



FINANCIAL SERVICES FEDERATION

3 October 2025

Reserve Bank of New Zealand
Wellington

capitalreview@rbnz.govt.nz

Dear Madam/Sir,

Re: Review of Key Capital Settings

The Financial Services Federation (“FSF”) is grateful to the Reserve Bank of New Zealand (“RBNZ”) for the opportunity to respond on behalf of our members to the consultation on the review of key capital settings for deposit takers (“the Consultation”).

By way of background, the FSF is the industry body representing specialist lenders operating in New Zealand. We have nearly 100 members (a list of which is attached as Appendix A) which include motor vehicle finance providers, specialist housing lenders, Non-Bank Deposit Takers (NBDTs), the larger finance companies operating in New Zealand, fleet leasing providers, commercial asset leasing and finance providers, credit-related insurers and Affiliate members which include internationally recognised legal and consulting partners.

Our members provide their products and services to more than 1.7 million New Zealand consumers and businesses. Data relating to the extent to which FSF members (excluding Affiliate members) contribute to New Zealand consumers, society and the economy is attached as Appendix B.

Introductory Comments

We are responding to this consultation both on behalf of our Non-Bank Deposit Taking (NBDT) members (who fall into Group 3 and are directly affected) and our Non-Deposit Taking Lending Institution members (NDLIs). This is because one of the ways NDLIs get their funding is through wholesale funding lines from banks. This essentially makes the four major banks New Zealand’s biggest non-bank lender which makes it important to consider the effects any decisions on capital settings may have on competition. Through the Consultation we believe this is a relevant time to examine the treatment of securitisation in New Zealand and how it can assist with facilitating competition.

Group Three Deposit Takers

Overall, the proposals for Group Three deposit takers are relatively uncontroversial. We have the following comments:

- The proposed Capital Ratio of 9% of RWA plus a 4% CCyB, total 13% is acceptable. This is on the basis that there is provision for the CCyB to be lower at times accepting that this would see the RBNZ potentially requiring some increased reporting and would not be seen as a breach as was discussed in an earlier consultation.

- Commercial Property lending at a risk weighting of 100% is acceptable, this is currently rated at 100% and 150% so a move to just 100% would be welcome.
- Group 3 deposit takers advise that they would be able to adopt the standardised risk weights relatively quickly. A 3–6-month period would be sufficient to implement.

We would like to explicitly commend the RBNZ for taking such a proportionate approach to the settings for Group 3 given their smaller size and limited resources compared to Groups 1 and 2.

Risk Weights

We note that RBNZ has decided to retain a 100% risk weight for corporate loans but to propose a lower, LVR-based risk weight for SME loans, despite the evidence presented in their paper that the expected loss for corporate loans and wholesale funding credit exposures is actually lower than for SMEs. We consider this to be a strange choice. As such we believe that the RBNZ should calibrate credit exposures on corporate loans and wholesale funding lines on a similar basis to that for SME loans - e.g. based on LVR and DTI risk factors.

We believe this would have fairer and more consistent results.

Securitisation

As already mentioned in our submission a number of NDIs rely on wholesale funding lines provided by the major banks to fund their lending activity. This means that the capital settings directly relate to their cost of funds and their access to funding. While we are generally supportive of the proposals outlined in the consultation document as it stands it does tilt the playing field in favour of the banks which will have a negative effect on competition.

On this topic we would like to express our support of the proposals outlined by the New Zealand Market Subcommittee of the Australian Securitisation Forum (ASF) for the reasons contained within their submission. We have worked with ASF on previous submissions due to our shared membership and are happy to defer to them on the technical aspect of securitisation as the experts in New Zealand.

Their proposals are to:

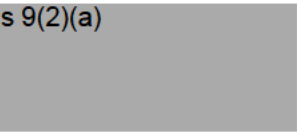
- Introduce a new specific standard for the capital treatment of third-party securitisation exposures; and
- Reduce the current output floor of 85% to 72.5%

Both of these proposals would have the effect of increasing access to capital for specialist lenders thereby increasing competition and aligning New Zealand with international standards. As ASF discusses in their submission, the NDI sector plays an important role in consumer choice, competition and financial inclusion so it is vital to not only protect the sector but to allow them the ability to innovate and thrive through competitive funding options.

Please do not hesitate to reach out if you wish for us to speak further on any of the points made in this submission.

Yours sincerely,

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A large grey rectangular box redacting the signature of Katie Rawlinson.

