

Governance Standard: Chair Independence Exception

Our response to submissions on the Governance Standard outlined that we would consult further on the chair independence exception as a part of consultation on the exposure draft of the Governance Standard. We will consult on two options outlined in the table below.

	Option 1:	Option 2:
Description	Allow the New Zealand chair to sit on the parent board or holding company board with Reserve Bank approval and remain independent but exercise more proactive supervisory approach to manage risks, particularly in a crisis situation.	Allow the New Zealand chair to sit on the parent board or holding company board with Reserve Bank approval and require a majority of directors to be independent excluding the chair.
Other design features	- A majority of directors must be independent. The chair can be included in this majority. - At least half of the independent directors must be ordinarily resident in New Zealand. - Executives from parent group may sit on New Zealand subsidiary board, but they would not meet the independence criteria. - Groups 1 and 2 must have separate Audit and Risk Committees chaired by an independent director who is not the chair. - More stringent supervisory controls.	- A majority of directors must be independent. The chair cannot be included in this majority. - At least half of the independent directors must be ordinarily resident in New Zealand. - The chair must be ordinarily resident in New Zealand. - Executives from parent group may sit on New Zealand subsidiary board, but they would not meet the independence criteria. - Groups 1 and 2 must have separate Audit and Risk Committees chaired by an independent director who is not the chair.

- Option one would be more flexible, but could provide less certainty as it involves more supervisory judgement and oversight. Option two would provide stricter legal requirements but could provide certainty as it would require less supervisory oversight.
- We have considered an option to remove the exception. However, we understand the views of industry on the potential benefits to deposit takers of having the New Zealand chair on the parent board or holding company board. We will not be consulting on removing the exception.
- The chair independence exception does pose potential conflict of interest risks (discussed in our response to submissions). The purpose of further consultation will be to seek feedback on the two options above that seek to mitigate some of this risk.
- We are not seeking feedback on the options at this point. We will refine them, provide more analysis, and seek feedback as a part of consultation on the exposure draft of the Governance Standard (which will be released as part of the second tranche of exposure drafts in February 2026).