

Submission

to the

The Reserve Bank of New Zealand
- Te Pūtea Matua

on the

Deposit Takers Standards for Crisis
Management and Resolution
Consultation

11 September 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 sixteen registered banks in New Zealand are members of NZBA and support this submission:
 - 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.
 - Kiwibank Limited
 - Rabobank New Zealand Limited
 - SBS Bank
 - TSB Bank Limited
 - Westpac New Zealand Limited

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Introduction

4. NZBA welcomes the opportunity to provide feedback to the Reserve Bank of New Zealand - Te Pūtea Matua (**Reserve Bank**) on its consultation on crisis management and resolution policy proposals (**Consultation**). NZBA commends the work that has gone into developing this document and the technical analysis supporting it.
5. This submission considers:
 - 5.1. Key overarching comments on the Consultation, including timing, in paragraphs 7 to 21.
 - 5.2. The proposed crisis management framework and crisis response waterfall in Part A of the Consultation, in paragraph 26.
 - 5.3. Chapter 4 of Part B (Deposit Takers Crisis Preparedness Standard), in paragraphs 27 to 41.
 - 5.4. Chapter 6 of Part B (Deposit Takers Continuity of Access to Deposits Standard), in paragraphs 42 to 55.
6. We have not generally responded to Chapter 5 (Deposit Takers Loss Absorbing Capacity Requirements) in this industry submission, but we understand relevant members may include comments on this chapter in individual submissions.

Key overarching comments

Support of Reserve Bank's general approach to implementation

7. NZBA appreciates the large amount of work that the Reserve Bank has evidently put into the Consultation, its development of the new crisis management regime and its consideration of how such a regime will be implemented most efficiently. In particular, we commend the Reserve Bank on:
 - 7.1. The clear evolution of its thinking since its 2024 issues paper Crisis Management Under the Deposit Takers Act 2023 (**2024 Issues Paper**), and the consideration of issues raised by industry in relation to that issues paper.
 - 7.2. The well-signalled plans for, and general openness to, ongoing engagement with deposit takers (including bilaterally), particularly in relation to resolution. We think this will be vital to a successful and efficient implementation of the new regime. However, please see our comments in paragraph 8 onwards below, regarding expanding that timing and approach to apply more broadly.
 - 7.3. Its focus on bringing New Zealand's crisis management framework more in line with international standards, including consideration of the efficiency advantages of drawing on the Australian CPS900 and CPS190 work (see for example paragraph 146).
 - 7.4. Contemplating principles-based requirements for some pre-positioning requirements, to allow deposit takers to develop responses that take into account their specific structure, frameworks and systems. We consider that



this approach should be extended to additional situations (for instance, see our submissions on Continuity of Access to Deposits (**CoAD**) below).

- 7.5. Expressly acknowledging that resolution and recovery preparations will and should have a proportionality aspect, with simpler organisations and business models being expected to make simpler preparations (see for example paragraph 15).

As a priority we encourage the Reserve Bank to continue developing its thinking around timing

8. In relation to ongoing open engagement as discussed in paragraph 7.2 above, we strongly support the Reserve Bank's views that significant time is required to develop the various plans, policies and capabilities, and that resolution planning will require close engagement and iterative development between the Reserve Bank and deposit takers.
9. We submit that this approach needs to be adopted more broadly than just resolution planning. The Consultation currently contemplates comprehensive recovery and exit plans being in place immediately when the Standard commences in late 2029 (paragraph 206 of the Consultation). Crisis preparedness is inherently complex, cross-dependent with other regulation and banking structures, and concerned with forward-looking hypotheticals. Successful implementation will require resource, coordination and appropriate timelines.
10. We therefore strongly submit that:
- 10.1. **Further detail on timing of decisions and guidance:** We appreciate that significant work has already gone into determining timing (noting also the detailed timelines in Figures 4 and 5 of the Consultation, at pages 76 to 77). However we consider that further timing information is required to help deposit takers plan resourcing. For instance:
- (a) It is currently not clear when the Reserve Bank expects to release further guidance for deposit takers to support the Crisis Preparedness Standard and the "critical functions definition" (as referred to in paragraphs 242-243 and 273 of the Consultation).
 - (b) Further detail should also be given as to when the Reserve Bank will seek information from deposit takers to develop individual orderly resolution plans (i.e. will that be before 2028, or after the high-level first versions are published in early 2028 as referred to in paragraph 96 of the Consultation).
 - (c) When will Reserve Bank finalise its determination that the CoAD Standard will not apply to current Group 2 deposit takers who are not currently subject to BS17 (as discussed in more detail in paragraphs 478 and 493 of the Consultation)? Without confirmation of this point, affected deposit takers may need to start work on CoAD Standard compliance on a conservative basis.
 - (d) With the CoAD Standard expected to be issued in late 2028 and commencing in late 2029, will deposit takers who are currently subject to BS17 be expected to continue to comply with BS17 between 1 December 2028 and the commencement of the CoAD



Standard? Greater clarity on the expected transition process would be beneficial.

- (e) In relation to the crisis management waterfall, paragraph 132 of the Consultation states that the Reserve Bank “may narrow down the ‘options’ that we see as relevant to particular deposit takers’ businesses”. As this will be relevant to resolution planning (and potentially BS17 compliance as discussed above) the Reserve Bank should prioritise this at an early stage and confirm if this will be done as part of the individual orderly resolution plans discussed in paragraph (b) above.
- (f) It is also not clear if the RBNZ intends to seek input on development of its Statement of Approach to Resolution (**SoAR**), or if it intends to publish and finalise this without industry consultation.

10.2. **Recovery and exit plans should scale up over a transitional period from December 2029:** The Consultation states that deposit takers will be required to have recovery and exit plans in place when the Crisis Preparedness Standard comes into force in late 2029 (paragraph 236 of the Consultation).

Although we expect that aspects of existing planning can be leveraged by deposit takers, the Reserve Bank should be aware that recovery and exit plans compliant with the Crisis Preparedness Standard will require significant work to develop and implement (as described in paragraphs 27 to 41 below).