Katie Rawlinson
Legal and Policy Manager
Financial Services Federation

FSF Membership List - August 2025

Non-Bank Deposit Takers, Specialist Housing/Property Lenders, Fleet Leasing Providers	Vehicle Lenders	Finance Companies/ Diversified Lenders	Finance Companies/ Diversified Lenders contd./ Social Impact Lenders, Credit-related insurers	Insurance Premium Fundors, Affiliate Members	Affiliate Members contd.
<u>Non-Bank Deposit Takers</u> Finance Direct Limited ➤ Lending Crowd General Finance (BB) Mutual Credit Finance (B) Welcome Limited <u>Credit Unions/Building Societies</u> First Credit Union (BB) Nelson Building Society (BB+) Police and Families Credit Union (BB+) <u>Specialist Housing Lenders</u> Basecorp Finance Limited First Mortgage Managers Ltd. Pepper NZ Limited Resimac NZ Limited <u>Fleet Leasing Providers</u> Custom Fleet Euro Rate Leasing Limited Fleet Partners NZ Ltd ORIX New Zealand SG Fleet	Auto Finance Direct Limited BMW Financial Services ➤ Mini ➤ Alpha Financial Services Community Financial Services Daimler Truck Financial Services AU Pty Ltd Honda Financial Services Kubota New Zealand Ltd Mercedes-Benz Financial Motor Trade Finance Nissan Financial Services NZ Ltd ➤ Mitsubishi Motors Financial Services ➤ Skyline Car Finance Onyx Finance Limited Scania Finance NZ Limited Toyota Finance NZ ➤ Mazda Finance Yamaha Motor Finance	AfterPay American Express Avanti Finance ➤ Branded Financial Basalt Group Blackbird Finance Caterpillar Financial Services NZ Ltd Centracorp Finance 2000 DebtManagers Finance Now Future Finance Geneva Finance Harmony Humm Group Instant Finance ➤ Fair City ➤ My Finance Latitude Financial Lifestyle Money NZ Ltd Mainland Finance Limited Metro Finance	Nectar NZ Limited NZ Finance Ltd Partners Finance Personal Loan Corporation Pioneer Finance Prosopa NZ Ltd Speirs Finance Group (L &F) ➤ Speirs Finance ➤ Speirs Corporate & Leasing ➤ Yoogo Fleet Turners Automotive Group ➤ Autosure ➤ East Coast Credit ➤ Oxford Finance UDC Finance Limited Yes Finance Limited Zip Co NZ Finance Limited <u>Social Impact Lenders</u> Money Sweetspot Ltd <u>Credit-related Insurance Providers</u> Protecta Insurance Provident Insurance Corporation Ltd	Arteva Funding NZ Ltd <u>Clearmatch</u> Elantis Premium Funding NZ Ltd Financial Synergy Limited Hunter Premium Funding IQumulate Premium Funding Rothbury Instalment Services <u>Affiliate Members</u> Alfa Financial Software AML Solutions Limited Buddle Findlay Chapman Tripp Credisense Ltd Deloitte EY FinTech NZ Finzsoft Happy Prime Limited IDCARE Ltd KPMG	Loansmart Ltd Match me Money Ltd Motor Trade Association Odessa Technology Inc. PWC Sense Partners Simpson Western <u>Symphonix</u> <u>Credit Reporting, Debt Collection Agencies.</u> Centrix Credit Corp ➤ Baycorp ➤ Collection House <u>Creditworks</u> Debtworks (NZ) Limited Equifax Experian Gravity Credit Management Limited Quadrant Group (NZ) Ltd Recoveries Corp NZ Ltd Total 97 members



FINANCIAL SERVICES FEDERATION (FSF) THE SPECIALIST LENDING SECTOR - 2025



57%

NON-BANK

BANK

of personal consumer loans are financed by the **specialist lending sector** represented by FSF members

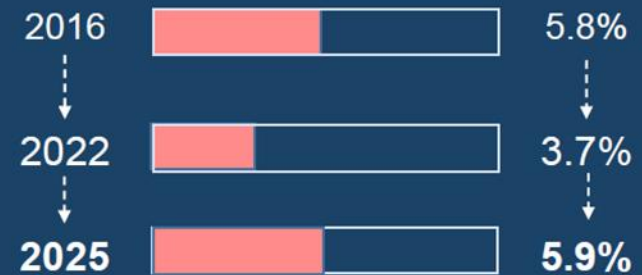
*Setting industry standards for responsible lending,
promoting compliance and consumer awareness.*

Percent of Loan Requests Approved

50%



Percent of Loan Book in Arrears



KEY FACTS: THE SPECIALIST LENDING SECTOR

FSF Members (as at 31 Mar 2025)

Number of Members	100
Number of Employees	3,162
Total Value of Loans	\$22.25B
Applications Processed	1,187,492
Loan Requests Approved	588,671
Percent of Loan Book in Arrears	5.9%
Loan Disputes Upheld	TBC

Bank Sector (as at 31 Mar 2025)

Value of Mortgage Loans	\$369B
Value of Consumer Loans	\$7.6B
Value of Business Loans	\$127B

Specialist Lending Sector Share (Mar 2025)

% of Total Mortgage Loans	0.5%
% of Total Consumer Loans	57.2%
% of Total Business Loans	7.4%

Insurance Credit Related (as at 31 Mar 2025)

Number of Employees	174
Number of Policies	285,371
Gross Claims (annual)	\$13.2M

Consumer Loans (as at 31 Mar 2025)

Total Value of Loans	\$12.0B
Number of Customers	1,383,344
Number of Loans	1,488,692
Average Loan Size	\$8,070

Total Value of Loans:

Mortgage	\$1,839M
Vehicle Loan	\$4,850M
Unsecured	\$4,772M
Other Security	\$541M
Lease Finance	\$11M

Average Value of Loan:

Mortgage	\$293,661
Vehicle Loan	\$15,719
Unsecured	\$4,280
Other Security	\$9,244
Lease Finance	\$38,981

Business Loans (as at 31 Mar 2025)

Total Value of Loans	\$10.2B
Number of Customers	137,075
Number of Loans	226,820
Average Loan Size	\$45,146

Total Value of Loans:

Mortgage	\$3,033M
Vehicle Loan	\$3,033M
Unsecured	\$441M
Other Security	\$1,960M
Lease Finance	\$1,773M

Average Value of Loan:

Mortgage	\$824,431
Vehicle Loan	\$35,177
Unsecured	\$29,182
Other Security	\$42,184
Lease Finance	\$23,532