as a specific regime for new entrants).

#### Comments

We agree that a robust licensing process is essential to prevent eroding the public's trust and confidence in the term 'bank'. New entrants will need to demonstrate to the Reserve Bank that they meet the requirements in the DTA before a licence can be granted and the applicant is permitted to use restricted words.

## Overseas banks without a place of business in New Zealand

### Proposal in consultation paper

We proposed carrying over the existing policy approach to authorising overseas banks by issuing new authorisations under the DTA with broadly the same conditions and scopes. We proposed that the class authorisation should continue to permit specific wholesale activities, and that applications for individual authorisations, which would permit additional activities beyond the scope of the class authorisation, should continue to be assessed on a case-by-case basis. We proposed that non-objection letters to overseas banks would be phased out in the transition to the DTA.

We asked:

- Do you agree with our proposal to retain the current authorisations approach for overseas banks undertaking limited activities in New Zealand using a restricted word in their name or title?
- Are there any other wholesale activities that should be included in the scope of the class authorisation for overseas banks?
- Are there any other conditions we should impose on a new class authorisation for overseas banks, or any changes we should make to the conditions that we currently impose in this authorisation?
- Do you have any feedback about our approach to individual authorisations?

### Feedback received and our comments

As noted above, respondents supported retaining the existing class authorisation and individual authorisation regimes for overseas banks. We have set out alternative perspectives and other points we wished to comment on below.

#### Interpretation of carrying on activity in New Zealand

One respondent sought clarity on how we interpret "carrying on any activity directly or indirectly in New Zealand" in section 425(2)(c) of the DTA. The respondent noted the Reserve Bank undertakes a fact driven analysis, whereas in Australia, more categorical definitions are provided. The respondent considered the parameters of this definition needed to be settled before the scope of individual authorisations could be considered.

#### Comments

We will consider whether further clarity can be incorporated into the guidance documents that will be prepared to support the restricted words regime under the DTA. However, we note we do not intend to materially change how we will interpret carrying on activity under section 425(2)(c) of the DTA, compared to how it has been interpreted under section 64(1)(c) of the BPSA. Part 3 of our Guidance note for overseas banks on limitations on the use of restricted words outlines our general approach, and beyond this, we consider it important to retain the flexibility to consider situations at the margins on a case-by-case basis.

### Proposed additions to the permitted activities under the class authorisation

One respondent (representing several overseas banks) suggested a slight widening of the wholesale activities permitted under the class authorisation. These included:

- Allowing a general authorisation for secondary market trading activities in debt and equity instruments with New Zealand wholesale investors, beyond the scope of what clauses 8 and 10 currently provide.
- Allowing the provision of custody and other securities services generally to New Zealand wholesale customers, beyond the scope of what clauses 9 and 12 currently provide.

#### Comments

We do not intend to alter our focus on prescribed wholesale activities nor materially widen the scope of permitted activities in the class authorisation for overseas banks. This is because we wish to preserve the distinction between a narrower scope of activities that authorised overseas banks can undertake, compared to a wider scope of activities that overseas licensed deposit takers can undertake under the Incorporation outside New Zealand Standard. Widening the scope of permitted activities risks eroding the difference between these two types of entities, and in turn, eroding the incentives to operate within the regulatory perimeter.

Our guidance note on the Reserve Bank's approach to section 65 authorisations for overseas banks also sets out our policy that authorised activities will be defined as tightly and clearly as warranted, rather than being defined broadly. We may determine that the additional wholesale activities requested by the respondent would be best considered on a case-by-case basis under an individual authorisation (where we have the opportunity to consider the nature and scope of activities intended to be carried on by the overseas bank), rather than permitted in every instance under the class authorisation.

### Improvements to six-monthly reporting required of authorised banks

One respondent (who advises several overseas banks) highlighted the challenges of providing the six-monthly reporting we require of banks operating under the class authorisation. They note that while a specific branch may opt in to the class authorisation, the reporting obligation applies to the bank globally. They suggest that the reporting should be required for the individual branch only.

#### Comments

Authorised banks carrying on certain activities in New Zealand must report all such activity in the reporting template. For the avoidance of doubt, activities carried on outside of New Zealand should not be reported. We expect New Zealand activity will be undertaken in the name of the specific entity that holds the authorisation, and therefore reporting covering that authorised bank's activities should cover all activities carried on within New Zealand.

We encourage any authorised banks with questions about the scope of the required reporting to contact us to discuss their specific circumstances.

### Attribution of cross-border activities by overseas banks with a branch

One respondent sought more detail on our statement that letters of non-objection for the use of restricted words would be phased out under the DTA, particularly those relating to cross-border activities the Reserve Bank has permitted.

### Comments

One type of non-objection letter (unrelated to the use of restricted words) has historically been used by our prudential supervision function to clarify permitted activities undertaken by registered banks, including registered branches of overseas banks. These are separate to the non-objection letters we proposed to phase out.