Much of this work cannot feasibly be commenced until transition to Deposit Takers Act licensing is complete (or near complete), when deposit takers are operating under the prudential standards. This leaves approximately 12 months to build compliance, while deposit takers are likely to be focusing resource on ordinary-course compliance during the first year under the new regime. Additionally, as the Reserve Bank has noted in paragraph 218 of the Consultation, “recovery and resolution preparations are complementary to one another”, therefore, we believe the Crisis Preparedness outcomes are more likely to be addressed if recovery and exit and resolution plans are created in tandem.

The Crisis Preparedness Standard should therefore acknowledge that the recovery and exit plans in place in December 2029 may be less detailed and comprehensive than their expected long-term state under that Standard; and that they are expected to be further developed and scaled up (with Reserve Bank engagement as needed) over an initial (multi-year) transition period.

10.3. **Focus of recovery and exit plans and resolvability implementation plans:** More broadly, the requirements for recovery, exit and resolvability planning should be drafted to focus on the continuity of critical business services and customer outcomes rather than the continuity of individual applications or channels. A more principles-based approach would allow deposit takers to appropriately identify and manage critical functions across their broader technology architecture as they build and implement.



Proposals for variable suspension capability should be weighed against resource requirements for implementation

11. NZBA supports the Reserve Bank's removal of the general partial freeze and release of protected balances across transactional accounts in its updated OBR approach. Retaining access to transactional deposits and leveraging existing OBR functionality is a practical approach for supporting depositor access and confidence during resolution.

12. However:

- 12.1. A key remaining industry concern with the approach in the Consultation relates to the proposed maturity-based term deposit release mechanism and its dependence on the Single Depositor View (**SDV**).

Although we appreciate that the Reserve Bank has heard the industry concerns regarding a broader proposed OBR/DCS integration approach across the sector, the proposal to selectively release term deposits as they mature appears, on initial assessment, to raise similar levels of operational and systems complexity for deposit taker systems. While the policy objective of facilitating access to protected balances is understood, the proposal may require substantial new operational capabilities that are distinct from existing OBR functionality.

As a result, the proposal will (depending on the particular deposit taker) require changes to deposit systems and associated customer data architecture, as well as substantial investment and specialist technology resources at a time when many deposit takers are already delivering:

- (a) core banking modernisation programmes;
- (b) operational resilience initiatives;
- (c) Deposit Taker Act implementation requirements; and
- (d) other material regulatory changes.

More specifically, core banking modernisation programmes would likely require a period of coexistence of old and new platforms during implementation. In practical terms, deposit takers might need to build and maintain separate solutions for each banking system operating during this period of coexistence.

Investment in this capability would need to be weighed against other regulatory and strategic priorities already underway across the industry. For many deposit takers, it will compete directly with programmes that deliver broader prudential, operational resilience and customer benefits.

- 12.2. We also encourage the Reserve Bank to further consider any liquidity risks from an approach that applies a freeze to term deposit accounts. If a deposit taker enters resolution with any freezes in place on any depositors, then these depositors may be incentivised to withdraw all unprotected unfrozen amounts immediately to avoid potential losses to those amounts if the deposit taker ultimately fails (particularly in the absence of a Government



guarantee¹). The balance of unprotected deposits can be very high in absolute terms so that a sudden withdrawal may have material liquidity implications.

13. Given the issues and concerns with the proposed variable suspension discussed above, NZBA submits that industry and the Reserve Bank will need to work closely together on potential approaches to CoAD over the next few years. In particular, given the variation and complexity across deposit takers' systems, the Reserve Bank should consider an approach that allows for differing approaches to CoAD by individual deposit takers as part of their resolvability implementation plans (**RIPs**), adopting a principles-based approach to achieving the purpose of the Standard.
14. We propose:
 - 14.1. the prescribed functionality required under the CoAD Standard is limited to the deposit taker having the ability to:
 - (a) close banking channels;
 - (b) assess losses; and
 - (c) reopen to customers,with the associated activity to meet these requirements outlined in each deposit taker's RIP; and
 - 14.2. the resolution mechanism (such as haircuts, freezing by customer or product type) should be principles-based and determined for each deposit taker as part of their RIP.

Investors (including international investors) should be considered as a key part of the audience for the Reserve Bank's crisis management policies, guidance and consultation materials

15. When preparing any crisis management policies, guidance and consultation materials, we strongly encourage the Reserve Bank to keep in mind the audience of investors (including international investors), creditors and other deposit taker stakeholders. Such stakeholders will look to these materials when considering any decision to provide capital to New Zealand deposit takers.
16. For instance, paragraphs 183 to 189 of the Consultation discuss potential for the Reserve Bank to depart from the standard creditor hierarchy in some cases (imposing more losses on some unprotected senior accounts than others, where necessary for financial stability objectives). It also includes helpful commentary that such actions will be subject to 'No Creditor Worse Off' (so that no creditor will receive less than in a hypothetical liquidation).
17. However:

¹ The Silicon Valley Bank collapse in 2023 provides a clear example of this, where the bank held material unprotected deposits not covered by FDIC deposit insurance. The bank experienced large withdrawals of such unprotected amounts, leading to FDIC guaranteeing all deposits to address the risk of contagion across the financial sector.



