



# **Application for Status as a Registered Bank:**

Material to be provided to the  
Reserve Bank

Prudential Supervision Department  
Document BS3

Issued: October 2009

## Introduction

1. This release identifies the information which should be provided to support an application to become a registered bank.
2. Applications should be addressed to the Governor of the Reserve Bank and two copies of the application should be provided. Any queries or requests for discussion should be addressed to the Head of Prudential Supervision, in the first instance.
3. The Reserve Bank will assess applications for registered bank status in the light of the criteria outlined in the document entitled '*Statement of Principles: Bank Registration and Supervision*' (BS1), copies of which are available from the Prudential Supervision Department or on the Bank's website.

## Overseas Investment Office

4. Applicants who are "overseas persons" in terms of the Overseas Investment Act 2005 should note that they may also require approval under that Act. Where necessary, a separate application should be made to the Overseas Investment Office: <http://www.linz.govt.nz/overseas-investment/>.

## Fees

5. A fee is payable to the Reserve Bank on application. The fees are as follows:

Applications from either a subsidiary or a branch of an overseas bank or a subsidiary of a New Zealand registered bank	\$21,000.00 (incl. GST)
All other applications -	\$36,000.00 (incl. GST)

## Material to be provided

6. The Reserve Bank of New Zealand Act 1989 requires the Reserve Bank to assess the following issues when determining an application for registration: incorporation and ownership structure, size and nature of business, ability to carry on business in a prudent manner, overseas banking laws and regulatory requirements, the nature and extent of financial and other information disclosed to the public in the home jurisdiction, the suitability of directors and senior managers for their positions, and the standing of the applicant and the owner of the applicant in financial markets. Therefore applicants are required to provide material relevant to each of these categories, as listed below. The

**BS3**  
**October 2009**

amount of detail which will need to be provided will vary according to the Reserve Bank's existing knowledge of the applicant. Generally speaking, a greater level of detail will be required from applicants without an established reputation in the banking industry.

**7. Incorporation and ownership structure**

- (a) Name of the proposed registered bank.
- (b) Method of incorporation.
- (c) Ownership of the proposed bank (including beneficial ownership where applicable), including details of major shareholdings and voting rights.
- (d) Structure charts showing relationships to other companies in the same group, including subsidiaries and associates of the proposed bank.
- (e) Proposed composition of the board and shareholder representation on the board, including details of directors' major business interests, where relevant.
- (f) For locally incorporated banks, the source(s) of initial capital.
- (g) For locally incorporated banks, the constitution of the proposed registered bank.

**8. Size and nature of business or proposed business**

- (a) A brief description of the services the proposed bank intends to provide and of the market sectors it plans to target.
- (b) Forecasts for the first 3 years of operation as a registered bank, covering balance sheet and profit and loss statement and including an outline of the basic assumptions made.

**9. Ability to carry on business in a prudent manner**

- (a) An outline of prudential policies to be employed by the proposed bank (e.g. policy on capital adequacy, liquidity risk management, management of exposure concentration etc).
- (b) An outline of the nature and extent of internal and external audit arrangements.

- (c) A brief outline of the accounting systems and internal controls for the proposed bank, including details of reporting to senior management and directors.
- (d) Where relevant, an outline of the arrangements for supervision of the New Zealand operations by the parent bank or head office.
- (e) A description of the proposed risk management systems and policies for all material business risks that the applicant may be exposed to, including details of reporting to senior management and directors on risk management.
- (f) If any business or any functions relating to any business of the registered bank are to be carried out by a person other than the registered bank (i.e. “outsourced”) please provide the following information:
  - details of the functions or business to be outsourced;
  - name(s) of the outsourcing provider(s);
  - description of the contractual arrangements between the applicant and the outsourcing provider(s), including reference to the law applicable to the contract;
  - an outline of arrangements in place to mitigate risks arising from the outsourcing or proposed outsourcing, including contingency arrangements to ensure that the applicant can continue to operate on a going-concern basis in the event of the outsourcing provider failing or becoming dysfunctional.
- (g) Capital structure of the proposed bank.
- (h) An outline of existing and proposed policies, systems and procedures to detect and deter money laundering and the financing of terrorism. Please also complete the BS3A questionnaire attached as Appendix One.

