

# Submission

to the

Reserve Bank of New Zealand – Te  
Pūtea Matua

on the

2026 BPR exposure drafts

22 May 2026



## 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 seventeen 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
  - 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
  - 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:

Antony Buick-Constable  
Deputy Chief Executive & General Counsel  
[antony.buick-constable@nzba.org.nz](mailto:antony.buick-constable@nzba.org.nz)

Sam Schuyt  
Policy Director & Legal Counsel  
[sam.schuyt@nzba.org.nz](mailto:sam.schuyt@nzba.org.nz)



## Introduction

4. NZBA welcomes the opportunity to provide feedback to the Reserve Bank of New Zealand – Te Pūtea Matua (**Reserve Bank**) on the consultation paper: *2026 BPR exposure drafts – Exposure drafts for the changes to the Banking Prudential Requirements (BPRs) to implement some decisions from the 2025 Review of Key Capital Settings* and on the exposure drafts themselves (**Consultation**).
5. We appreciate the opportunity to provide feedback on the Consultation. In this submission, we provide some general comments on the Consultation and include further technical comments in the appendix.

## General comments

6. Set out below are some general comments on the Consultation.
  - (a) **Farm lending exposures (BPR131, C2.20):** NZBA submits that the additional discount factors proposed to be applied to agricultural assets are unnecessary and undermine the intent of the risk weight changes for this sector.

Our view is that sufficient conservatism is built into the farm lending risk weights via the LVR bands, and that this approach already takes account of volatility in agricultural assets. Discounted values add significant complexity and inconsistency, appear to confuse credit risk with capital measurement, and would significantly impact the benefits of introducing LVR-based risk weights for farm lending.

The proposed approach is inconsistent with the calculation of LVRs for farm lending under the IRB approach, and inconsistent with RML LVR calculations under both the IRB and standardised approaches. IRB methodologies have discount factors applied to farm lending security for risk grading purposes, but this is separate to LVR calculations.

We submit that the discount factors should be removed from C2.20, and that standardised farm lending LVRs should be calculated on the same basis as standardised RML LVRs.
  - (b) **Community housing providers (CHP) (BPR131, C2.21):** NZBA agrees with the risk weights of non-90 day past due CHP loans aligning with the risk weights of non-property investment RML according to their LVRs. NZBA submits that the risk weights of 90 day past due CHP loans should similarly align with the risk weights of non-property investment RML.
7. In addition, further technical comments are included in the appendix.
8. This submission does not address the proposed changes for AT1 or Tier 2 capital under the Consultation. Our members may choose to submit on these matters separately.



## Appendix: Technical submissions

### BPR130: Credit risk RWAs overview

Reference	Comment
B1.1(3)	The Guidance provides that for residential mortgage loans risk weighting categories take into account LVRs. This could be expanded to refer also to farm lending exposures and CHPs.
C1.5(4)	<p>The references to Farm lending exposures and SME lending should be removed from the left-hand column of Table C1.5B. These asset class categories are already considered within the modelled Corporate (and in some cases Retail) asset classes under BPR133.</p> <p>With respect to the NZ Super Fund, please see our comments on Schedule 9 to the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended), 3(2), 5(2), 6(2), 7(2) below. If the NZ Super Fund is intended to be a distinct asset class, it should be included in the right-hand column of Table C1.5B.</p> <p>The references to 1 January 2022 do not make sense as the changes will apply from 1 October 2026.</p> <p>The Guidance refers to Parts C and D of BPR133 for certain asset classes. This could be expanded to refer also to CHPs and, if the NZ Super Fund is intended to be a distinct asset class, the NZ Super Fund.</p>
C1.6	Should this section also include references to the 2 additional non-modelled exposure classes (CHPs and, if the NZ Super Fund is intended to be a distinct asset class, the NZ Super Fund)?