- 17.1. We are concerned that stakeholders may have relativity concerns with resolution action that may affect the ranking as between different classes of creditor, or between creditors in a class. For instance, such an outcome in the recent resolution of Credit Suisse (where shareholders received more than holders of Additional Tier 1 capital) has led to significant dissatisfaction amongst investors and Court action in Switzerland. Keeping this in mind, it would be helpful for Reserve Bank to provide detail on the sort of accounts/creditors that may be targeted to lose more than other equally ranking claims (e.g. Tier 2 notes vs non-Tier 2 loss absorbing capacity notes? Business accounts vs retail customer accounts?). Particularly for funding products, more detail on this could help the market to more efficiently price debt issuance (to borrow the example already there, it would be perverse for a shareholder to receive a better return, while, due to regulator action during resolution, an AT1 holder bears a greater proportion of loss).
- 17.2. Reliance on ‘No Creditor Worse Off’ principles may be seen as providing limited practical comfort to investors, as the uncertainties and long time period of a bank liquidation may make it difficult to prove theoretically that a creditor is no worse off under the resolution approach taken.
- 17.3. As discussed above, we are also concerned that the Reserve Bank’s proposals may effectively incentivise withdrawals of unprotected deposits from transactional accounts in a resolution. For some deposit takers these deposit amounts at risk of withdrawal in resolution may be large, further embedding the risk that other unsecured creditors (such as wholesale bond investors) will bear a significantly disproportionate amount of potential loss, by design of the system.
18. We strongly encourage the Reserve Bank to set clear expectations that the creditor hierarchy will be respected, other than in exceptional circumstances. Regulator approaches that indicate a likely deviation from the established creditor hierarchy are likely to adversely affect deposit takers’ access to wholesale funding markets. Investors may favour jurisdictions with more predictable familiar ranking frameworks or require additional compensation for any relative uncertainty in the New Zealand regime.
19. By comparison:
- 19.1. The UK Banking Act 2009 sets out defined, limited scenarios where liabilities may be excluded from bail-in, and even in such cases still requires the Bank of England to give due consideration to “the principles that all the liabilities of the bank ought to be treated in accordance with the priority they would enjoy on a liquidation” and “the principle that any creditors who have equal priority on a liquidation ought to bear losses on an equal footing with each other”.² The Bank of England’s published approach to resolution further notes that this “is likely to occur only in exceptional circumstances and, in general, bail-in would be expected to proceed on the basis of the creditor hierarchy”.³
- 19.2. The FSB Principles⁴ provide that:

² [UK Banking Act 2009, section 48B\(10\)-\(13\)](#).

³ The Bank of England’s approach to resolution, updated 13 April 2026, at footnote 23: <https://www.bankofengland.co.uk/paper/2023/the-bank-of-englands-approach-to-resolution>



“Resolution powers should be exercised in a way that respects the hierarchy of claims while providing flexibility to depart from the general principle of equal (pari passu) treatment of creditors of the same class, with transparency about the reasons for such departures, if necessary to contain the potential systemic impact of a firm’s failure or to maximise the value for the benefit of all creditors as a whole. In particular, equity should absorb losses first, and no loss should be imposed on senior debt holders until subordinated debt (including all regulatory capital instruments) has been written-off entirely (whether or not that loss-absorption through write-down is accompanied by conversion to equity).”

While the principles do allow for outcomes that do not respect creditor hierarchy (particularly in relation to equal ranking liabilities), they clearly contemplate that this should only occur in exceptional cases. By contrast, the current Reserve Bank proposals effectively embed deviations from the creditor hierarchy as the base case outcome.

20. As a related point, while we strongly encourage the Reserve Bank to maintain its approach of emphasising transparency (as it is showing in the Consultation), to provide certainty and clarity to stakeholders, consideration should be given to how the Reserve Bank’s statements may be received by deposit taker stakeholders including related entities. For example:
- 20.1. We are concerned with implications that could be inferred in the Consultation that longer-term wholesale borrowings, as a product set, are more likely than other senior unsecured non-depositor creditors to bear losses (see for instance paragraph 185). Deposit takers make significant, regular use of wholesale funding markets, and implications that those investors may bear a larger loss (other than in clearly defined and limited exceptional circumstances, as discussed above) may make it more difficult and costly to obtain such wholesale market funding.
- 20.2. In relation to loss absorbing capacity (**LAC**), paragraph 138 states that “triggering LAC instruments is a very significant step to take and we would not expect to use these instruments where the parent had sufficient funds to invest⁵ in its subsidiary”. Paragraph 143 goes on to state that a “deposit taker would need to be confident (as a result of pre-positioning work) that triggering LAC instruments would not interfere with the continuity of key contracts”.

We agree that LAC instruments should only be triggered where necessary (consistent with its intended structure as ‘gone concern’ capital). However, if LAC instruments are triggered, statements such as that in paragraph 138 will reinforce assumptions that there is no reasonable prospect of parental support, which in turn may increase the risk that some contractual counterparties seek to find means to walk away from, or otherwise limit, key contracts after a trigger.

⁴ Key Attributes of Effective Resolution Regimes for Financial Institutions (revised version, 25 April 2024): <https://www.fsb.org/uploads/P250424-3.pdf>

⁵ For completeness, we understand this quotation to be referring to the availability of additional incremental investment in the New Zealand subsidiary.



21. As a technical point, we also encourage the Reserve Bank to carefully consider usage of terms such as “wholesale bonds”, and be clear as to the boundaries of the category. For instance:
 - 21.1. Domestically a number of deposit takers raise funds through retail (or retailable) bond issuances that may practically have very similar investor bases.
 - 21.2. The interbank market for bank bills is technically documented through short term wholesale bonds. Impacts on this market should also be considered.

Approach to branch banks should be carefully considered to ensure efficiency and practicality

22. As noted by the Reserve Bank in paragraph 125 of the Consultation, the position of branch banks in crisis management is significantly different to other deposit takers, and is generally better dealt with by the parent entity in conjunction with its home (or other regional) regulator⁶.
23. While we acknowledge that the Reserve Bank has proposed to apply reduced New Zealand requirements to branch banks, the Consultation proposes to impose various obligations on branch banks under the Crisis Preparedness Standard. At a minimum, any such requirements need to be carefully considered and designed to reflect the nature of branch banks.
24. For instance:
 - 24.1. Paragraph 288 of the Consultation would require branch banks to provide the Reserve Bank with copy of its group recovery and exit plan. Such group plans are likely to include information confidential to branches and operations in other jurisdictions, and (given their global group focus) include only very limited information of any relevance to the Reserve Bank.
 - 24.2. Part A of the Consultation also refers to potentially adding requirements for further “branch specific crisis preparedness activity”, in paragraph 127. We request that the Reserve Bank confirms that no such requirements are intended, so that branches have a clear view of what preparations are required.
25. To support a home-led, host-informed approach for some branches, we encourage the Reserve Bank to consider relying on attestations from home regulators that the group entity has submitted crisis preparedness plans and that these meet the home regulator’s requirements. If this approach were taken, we request additional confirmation from Reserve Bank that the branch may rely on group plans and capabilities, that the New Zealand branch document would be an overlay and not a standalone plan, that branches are not required to prepare a RIP and that there would be no duplication where equivalent information or capability already exists at group level.

