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Reserve Bank of New Zealand  
2 The Terrace  
PO Box 2498  
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New Zealand  
3 October, 2025

Dear Reserve Bank of New Zealand

**Re: Review of Capital Settings**

Revolut Payments New Zealand Pty Ltd welcomes the opportunity to provide feedback on the RBNZ's consultation on New Zealand's capital framework.

We support the Reserve Bank's objective of creating a robust and proportionate regulatory framework for deposit takers in New Zealand. As a prospective new entrant, we are particularly focused on ensuring the final framework actively promotes competition and innovation for the benefit of New Zealand consumers and businesses.

Our attached submission provides detailed analysis. In summary, Revolut's key positions are:

- **Competition and Proportionality:** We strongly advocate for the early implementation of the reduced \$5 million minimum capital requirement. Expediting this change from the 2028 timeline is the single most important step to lowering barriers to entry and fostering a more competitive market.
- **Standardised Risk Weights:** We support the new granular risk weights and also urge their expedited adoption to create a fairer playing field between standardised and IRB banks.
- **Counter-Cyclical Capital Buffer (CCyB):** We recommend the RBNZ retain the option to apply the CCyB to all deposit takers. Exempting smaller firms could create a significant competitive disadvantage during an economic downturn, as capital relief would only be available to larger incumbents.
- **Simplification:** We are in full agreement with the proposal to remove Additional Tier 1 (AT1) capital to simplify the capital framework.

We believe these positions will help build a more dynamic and resilient financial sector. We thank you for your consideration and would be pleased to discuss our submission further.

Yours faithfully,

Georgia Grange  
Head of New Zealand

Max Driscoll O'Keefe  
Treasury Manager

## Revolut Submission

**Regarding:** Review of Key Capital Settings Consultation Paper

**To:** The Reserve Bank of New Zealand – Te Pūtea Matua **Date:** 03 October 2025

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### 1. Introduction

Revolut welcomes the opportunity to provide feedback on the Review of Key Capital Settings Consultation Paper. As a global financial technology company with aspirations to operate as a registered bank in New Zealand, we are broadly supportive of the RBNZ's objective to create a robust, clear, and proportionate regulatory framework for all deposit takers.

Our feedback is offered constructively, with a primary focus on ensuring the final framework actively promotes competition, innovation, and better outcomes for New Zealand consumers. While we are aligned with many of the proposals, we have identified key areas where we believe adjustments would create a more dynamic and resilient financial sector. Our submission focuses on four key themes: competition and proportionality, standardised risk weights, the application of the Counter-Cyclical Capital Buffer (CCyB), and the simplification of the capital stack.

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### 2. Competition and Proportionality for New Entrants

Revolut strongly supports the RBNZ's focus on proportionality for smaller deposit takers. To be truly effective, this proportionality must directly address the most significant barriers to market entry and create a more level playing field.

**2.1 Early Reduction of Minimum Capital Requirement** We are highly supportive of the proposal to reduce the minimum capital requirement from \$30 million to \$5 million. However, we strongly urge the RBNZ to consider implementing this change:

- significantly earlier than the planned 2028 timeline;
- in a phased way; and/or

- permit new registered banks (e.g. those registered post the finalisation of these rules) to meet the revised \$5 million limit immediately

The \$30 million requirement represents a substantial "economic hurdle" for new entrants. Unlike incumbent banks, new players must fund this requirement almost exclusively with more expensive Common Equity Tier 1 (CET1) capital. This creates a disproportionate burden, leading to a lower Return on Equity (RoE) which can deter investment and negatively impact risk calibration for the Deposit Compensation Scheme.

Lowering this capital barrier is arguably the most impactful measure for enhancing competition. It would free up essential cash flow for new entrants to reinvest into technology, customer service, and product innovation, thereby driving competition and improving accessibility for all New Zealanders.

We believe accelerating this change is not only beneficial for competition but is also fully consistent with the objective of maintaining financial stability. The resilience of the financial system is not dependent on a single fixed capital amount, but rather on a multi-faceted and dynamic prudential framework. The primary tool for ensuring a deposit taker's solvency is the risk-based capital ratio, which scales with an institution's size and risk profile, serving as the binding constraint for any viable entity. This is reinforced by the comprehensive supervisory regime under the Deposit Takers Act and the crucial protection afforded by the Depositor Compensation Scheme (DCS), which is specifically designed to manage the failure of smaller institutions and maintain public confidence.

