

# Submission

to the

Reserve Bank of New Zealand – Te  
Pūtea Matua

on the

Deposit Takers Depositor  
Compensation Scheme Transitional  
Standard

7 February 2025



## About NZBA

1. The New Zealand Banking Association – Te Rangapū Pēke (**NZBA**) is the voice of the banking industry. We work with our member banks on non-competitive issues to tell the industry's story and develop and promote policy outcomes that deliver for New Zealanders.
  
2. The following eighteen registered banks in New Zealand are members of NZBA:
  - ANZ Bank New Zealand Limited
  - ASB Bank Limited
  - Bank of China (NZ) Limited
  - Bank of New Zealand
  - China Construction Bank (New Zealand) Limited
  - Citibank N.A.
  - The Co-operative Bank Limited
  - Heartland Bank Limited
  - The Hongkong and Shanghai Banking Corporation Limited
  - Industrial and Commercial Bank of China (New Zealand) Limited
  - JPMorgan Chase Bank N.A.
  - KB Kookmin Bank Auckland Branch
  - Kiwibank Limited
  - MUFG Bank Ltd
  - Rabobank New Zealand Limited
  - SBS Bank
  - TSB Bank Limited
  - Westpac New Zealand Limited

## Contact details

3. If you would like to discuss any aspect of this submission, please contact:

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## Introduction

4. Thank you for the opportunity to provide submissions on the Depositor Compensation Scheme (DCS) Transitional Standard consultation (**Consultation**), and the two industry workshops that the Reserve Bank of New Zealand (**RBNZ**) has run on this Consultation.
5. Given the very tight timing over the holiday period, NZBA is providing a brief submission and our comments are given at a high level. We would be pleased to discuss any points in this submission further with the RBNZ.

## Key concerns with the Consultation

6. Our members' key concerns on the Consultation and the accompanying draft standard (**Draft Standard**) are as follows.
7. **Timing:** Given the exceptionally tight timing to DCS go-live (less than 6 months), we strongly encourage the Reserve Bank to consider what is really required for a 'credible' webpage solution at go-live. We have concerns that some proposed requirements in the draft transitional standard go too far for go-live and/or need refinement generally, as discussed below (for example, we refer to our point below about multiple digital platforms). We also propose solutions below for how to better achieve a workable transitional standard for go-live.
8. **Scope where deposit takers offer multiple digital platforms:** The Draft Standard appears to require all digital platforms (including websites and apps etc) to include the DCS depositor page. It would be impractical (and in some cases impossible) for banks to update all channels with the DCS depositor page, noting that many have a range of legacy systems for some clients, and app development in particular requires work and testing across a range of operating systems and devices. It would also require customers to install new versions of the apps – i.e. those customers that don't update (or are on legacy operating systems) would not be reached. We consider that the Draft Standard should provide coverage for a single online channel that captures a significant number of depositors rather than all online channels. We also consider that where a customer does not use internet banking or the mobile app at the time the DCS is triggered (and therefore does not have existing login credentials), that customer would use the RBNZ payout solution as opposed to the affected bank needing to onboard them. It would be helpful for the RBNZ to clarify this position.
9. **Last used login:** For the definition of 'existing online credentials', it may be problematic to require use of the details that the customer 'has used most recently to access the account online' – as this may be biometric login (in the case of mobile apps) rather than a username and password login.
10. **Website traffic management:** We consider this requirement is overly prescriptive, and should be removed from the draft standard. It is likely to be expensive and



impractical to provide for the DCS depositor page to “function efficiently ... for the maximum number of persons who could reasonably be expected to access the page simultaneously”, particularly if this is required by the go-live date. Deposit takers have existing mechanisms in place to manage the performance of online channels, and cope with increased demand.

11. **Consultation does not appropriately consider proportionality:** The Consultation considers the high relative cost for some Group 3 deposit takers (finance companies that don't have internet banking already); but for Group 1 & 2 deposit takers, it doesn't consider the fact that, depending on the final requirements in the transitional standard, the cost may not deliver material benefit (or 'credibility' of the system). In particular:
  - 11.1. The Reserve Bank has acknowledged in workshops that the DCS depositor page would not be used if a bank which is pre-positioned for OBR is placed in resolution/statutory management (as OBR would apply instead). For many members the initial 'credible solution' for DCS go-live is much more likely to be OBR and OBR pre-positioning, rather than a DCS payout and the pre-positioned DCS depositor page.
  - 11.2. As mentioned above, requiring banks to create the DCS depositor page across all digital platforms would create substantial additional cost, particularly for banks with legacy platforms, or where some have complex functionality that means they would require a large number of separate systems to remain operational.
  - 11.3. The Draft Standard should therefore be refined to better focus on creating a credible interim solution for go-live that is also cost effective and proportionate. We propose some solutions below.
12. **Obligations in liquidation/receivership:** It is not clear why the standard is drafted to impose substantial obligations on deposit takers while in liquidation/receivership.
  - 12.1. At that stage, the company itself is effectively managed by the liquidator or receiver; the company does not act independently. The focus should instead be on ensuring the liquidator/receiver has the tools available at the point of liquidation to give effect to the DCS depositor page.
  - 12.2. If the intention is to impose obligations onto the liquidator or receiver itself, then care is needed to ensure that this does not create a situation where potential liquidators/receivers are unwilling to be appointed due to the liability and potential costs they would be taking on to comply with the Draft Standard. For example the Draft Standard seems to require that the liquidator/receiver maintain the failed bank's full servers etc to handle internet traffic, as well as technical support for the webpage and apps etc, and customer support staff while in liquidation/receivership.



13. **Information-gathering powers:** In relation to the information-gathering powers in Part 4 of the Draft Standard:
  - 13.1. These powers are drafted broadly. It should be clear that they are only intended to apply to passing on information after liquidation/receivership (noting our comments above about applying requirements while in liquidation/receivership).
  - 13.2. Require information to be passed on in a format compatible with Reserve Bank systems. This clause is overly prescriptive in nature, and we consider it should be removed from the draft standard. If it is retained, we consider the clause should be amended to remove references to compatibility with Reserve Bank systems, and the wording modified to introduce flexibility, requiring instead that a deposit taker takes reasonable steps to ensure the format of the information is able to be accessed by the Reserve Bank.
14. **Due diligence duty:** From a legal perspective, it would also be helpful for the RBNZ to expressly confirm that the director due diligence duty is not brought in by this Draft Standard (clause 3(2) of Schedule 1 to the Deposit Takers Act 2023).

#### **Solutions for the key concerns discussed above**

15. As specific comments on the Draft Standard, in addition to the matters raised above NZBA considers that the better approach to create a credible outcome for DCS go-live would be for the Draft Standard to:
  - 15.1. as a general point, be principles-based to ensure sufficient flexibility for each bank and other deposit taker to comply, working with their own independently developed systems;
  - 15.2. require deposit takers to establish the DCS depositor page on a bank's key digital platform, available to a significant number of depositors;
  - 15.3. allow use of an existing method of authentication used by the bank/deposit taker;
  - 15.4. remove the requirement for website traffic: we do not agree with these requirements, and consider that deposit takers have existing mechanisms to moderate and cope with increased demands; and
  - 15.5. remove any requirement to maintain a customer services team or similar (as it would be difficult to contract them to stay on during liquidation – that would be a decision for the liquidator, and could be managed by the liquidator).
16. As mentioned above, we would welcome the opportunity to discuss any aspect of this submission further with the Reserve Bank.