⁶ For global banks, the relevant regulator may be at the level of an APAC hub rather than the ultimate head office home regulator.



Submissions on Part A (Crisis Management Framework)

26. We commend the Reserve Bank for its work developing the crisis management framework in Part A of the Consultation, including the crisis response waterfall. We make the following general comments on this Part, for consideration by the Reserve Bank as it continues development:

- 26.1. **Reserve Bank should carefully weigh up flexibility against resourcing and effectiveness.** The proposals in Part A place a heavy emphasis on flexibility of resolution tools. This includes preparation for a 'single point of entry' (**SPE**) resolution approach for Group 1 deposit takers, as well as continuing outsourcing/separation and general OBR requirements.

We agree that the Reserve Bank will require access to an appropriate range of tools to respond to a resolution scenario. However, we encourage the Reserve Bank to consider that pre-positioning for an overly broad range of tools may have the side effect of reducing the effectiveness of such pre-positioning. For example, increasing resolution complexity for deposit takers with already highly complex organisational structures, service offerings and technology infrastructure increases the risk that, despite comprehensive pre-positioning, resolution outcomes cannot be achieved. Additionally, requiring extensive pre-positioning for tools or waterfall options that are unlikely to be used for a particular deposit taker may require unnecessary and unhelpful splitting of resources, such as experienced and qualified personnel (noting that preparations for outsourcing/separation has historically required significant work for relevant deposit takers, which will now need to be maintained alongside preparations for multiple other options and plans, alongside expected increases in on-site inspections).

To manage these competing factors, we encourage the Reserve Bank to:

- (a) Where possible, focus its pre-positioning requirements further. We expect this will involve priority work to increase comfort that the Reserve Bank's primary tools will be suitable in a high percentage of foreseeable outcomes (and if necessary and appropriate, designing such tools for use in a wide range of scenarios rather than designing additional separate tools).
- (b) Be selective, and clear with deposit takers, regarding which tools are likely to be used together or separately. Implementation complexity (and its related risks) and resourcing constraints are significantly increased where deposit takers are required to pre-position in order to operate multiple resolution tools in tandem.
- (c) Acknowledge that pre-positioning for various resolution tools should be able to scale based on the likelihood of such a tool being required. For instance, relatively higher resourcing should be applied towards 'primary' tools than to 'back-up' tools.
- (d) As discussed above, (1) allowing transitional time for deposit takers to 'scale up' relevant plans, for instance with an initial focus on primary tool development; and (2) as a priority narrowing down



relevant options for particular deposit takers' businesses, as referred to in paragraph 132 of the Consultation.

- 26.2. **Further consideration of rapid sale/bridge bank approach:** We note the Consultation favours rapid sale (after entity led recovery) for Group 2 deposit takers, and includes it as an option for Group 1s after SPE. We would like to flag that such an approach will inevitably involve a range of complexities, and encourage the Reserve Bank to consider these as it further develops its plans. For example, there are practicalities that need to be considered regarding the time it takes for a purchaser to conduct due diligence and negotiate sale and purchase documentation and deposit takers, which hold other regulatory licences, might require regulator approval prior to transferring their assets to a bridge bank or third party as well as obtaining confidence regarding the continued availability of liquidity, funding arrangements and payment system access. Consideration and development of further relevant structure such as putting in place a well-designed securitisation framework and capital treatment would reduce complexity and encourage price discovery, as well as reduce due diligence overhead. Additionally, capital relief of bridge bank lending portfolios would reduce due diligence burden and support the acquisition process.

Also, we encourage the Reserve Bank to consider how it might address boundary cases for product types that may require particular care to transfer, such as where products are white-labelled from other deposit takers. Transfer challenges may also arise where products depend on third-party service providers, outsourced platforms, or specialised contractual arrangements that could complicate transfer and impact customer communications during resolution.

- 26.3. **Clarity on which tools require additional law change:** We understand that the Reserve Bank intends to explore a change of law to allow cancellation or transfer of shares in a failed deposit taker (paragraph 33 of the Consultation). We encourage the Reserve Bank to be clear on which tools are subject to obtaining law change (and in relation to what aspects).



Submissions on Chapter 4 of Part B (Deposit Takers Crisis Preparedness Standard)

General approach

- *Q1 Do you have any comments on the proposed purpose of the Crisis Preparedness Standard?*
- *Q2 Do you have any comments on the discounted options and are there any other options that we should consider in developing the Crisis Preparedness Standard?*

27. We are generally comfortable with the proposed purpose of the Crisis Preparedness Standard, as expressed in paragraphs 214-218 of the Consultation. We provide the below specific comments:

- 27.1. **Principles-based:** We support a principles-based approach to developing the Crisis Preparedness Standard. As the crisis waterfall is a starting point, the pre-positioning required will be unique to each deposit taker, particularly as deposit takers' operations and systems vary considerably. The Crisis Preparedness Standard should avoid prescribed requirements and instead focus on principles and outcomes that must be met. How those outcomes are then achieved will be part of the deposit taker's RIP that is collaboratively developed between Reserve Bank and the relevant deposit taker. This approach will help to ensure that deposit takers' RIPs are proportionate, fit for purpose and reduce unnecessary compliance costs.
- 27.2. **Appropriate tailoring:** We agree that the Crisis Preparedness Standard should be designed to manage the risk that recovery, exit and resolution actions may otherwise "need to be developed from scratch at a time when the deposit taker's management and staff are already under significant pressure" (paragraph 214). We think a key element of this will also be appropriately tailoring the focus and resource allocations for each deposit taker's preparations, as discussed in paragraph 26.1. That is, ensuring that crisis preparedness is appropriately tailored will also assist to ensure there is a clear pathway for management and staff at a time of stress, rather than requiring them to assess an overly broad range of options and implementation steps for tools that may be unlikely to be used.
- 27.3. **Proportionality:** Paragraph 224 states that a "deposit taker would be responsible for determining that it had sufficiently achieved the [resolvability] outcomes, even if in some cases relatively little or no action was required to do this". We strongly support the acknowledgement that deposit takers may take a proportionate view to implementation. As a practical matter, we note that Reserve Bank approval is also proposed for resolvability plans (see paragraph 316 onwards), so it would be helpful to be clear that the deposit taker will generally have the ability to determine that an outcome has been sufficiently achieved (as discussed in paragraph 224) and the Reserve Bank will not generally seek to overrule this in its approval process.