Requiring new entrants to hold \$30 million, only for this to be reduced shortly thereafter, creates an unnecessary and counter-productive hurdle. A prompt, or at least phased, reduction to the \$5 million minimum strikes the optimal balance: it immediately unlocks the benefits of competition and innovation, while prudential soundness is robustly maintained through the more effective mechanisms of capital ratios, supervision, and the DCS.

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### 3. Standardised Risk Weights

Revolut is fully supportive of the proposed move to more granular standardised risk weights. This is a positive step that better aligns capital requirements with the actual underlying risk of lending portfolios.

**3.1 Early Implementation to Promote Fair Competition** Consistent with our position on minimum capital, we advocate for the new standardised risk weights to be implemented as soon as practicable.

Given that a primary objective of the capital review is to support a dynamic and competitive banking sector, it follows that the benefits of the new framework should be realised without unnecessary delay. An earlier implementation will more quickly address the competitive imbalance between standardised and IRB banks. This adjustment is foundational to enabling the increased investment and innovation we have outlined. Therefore, we believe a prompt implementation is the most logical approach to ensure these positive outcomes are delivered to New Zealanders sooner.

### 3.2 Responses to Specific Questions on Risk Weights

- **Question 41 (Learnings from IRB Models):** We suggest the RBNZ integrate learnings from the major banks' IRB models into the standardised model. This would create a more risk-sensitive framework that benefits not only non-IRB banks but also IRB banks via the standardised floor.
- **Questions 30 & 39 (Mortgage Risk Weights):** While we welcome the increased granularity, we request further analysis on the risk profile of mortgages with a Loan-to-Value Ratio (LVR) below 50%. We specifically ask if the RBNZ has considered a level of LVR (e.g., below 40% or 30%) at which a 20% Risk-Weighted Asset (RWA) would be appropriate, similar to the approach taken by APRA and the Basel Committee on Banking Supervision.
- **Question 32 (Impact on Loan Pricing):** Revolut confirms its willingness to align future loan pricing more closely with the RBNZ's new risk weightings, reflecting the underlying risk in our lending decisions.

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## 4. Counter-Cyclical Capital Buffer (CCyB)

Revolut wishes to put forward a differing view on the proposal to exempt Group 3 deposit takers from the CCyB.

**4.1 Response to Question 14: Retaining the CCyB for All Groups** While we agree that Group 3 entities are not individually systemically important, we respectfully disagree with removing the RBNZ's option to apply a CCyB to this group. We believe the RBNZ should retain the ability to provide capital relief to *all* deposit takers during a period of economic stress.

Exempting smaller players from the buffer while providing relief to larger incumbents could create a significant competitive imbalance in a downturn. This could allow established players to leverage their capital relief to increase market share in key lending areas at the expense of new entrants. Such an

outcome would stifle competition precisely when it is needed most and could inadvertently reinforce the market dominance of the largest banks.

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## 5. Simplification of the Capital Stack

**5.1 Response to Question 25: Removal of Additional Tier 1 (AT1) Capital** In response to Question 25, Revolut supports the proposal to remove Additional Tier 1 (AT1) capital from the regulatory framework. We agree with the RBNZ's analysis that AT1 capital is difficult to issue in New Zealand and that its removal simplifies the capital stack for all participants without materially impacting resilience.

**5.2 Responses to Questions 27 & 28: Transitional Arrangements** As Revolut does not currently hold any AT1 capital, we have no position on the proposed transitional arrangements.

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## 6. Conclusion

In conclusion, Revolut is broadly supportive of the direction of the proposed changes. Our key recommendations—particularly the early implementation of a lower minimum capital requirement and the retention of the CCyB for all groups—are aimed at fostering a more competitive, innovative, and resilient banking sector for New Zealand.

We thank the Reserve Bank for the opportunity to provide this submission and would be pleased to engage in further dialogue on these matters.