**10. Standing of the applicant and of the applicant’s owner**

- (a) A brief outline of the parent company's main activities and areas of expertise, including a list of the countries in which it is operating, where relevant.
- (b) A list of the major shareholders of the parent company or bank.
- (c) Financial accounts for the parent company or bank for the last 3 years.

- (d) Outline the extent and type of support that the parent will be providing to the applicant, including, where applicable, any arrangements which would allow the proposed bank to call upon additional capital. This should include a specific statement from the parent on the extent of future capital support that it is prepared to provide.

## **11. Suitability for their positions of the directors and senior managers of the applicant**

The Reserve Bank's policy in respect of suitability, when considering registration applications, applies to:

- (a) in the case of locally incorporated applicants, existing or proposed directors, the existing or proposed chief executive officer and existing and proposed executives who report directly to the chief executive officer; and
- (b) in the case of overseas incorporated applicants, existing directors, and the existing or proposed chief executive of the New Zealand operations.

**11A.** In this document, these persons are referred to as nominated office-holders. The information and documentation listed below is to be provided by, or on behalf of, each nominated office-holder.

- (a) Up-to-date curriculum vitae.
- (b) If the nominated office-holder has ever lived in New Zealand, an up-to-date copy of their New Zealand criminal record (subject to the provisions of the Criminal Records (Clean Slate) Act 2004), or verification that no criminal record information is held, as issued to the nominated office-holder by the New Zealand Ministry of Justice.
- (c) If the nominated office-holder has ever been resident overseas, but has not been subject to a foreign supervisory or regulatory authority's suitability assessment, copies of up-to-date criminal record reports from those jurisdictions in which the nominated office-holder has been resident. Note that the Reserve Bank may also make its own enquiries directly with relevant overseas authorities.
- (d) Written consent for the Reserve Bank to make enquiries about the nominated office-holder with any relevant supervisory or regulatory authority, in New Zealand or overseas, as the Reserve Bank considers necessary to establish the suitability of the nominated office-holder.

Further information on the Reserve Bank's suitability policy is in the Reserve Bank document, *Review of Suitability of Bank Directors and Senior Managers (BS10)*.

## **12. Law and regulatory requirements in the home jurisdiction**

Where the proposed bank is a branch or subsidiary of an overseas bank, the Reserve Bank will seek comment from the relevant overseas supervisory authority, before determining the application.

13. Where the applicant is an overseas person, or is a subsidiary of an overseas person, the Reserve Bank may require the following additional information. Prior to submitting an application, the applicant should discuss with the Reserve Bank whether these requirements will apply to the application.

Where the applicant is an overseas person, the Reserve Bank may require information on the law and regulatory requirements of the applicant's home jurisdiction that relates to:

- (a) the recognition and priorities of claims of creditors or classes of creditors in the event of the insolvency of the applicant;
- (b) the disclosure by the applicant of financial and other information of the kind that a registered bank must disclose under section 81 of the Reserve Bank of New Zealand Act 1989;
- (c) the accounting and auditing standards applicable to the applicant;
- (d) the duties and powers of directors of the applicant; and
- (e) the licensing, registration, authorisation and supervision of the applicant.

Where the applicant is a subsidiary of an overseas person, the Reserve Bank may require information on the law and regulatory requirements of the home jurisdiction of the overseas person that relates to:

- (a) the disclosure by the overseas person of financial and other information of the kind that a registered bank must disclose under section 81 of the Reserve Bank of New Zealand Act 1989;
- (b) the accounting and auditing standards applicable to the overseas person;
- (c) the duties and powers of the directors of the overseas person; and
- (d) the licensing, registration, authorisation and supervision of the overseas person.