28. In relation to the alternative options, while we do not suggest that pre-positioning should be limited to single resolution strategy (as discussed in paragraphs 254-256 of



the Consultation), we do consider that the tailoring and prioritising of resolution tools, as well as appropriate implementation timelines, is necessary.

Critical functions in recovery and resolution planning

- Q3 Do you have any comments on the proposed definition of critical functions?

29. The Consultation talks to the proposed overlap between the Crisis Preparedness Standard, the Operational Resilience Standard and the Outsourcing Standard, including the logic behind this overlap. Please refer to the NZBA's separate submissions on the Tranche 3 consultation, and in particular the interaction between the Outsourcing Standard and Operational Resilience Standard in paragraphs 15 to 17 of that submission.

30. We also make the following specific comments:

- 30.1. **Overlap between definitions:** We note that the interaction and overlap between key definitions proposed in the Consultation Paper and the other DTA Standards is unclear. As an example, the relationship between 'critical functions' and 'basic banking services' under the Outsourcing Standard requires further clarification.
- 30.2. **Availability of guidance should be prioritised:** As discussed above, we request the Reserve Bank to prioritise making guidance available for the interpretation of "critical functions", as referred to in paragraph 273 of the Consultation.
- 30.3. **Scope of "critical functions" definition should be carefully considered:** In particular, it should not be interpreted or applied in a conservative manner that captures more activities than are truly critical for a deposit taker. The focus of section 259 of the Deposit Takers Act is on "systemically important activities" the disruption of which may create "significant damage to the financial system". The definition and approach to "critical functions" needs to reflect that statutory basis. For instance, for matters such as roles in securities issuance (as referred to in paragraph 270 of the Consultation), we expect that a high bar would need to apply before the cessation of services by any single deposit taker would cause significant damage to the financial system.

As a related point, we note that the definition of "critical function" refers to the importance of the activity to the wider market, rather than to the operations of the deposit taker itself. This may be difficult or impractical for a deposit taker to itself consider and confirm (without full visibility on the wider market). At a minimum, any guidance should be clear as to how such a determination can be made where market information may not be readily available to the deposit taker.

- 30.4. **References to "third parties" should be amended in critical function definition:** We understand from the Consultation that references to "third parties" are intended to include customers of the deposit takers (see for instance paragraph 350 of Appendix B to the Consultation). This may cause confusion, as deposit takers often consider customers to be "second parties".



We consider it would be preferable if the terminology referred to “customers”, “counterparties” or “service-recipients” as applicable.

Recovery and exit planning

- *Q4 Do you have any comments on the proposed requirements for deposit takers to prepare and maintain effective recovery and exit plans?*

31. NZBA strongly supports the general approach of setting certain minimum requirements for recovery and exit plans and otherwise being principles-based (paragraph 278 of the Consultation). We also strongly support alignment and efficiencies with other existing requirements, including outsourcing and (where applicable) CPS220.

32. The proposed outcomes set out in Table 3 on pages 63-65 of the Consultation are extensive (particularly for larger deposit takers, noting the discussion of proportionality elsewhere). Given the further expectation that such plans be “comprehensive”, we refer to our comments above that expectations for recovery and exit plans should scale up over time from December 2029.

33. We also make the following further specific comments:

33.1. **More clarity is needed for the Reserve Bank assessment process:** The Consultation seems to largely acknowledge that deposit taker Boards will be responsible for developing and determining the appropriate content of recovery and exit plans (noting the principles-based approach discussed above), with copies shared with the Reserve Bank (see paragraph 279 of the Consultation).

However, paragraph 299 of the Consultation also provides that the Reserve Bank will assess the plans from time to time. In such cases, it should be clear that any changes requested by the Reserve Bank apply on a forward-looking basis only. That is, deposit takers should have comfort that they are not at risk of being in breach of the Crisis Preparedness Standard merely because the Reserve Bank requests some changes to a plan as part of a later stage review.

33.2. **Flexibility in approach to exit planning:** The Reserve Bank should further expressly contemplate that the approach to exit planning may differ between deposit takers (building on comments in paragraph 285, that the plans for large deposit takers may need to focus primarily on recovery planning. For instance, we recommend that there is flexibility for deposit takers to have a standalone exit plan if required.

33.3. **Business and legal descriptions:** The reasoning behind requiring a recovery and exit plan to identify the deposit taker’s legal and financial structure, interconnectedness with a holding company or group, core business lines and the critical operations to support those business lines is not made clear. Contrary to paragraph 280 of the Consultation, this information should not be necessary to support the identification, assessment and execution of recovery and exit options. On the contrary, we believe that including such information would make these plans unnecessarily lengthy and, therefore, more difficult to administer in a stress situation. By way of comparison, we note that APRA CPS190 does not



include a similar requirement (whereas it is required for CPS900). We would, however, expect this information to be included as part of resolution implementation planning.