### BPR131: Standardised credit risk RWAs

Reference	Comment
B1.1	The Guidance provides that for residential mortgage loans risk weighting categories take into account LVRs. This could be expanded to refer also to farm lending exposures and CHPs.
C2.5	The Guidance provides that the three month maturity date of three-month bank bills aligns with the New Zealand financial market maturity convention. Under the current financial market maturity convention, a maturity date can reach up to 104 days (in certain



	<p>limited cases, eg Christmas and Easter). The Guidance would benefit from additional clarification that acknowledges the potential variance of maturity dates that can occur under the convention. Including the potential maximum length of time in the Guidance would provide clarity for when these limited cases do occur.</p>
C2.7	<p>The numbering in this section needs to be corrected. There are also inconsistent uses of "loan" and "exposure". It would be preferable to use "exposure".</p>
C2.12(1)	<p>We consider 90 day past due exposures for CHPs should also be referred to in this section. Please see our comments in paragraph 6(b) of the submission and on C2.21(2) below.</p>
C2.19	<p>The numbering in this section needs to be corrected.</p>
C2.19(3)	<p>An exposure-based fallback definition should be included to deal with situations where a bank does not capture annual revenue. At the end of C2.19(3), we suggest adding "Where an unrated corporate counterparty's total annual revenue cannot be determined, and the exposure is less than \$5 million, the bank may treat the exposure as SME." This would align with the approach taken in Australia (see APS112, Attachment B, paragraph 22).</p>
C.2.20(4), C2.20(5)(b), Table C2.20b	<p>We consider the additional discount factors for agricultural assets should be removed. Please see our comments in paragraph 6(a) of the submission.</p>
C2.20(5)	<p>Again the numbering in this section is not correct: subsection (i) should be (b) and consequential changes then made. At the start of what is currently (b) should be added "provide that" or something similar (if (b) is retained in some form).</p>
C2.21(2)	<p>This section does not explain the treatment for an exposure that is 90 days past due. Contrast this with section C2.20(3) for farm lending exposures. We suggest adding a section for CHPs to clarify the treatment. We consider the risk weights of 90 day past due CHP loans should align with the risk weights of non-property investment RML. Please see our comments in paragraph 6(b) of the submission.</p>
C2.22	<p>We suggest referencing "Guardians of New Zealand Superannuation" instead of (or in addition to) "New Zealand Superannuation Fund". Exposures are held with Guardians of New Zealand Superannuation. The word "unrated" could be deleted.</p>



C3.11(2)	The words "that is a 90 day past due asset" should be added before "is 80%".
C3.12	The RBNZ consultation paper on page 5 included guidance on housing co-operatives. The RBNZ stated there that it was not intending to update the BPRs to include this guidance. We think it would be preferable however if the guidance was included in the BPRs, so that the BPRs are the source of information on the treatment of housing co-operatives.

### **BPR133: IRB credit risk RWAs**

No comments.

### **Schedule 9 to the Registered Bank Disclosure Statements (New Zealand Incorporated Registered Banks) Order 2014 (as amended)**

<b>Reference</b>	<b>Comment</b>
3(2)	In the "Past due residential mortgages" line item, should the 35%, 40%, 50% and 75% rows be deleted?
3(2), 5(2), 6(2), 7(2)	<p>These provisions include individual line items for New Zealand Superannuation Fund exposures. This would reveal individual banks' exposure levels to a single customer, raising potential commercial sensitivity concerns.</p> <p>We understood the RBNZ's policy decision was to apply a specific risk weight to NZ Super Fund exposures under the standardised approach, rather than a distinct NZ Super Fund asset class.</p> <p>Please see also our comment on BPR131, C2.22 above.</p>

### **Capital satellite survey template**

<b>Reference</b>	<b>Comment</b>
General	The terms 'agriculture' and 'farm lending' appear to be used interchangeably. If no difference is intended, we think it would be preferable to use a consistent term.
Credit risk tab, column B, rows 118-125	If risk weights of 90 day past due CHP loans are changed to align with the risk weights of non-property investment RML, additional rows should be added for 90 days past due CHP loans.



Change log tab,  
column A, rows  
12-15

In the change log, the headings for C-F still refer to BS2A and BS2B. These should be removed or updated (consistent with the relevant tabs).