By way of offering some preliminary comments on cross-border activities, we note that all branches that become licensed under the DTA will be authorised to use restricted words. Any activity carried on in New Zealand by the overseas bank that could require an authorisation would instead be attributed to the licensed branch for regulatory purposes. The overseas bank would not require separate authorisation under sections 428 or 429, but the activity would need to be consistent with the Incorporation outside New Zealand Standard and the branch's conditions of licence. Activity that does not meet the definition of "carrying on activity in New Zealand" (as discussed above) does not require an authorisation nor attribution to the licensed branch.

We will consider whether further clarity can be incorporated into the guidance documents supporting the Incorporation outside New Zealand Standard and the class authorisation regime.

#### Clarifying how letters of non-objection for use of restricted words will be phased out

For the avoidance of doubt, we consider it helpful to comment on our intention to phase out the remaining non-objection letters for the use of restricted words by overseas banks.

### Comments

For the purposes of this consultation, 'non-objection letters' refer to twelve specific entities who are not licensed by the Reserve Bank but have been permitted to use restricted words to conduct certain limited activities. These non-objection letters have a similar effect to individual authorisations. The list of these entities can be found on our website: Restrictions on use of the word 'bank' - Reserve Bank of New Zealand - Te Pūtea Matua.

Once the class authorisation under the DTA is drafted, we will engage directly with each of the affected entities. We will assess whether the scope of their currently permitted activities is consistent with the incoming class authorisation – if so, they will need no additional authorisation once the DTA takes full effect and can shift across to relying on the class authorisation.

If their currently permitted activities are wider than the incoming class authorisation, we will prepare an individual authorisation instead. Our intention is solely to change the non-objection mechanism, not the underlying treatment, for these entities.

## Other topics raised

#### Earlier implementation of policy decisions relating to restricted words

One respondent (on behalf of several deposit takers) noted our intended implementation of policy decisions at the time the DTA comes fully into effect but suggested this should be brought forward. They emphasised that with the DCS already in effect, consumer protections are in place and the risks of widening use of the word bank are mitigated.

However, two other respondents advocated for implementation alongside the full implementation of the DTA. These respondents stated that maintaining alignment with the DTA ensures public confidence that any 'bank' is operating within a strong prudential framework, and early

implementation could risk misleading the public to believe NBDTs are already supervised by the Reserve Bank.

### Comments

While the introduction of the DCS protects depositors, up to $100,000, in the event a deposit taker fails, it was not the only factor we considered in determining who should be authorised to use restricted words under the DTA. The regulatory uplift that NBDTs will be subject to upon becoming Group 3 deposit takers, including falling under the direct supervision of the Reserve Bank, justifies a concurrent changing of the restrictions around restricted words. These changes have been carefully considered as a package that we consider should take place simultaneously, on the full commencement of the DTA. This is consistent with the Basel Committee's Core Principle 4, restricting the term 'bank' to institutions that are licensed and supervised in circumstances where the general public might otherwise be misled.

Further, as noted in our consultation, there are procedural challenges to implementing these policy decisions under the current legislation. Full commencement of the DTA has the effect of repealing the BPSA and NBDT Act meaning there would be no conflict between the existing and new legislative regimes. By contrast, early commencement of restricted words policy would involve complex amendments to primary legislation to reconcile the restricted words provisions in BPSA with those in the DTA, which cannot be achieved within a reasonable timeframe.

## Adding "term investment" and "term deposit" to the list of restricted words

Some respondents said that words relating to term investments or deposits are not restricted and are being used by entities that are not prudentially regulated. With the DCS in place, the respondents argued this may confuse or mislead customers as to whether their deposits are covered by the DCS. They suggest restricting the use of these words to create a clear distinction between regulated and non-regulated offerings.

### Comments

This suggestion would require amendments to primary legislation and is outside the scope of our current consultation. Entities that are not prudentially regulated may describe an investment as a term investment or term deposit without inherently causing customers to be misled as to DCS protections. However, the Reserve Bank holds a trademark over the DCS logo and collateral, and has agreed terms of use with licensed deposit takers. If an entity's product description causes concern or appears likely to mislead customers into believing it is DCS protected, we recommend this is reported to the Reserve Bank for scrutiny against the fair dealing provisions in the Financial Markets Conduct Act 2013.

## Our decisions

We confirm the following policy decisions relating to the use of restricted words:

1. All licensed deposit takers will be authorised to use restricted words in their name or title, once the DTA is fully in force. This will be achieved through a class authorisation made under section 429 of the DTA. For the avoidance of doubt, use of the word 'bank' will be optional for licensed deposit takers.
2. Overseas banks that do not have a place of business in New Zealand will be authorised to use restricted words in their name or title if undertaking certain limited activities in New Zealand, once the DTA is fully in force. This is a continuation of existing policy. This will be achieved through a combination of a class authorisation made under section 429 of the DTA with materially the same prescribed activities permitted, and individual authorisations made under section 428 of the DTA for those wishing to conduct activities beyond the scope of the class authorisation.
3. Financial service providers who do not hold a licence from the Reserve Bank will not be permitted to use restricted words, save for situations where the restricted word is part of a geographic place name or the name of a natural person, and it is obvious to the public that the FSP is not a deposit taker.