- 33.4. **Recovery and exit options:** Paragraph 284 states that the recovery and exit options should be designed to maintain operational continuity, including access to critical operations. We submit that the focus of the recovery and exit plans should instead be to “stabilise and restore financial resilience” or if that cannot be achieved to “effect an orderly and solvent exit from regulated activity” (for instance see APRA CPS190, paragraph 19).
- 33.5. **Covered bond market access:** Consistent with the Reserve Bank’s preference for entity-led recovery, recovery and exit planning should recognise the role of functioning secured funding markets in supporting credible recovery options. In particular we encourage the Reserve Bank to closely consider interaction of crisis management and liquidity requirements, and recognise highly rated covered bonds as at least Level 2 HQLA. This would support investor demand and secondary market liquidity, strengthening deposit takers’ ability to access diversified private-sector funding when unsecured markets are constrained. Covered bond markets have historically been among the first wholesale funding markets to reopen following periods of severe market disruption, making them an important contingent funding source during stress. Recognition as HQLA would therefore support market-led recovery and funding resilience. This would align New Zealand more closely with international covered bond frameworks, support future European third-country equivalence, and help preserve access to European investors and liquidity pools during periods of market stress.
- 33.6. **Table 3 requirements:** We submit that the ‘expected activity’ described Table 3 of the Consultation should not be included in the Standard itself. We would strongly prefer that the Standard’s requirements remain more outcomes focused (as opposed to content focused). For example, Table 3 refers to “indicators”, “triggers” and “criteria”. Similarly, the Table refers to “actions, arrangements, measures and steps necessary”. If included in the Standard, this level of detail raises questions as to how these terms are intended to be interpreted and might result in unnecessary compliance costs and inefficiencies as deposit takers work to show how they address detailed content requirements, as opposed to focusing on creating a credible trigger framework and recovery and exit actions. We believe it would be helpful if ‘Governance’ and ‘Communications’, although related, are treated as separate areas of focus (see APRA CPS190).
- 33.7. **Consistency with Separation Plan where applicable:** The Reserve Bank should ensure that recovery and exit plans are permitted to be designed in a manner that is consistent with, and integrated into, the prescribed Separation Plan requirements and the defined concept of ‘failure’ in the Outsourcing Standard.
- 33.8. **Branch approach:** We support allowing branches to use a group recovery and exit plan, so long as the NZ CEO is satisfied that it meets the New Zealand-specific requirements. However, we request that the final Standard clarifies what evidence would be expected to support the New Zealand CEO’s satisfaction that the group recovery and exit plan meets the New



Zealand-specific requirements, and whether formal annual attestation is required.

We also request that the final Standard confirms that reliance on group governance, testing, assurance and specialist staff is permitted, with local governance focused on New Zealand applicability and escalation.

We support the ability of the NZ CEO to determine whether the previous year's plan remains appropriate, and consider this an appropriate approach as the NZ CEO will be best placed to understand the branch's operations.

Resolvability requirements

- *Q5 Do you have any comments on the proposed resolvability outcomes and associated requirements and expectations?*
- *Q6 Do you have any comments on the proposed requirements for deposit takers to prepare and maintain resolvability implementation plans?*

34. As discussed elsewhere in this document:

- 34.1. NZBA strongly supports the Reserve Bank's proposals to create RIPs over a period of time, with significant engagement between deposit takers and the Reserve Bank.
- 34.2. When developing its approach the Reserve Bank should keep in mind that investors (including international investors) and other stakeholders are a key audience, and that it should take care with any proposals that do not respect the creditor hierarchy.

35. In addition, in relation to the proposed resolvability outcomes and associated requirements and expectations (question 5):

- 35.1. **Principles-based:** We agree that the proposed resolvability outcomes should be principles-based and should allow deposit takers to align implementation with their own business model, systems architecture and group resolution strategy. See also our comments at paragraph 27.1 above.
- 35.2. **Communications:** We request clarity on how the 'Governance and communications' outcomes and requirements relate with the Reserve Bank and resolution manager's role and powers under the Deposit Takers Act. Paragraph 86 of the Consultation sets out the high-level powers of the Reserve Bank and resolution manager, which include having:
 - (a) management and control of the deposit taker;
 - (b) a range of powers to enable them to continue running the deposit taker's business; and
 - (c) powers to dispose or transfer the deposit taker's business.

However, these powers seem to overlap with some of the expected deposit taker governance and communications activities, such as establishing a resolution decision-making and accountability structure and clearly define



roles and responsibilities with oversight from the Board. Other activities appear to be highly dependent on the Reserve Bank and resolution manager's exercise of its powers (for example, communication plans) so may be difficult for a deposit taker to pre-position for.

35.3. **Table 4:** We have the following specific comments on Table 4:

- (a) **Operational continuity:** we believe the focus here should be on how to retain staff in roles that preserve continuity and managing reliance on third party service providers. The proposed key activities mostly appear to relate to the identification and mapping of critical functions which is a precursor to effective resolution but not a resolution outcome.
- (b) **Valuations:** we strongly recommend that this outcome be removed. The provision of information that would support any valuation is already covered in 'Data and Systems' outcome. It is unclear to us how valuations would be used to determine whether "a deposit taker is failing or likely to fail" or the "quantity of any capital shortfall". Any valuation modelling would require clear parameters, and would be undertaken at the time the valuation is required.
- (c) **Data and systems:** we believe the focus should be on ensuring that "management information systems can produce timely and accurate information, including accounting, position keeping and risk systems" (CPS900). We believe the concept of a separate 'data room' would be impractical and we note that a wide range of external people might also need access to information created through management accounting, not only the resolution manager (e.g. lawyers, accountants etc).

36. More generally:

36.1. **Clarity:** We request greater clarity on the Reserve Bank's intended role in a resolution, particularly considering the wide range of crisis scenarios that could arise. For example:

- (a) how would the Reserve Bank expect to coordinate with other deposit takers who (for example) may be expected to onboard a large number of new customers within a short period of time;
- (b) what information will or will not be shared with other deposit takers who may be impacted by the crisis (for example, as a service provider to a deposit taker in crisis);
- (c) what Group/home-authority information might the Reserve Bank expect to be provided and how confidentiality restrictions will be managed; and
- (d) what steps does the Reserve Bank intend to take to support market stability generally.

We also note that in Australia CPS900 provides that while Boards should support the regulator in bespoke resolution planning and are responsible for ensuring that the entity meets the relevant prudential requirements, they are



not guaranteeing that APRA will effectively execute a resolution plan. Similar clarification should be included in the Crisis Preparedness Standard.

- 36.2. **Consistency with international approaches:** The Reserve Bank should recognise and rely on work already undertaken under Group resolution planning/CPS 900 as much as possible, where applicable, to avoid unnecessary duplication or overlap of requirements.
- 36.3. **Engagement with industry:** We encourage the Reserve Bank to commence engagement with deposit takers on their specific resolution approach as soon as possible. For Group 1 deposit takers that form part of an overseas banking group, it would also be beneficial for the Reserve Bank's development of the deposit taker's resolution strategy and associated pre-positioning requirements to be appropriately coordinated with the relevant home resolution authority and the wider Group resolution strategy. This should include identifying opportunities to rely on or recognise group-level resolvability work and avoiding, where possible, requirements that are duplicative of or inconsistent with the Group resolution. Having an indication of the options that would need to be pre-positioned will enable more effective analysis and higher quality feedback on the proposed requirements and enable deposit takers to determine whether their systems can support the resolution path and pre-positioning required.
- 36.4. **Review and testing:** There are a significant number of review and testing requirements across the Outsourcing Standard, the DCS Standard, the CoAD proposals, the recovery and exit plan proposals and the RIP proposals. We recommend permitting deposit takers to adopt a proportionate, flexible approach to review and testing across the broader crisis management framework where the deposit taker considers appropriate. For Group 1 deposit takers this may involve (at the deposit taker's discretion):
- (a) A periodic desktop review that assesses whether plans, functionality and capabilities continue to meet the requirements of the relevant standard.
 - (b) A comprehensive, integrated technical test conducted across all elements of the crisis management framework on a less frequent basis (unless the desktop review indicates a need for an earlier comprehensive test).

We recommend that rather than being prescribed in standards, a deposit taker's testing schedule is approved by the RBNZ as part of its recovery and exit plan or RIP, which would support a proportionate approach that is based on the deposit taker's risk, specific plans and nature of operations.

For Group 2 and 3 deposit takers, testing should be no more frequent than 3 yearly. While this is already proposed for recovery and exit planning, testing of CoAD implementation plans should also be aligned with this.

- 36.5. **Branch approach:** We recommend that the final Standard and guidance framework should address the handling of home jurisdiction resolution plans and any supporting material provided to RBNZ, as these documents may contain highly sensitive information about group strategy, financial resilience, operational dependencies and resolution options. This should include secure



transmission, access controls, permitted use, onward disclosure, interaction with the Official Information Act 1982 and arrangements for information that the overseas bank is not authorised to provide. Where the home-authority plan has not been shared with the branch, we support the Reserve Bank engaging directly with the home authority, consistent with paragraph 333 of the Consultation.

We further ask that paragraphs 313 and 339 referring to “all deposit takers” preparing a RIP are re-worded to explicitly not include branches, consistent with the Chapter 4 summary.

Timing and process

- *Q7 What is a realistic timeline for deposit takers to meet the resolvability outcomes in the Crisis Preparedness Standard?*
- *Q8 Do you have any comments on the proposed process for achieving the outcomes in the Crisis Preparedness Standard? For branches, it would be helpful if you could provisionally identify any activities you undertake that might be critical functions in New Zealand.*

37. At a general level, NZBA recommends that implementation timelines should reflect:
- 37.1. the likelihood of specific pre-positioned functionality being required;
 - 37.2. the relative importance to the financial system of any particular relevant roles provided by the deposit taker; and
 - 37.3. the complexity of the deposit taker.
38. In relation to process, achieving resolvability outcomes will typically involve changes to governance, processes, customer and product data management, reporting, technology platforms and operational capabilities. The timeline should reflect the need to assess existing capabilities, identify gaps, prioritise remediation activities and implement changes across multiple interconnected systems and business functions. A staged approach aligned to risk and materiality would likely be more practical and sustainable than requiring all outcomes to be achieved within a short timeframe. Deposit takers should be allowed to prioritise remediation based on the number of critical systems; degree of integration; customer and user volumes; reliance on third parties; and data dependencies. A phased implementation over several years would likely be required.
39. For branches, if the Standard continues to apply, we support a minimum timeframe of at least 12 months following the finalisation of the exposure draft, guidance and template to submit the NZ supporting document. Further time will be required if engagement or approval from the home authority is required. It would also be helpful if a process for branches could be developed, possibly as follows:
- 39.1. The branch provides its home jurisdiction plan and New Zealand overlay.
 - 39.2. Reserve Bank assesses the documents and discusses any gaps with the branch and home authority.
 - 39.3. Reserve Bank identifies any additional requirements.



- 39.4. Reserve Bank and the branch agree the scope and timeline for the additional requirements.
40. As discussed above, we consider that further clarity on how the various resolution-related standards will work in practice with the Crisis Preparedness Standard is still required. There remains significant overlap in areas such as resolution, continuity of services, separation planning, outsourcing outcomes and critical operations, with some of these being existing requirements that will be carried over while others are still in a consultation stage. Without full alignment and clarity, there is a risk that requirements are duplicated and deposit takers have differing interpretations of the requirements.
41. We further consider that the Reserve Bank should set out in more detail how it expects the plans and resolution capabilities to be maintained over time. Paragraph 324 of the Consultation outlines this at a high level, but more detail would be useful for deposit takers to determine the appropriate operating model to manage the plans in a business-as-usual state.



Submissions on Chapter 6 of Part B (Deposit Takers Continuity of Access to Deposits Standard)

General

- *Q21 Do you have views on the purpose and rationale for CoAD functionality in the crisis management framework?*
- *Q22 Do you agree with the proposal that the CoAD Standard should apply as a fallback option to Group 1 deposit takers?*
- *Q23 Do you support carrying over OBR-BS17 requirements into the CoAD functionality?*
- *Q24 Is closure of the deposit taker at the point at which statutory management is imposed still necessary from an operational perspective?*

42. We refer to our comments in paragraphs 11 to 13 above regarding the proposed approach to CoAD and variable suspension in particular. As discussed in more detail in those paragraphs:

42.1. A key remaining industry concern with the approach in the Consultation relates to the proposed maturity-based term deposit release mechanism and its dependence on the SDV. The proposal to selectively release term deposits as they mature appears, on initial assessment, to raise similar levels of operational and systems complexity as the previously proposed OBR/DCS integration approach, requiring substantial new operational capabilities that are distinct from existing OBR functionality. The proposal may also give rise to liquidity risks which should be further considered.

42.2. We consider that the Reserve Bank will need to work closely with industry on potential approaches to CoAD over the next few years, and the Reserve Bank should consider an approach that allows for different approaches to CoAD by individual deposit takers as part of their RIPs.

42.3. We propose:

(a) the prescribed functionality required under the CoAD Standard is limited to the deposit taker having the ability to:

- (i) close banking channels;
- (ii) assess losses; and
- (iii) reopen to customers,

with the associated activity to meet these requirements outlined in each deposit taker's RIP; and

(b) the resolution mechanism (such as haircuts, freezing by customer or product type) should be principles-based and determined for each deposit taker as part of their RIP.



43. In addition, NZBA agrees that CoAD should apply as a fallback option to Group 1 deposit takers (as indicated in paragraph 513 of the Consultation) and is generally comfortable with OBR-BS17 requirements being carried forward into the CoAD functionality. However:
- 43.1. as discussed above (as with other resolution tools) NZBA strongly encourages the Reserve Bank to take a tailored approach with an appropriate transitional time, so that resource can be focused on preferred tools. As CoAD is intended as a fallback option, the pre-positioning requirements for deposit takers should be scaled accordingly;
 - 43.2. the Reserve Bank should prioritise a clear and final decision that the CoAD Standard will not apply to current Group 2 deposit takers who are not currently subject to BS17 (as discussed in more detail in paragraphs 478 and 493 of the Consultation); and
 - 43.3. the Reserve Bank should further consider proposals to require variable suspension capability for term deposits (discussed further below); and
 - 43.4. we think there is an opportunity to simplify the approach as described in paragraph 14, incorporating the outcomes into deposit takers' RIPs in a way that reflects that deposit takers' bespoke systems and functionality. This would ensure that the functionality is proportionate and fit for purpose, while still meeting the intended outcomes, and is consistent with the principles-based approach to pre-positioning requirements under the Crisis Preparedness Standard.
44. As specific further comments:
- 44.1. It will be important to ensure that the CoAD framework does not unintentionally create broader economic instability due to business customers being unable to meet outgoing payment needs because of limited access or limited access within a timeframe, for example, meeting salary payments.
 - 44.2. We note the CoAD proposals focus on applying freezes to particular classes of liability (as a whole). We submit that any definition of a "class" of product should be carefully formulated to fit with deposit taker systems, and should ultimately be determined per deposit taker (based on that deposit takers systems and commercial categorisation) rather than requiring system re-design in service of an entirely consistent definition across deposit takers.
 - 44.3. As we discuss in paragraph 21 above, care should be taken when considering the category of "wholesale bonds", and whether it is intended to include retail/retailable bonds or bank bills.
 - 44.4. Testing of CoAD implementation plans (as discussed in paragraph 539 of the Consultation) should be suitably flexible – see our comments at paragraph 36.4 above.
 - 44.5. We suggest that greater clarity on the link between CoAD and critical functions which are expected to continue as part of the resolvability plan, would be beneficial. For example, is CoAD intended to be the primary mechanism to meet the 'Operational continuity' outcome for payment of



monetary claims operations (noting that CoAD is intended generally as a fallback tool for the Reserve Bank, as discussed above)?

Variable suspension capability for term deposits etc

45. In relation to the proposals to include variable suspension capability for term deposits and related, we respond to questions 25-29 as follows:

- *Q25 How easy or difficult would it be to identify and suspend access to all term deposits in systems terms (we are aware of the potential communication challenges)?*

46. We refer to our comments in paragraphs 11 to 13 above regarding the proposed approach to CoAD and variable suspension in particular.

- *Q26 How easy or difficult would it be to use single depositor view capability to identify and separate fully protected and unprotected portions of term deposits?*

47. NZBA considers that the relative difficulty of using SDV capability to identify and separate fully protected and unprotected portions of term deposits is likely to vary for each deposit taker, depending on that deposit taker's solution design. We expect individual deposit takers may submit on this point further.

- *Q27 Are there operational challenges in providing access to the protected portion of term deposits on maturity while suspending access to the unprotected portion, if any?*

48. There would be significant operational challenges in providing access to the protected portion of term deposits on maturity, while suspending access to the unprotected portion. This is likely to be the most operationally complex aspect of the proposal.
49. Providing access to the protected portion of a term deposit on maturity while continuing to suspend access to the unprotected portion would require significant additional functionality.
50. This would likely require changes to deposit systems, customer data architecture, operational processes and associated controls. Implementation complexity is expected to vary by deposit taker.

- *Q28 Are there other approaches that would deliver the same outcomes with lower operational complexity (we are open to manual processes)?*



51. At an industry level, NZBA does not currently have a preferred alternative approach. We support the Reserve Bank's objective of facilitating access to protected balances and maintaining depositor confidence. However, further industry engagement on implementation options would be beneficial before final requirements are determined. As discussed in paragraphs 13 and 14 above, given the variation and complexity across deposit takers' systems, the Reserve Bank should consider an approach that allows for differing approaches to CoAD by individual deposit takers as part of their RIPs, adopting some prescribed functionality and a broader principles-based approach to achieving the purpose of the Standard.
52. Accordingly, NZBA encourages the Reserve Bank to continue engaging with deposit takers to better understand whether there are implementation approaches that achieve the desired depositor outcomes while reducing system complexity and implementation burden.

- *Q29 Are there other liabilities (beyond 'wholesale liabilities', term deposits and the liabilities we would expect to be rapidly re-established) that should be considered for selective reinstatement?*

53. NZBA does not currently have strong views on additional classes of liabilities that should be subject to selective reinstatement. However:
- 53.1. As discussed above, consideration should be given to investor and other stakeholder concerns, particularly in relation to proposals that may upset creditor hierarchy.
- 53.2. Any expansion beyond the proposed term deposit categories should be carefully assessed against operational complexity, customer outcomes and resolution objectives.
54. In general, NZBA supports minimising the number of liability categories requiring this treatment wherever possible, as this is likely to improve operational simplicity, reduce implementation risk and support more effective execution during resolution.