**14. The nature and extent of financial and other disclosures**

The Reserve Bank may require the following additional information.

- (a) Where the applicant is an overseas person, the Reserve Bank may require information on the nature and extent of the financial and other information disclosed to the public by the applicant.
- (b) Where the applicant is a subsidiary of an overseas person, the Reserve Bank may require information on the nature and extent of financial and other information disclosed to the public by the overseas person.

Prior to submitting an application, the applicant should discuss with the Reserve Bank whether these requirements will apply to their application.

**15. Other**

Name of the person to whom questions about the application should be directed.

## APPENDIX ONE

**FORM BS3A**  
**QUESTIONNAIRE ON ANTI-MONEY LAUNDERING AND COMBATING THE**  
**FINANCING OF TERRORISM (AML/CFT)**

**TO BE USED IN SUPPORT OF APPLICATION FOR STATUS AS A REGISTERED BANK**

**Section 1: AML/CFT plans and culture***Question 1.1*

Describe your entity's programme (policies, systems and procedures) to detect and deter money laundering and terrorist financing.

*Question 1.2*

To what extent, and how, has this programme been implemented? Please identify any aspects that still remain to be implemented.

*Question 1.3*

Who is responsible for approving the programme, and overseeing its implementation?

*Question 1.4*

Has an AML/CFT compliance officer been appointed? What are the responsibilities of this position? What is the reporting line? Does that officer also have other duties?

*Question 1.5*

Describe what AML/CFT training is provided to staff. Which staff receive this training?

*Question 1.6*

To what extent are directors and senior management, and staff and prospective staff in positions to facilitate money laundering, subject to screening processes, and what are those processes?

*Question 1.7*

Are breaches of AML/CFT policies and procedures by staff required to be documented, and what processes are in place for dealing with such breaches?

**Section 2: Policies and procedures***Question 2.1*

Describe your entity's policies and procedures in respect of standard customer due diligence (CDD) including:

- determination of when standard CDD applies;
- identification and verification of customer's identity;
- identification and verification of beneficial owners;
- identification and verification of identity of persons acting on behalf of a customer, and verification of their authority to act on behalf of the customer; and
- obtaining information on the purpose of the business relationship with the customer.

*Question 2.2*

Describe your entity's policies and procedures in respect of enhanced CDD including:

- determination of when enhanced CDD applies; and
- the type of enhanced CDD applied relative to the level of risk.

*Question 2.3*

Describe your entity's policies and procedures in respect of politically exposed persons including:

- determination of who is a politically exposed person;
- approval from senior management to establish the business relationship; and
- steps taken to establish the source of wealth and funds involved in the business relationship.

*Question 2.4*

Describe your entity's CDD policies and procedures in respect of correspondent banking accounts (if applicable) including:

- gathering information about the respondent;
- determining the reputation of the respondent and the quality of its supervision;
- assessing the respondent's AML/CFT controls;
- approval from senior management to establish the business relationship;
- documentation of the AML responsibilities of both parties; and
- in respect of the maintenance of "payable through accounts", being satisfied as to the respondent institution's CDD policies and procedures for customers accessing the account, and the respondent's ability to provide CDD documentation on request.

*Question 2.5*

Describe your entity's policies and procedures in respect of simplified CDD, including:

- criteria for applying simplified CDD;
- types of products or customers to which simplified CDD applies; and
- type of simplified CDD applied.

*Question 2.6*

Describe your entity's policies and procedures in respect of ongoing CDD, including:

- determination of when and how ongoing CDD applies;
- type of ongoing CDD applied; and
- monitoring of transactions.

*Question 2.7*

Describe your entity's policies and procedures in respect of reliance on third parties to carry out relevant CDD, including:

- determination of when reliance on third party CDD applies;
- type of third party customer due diligence accepted; and
- access to CDD information from third parties.

*Question 2.8*

Describe your entity's policies and procedures in respect of terminating business relationships including:

- if CDD cannot be completed;
- false names and customer anonymity; and
- correspondent relationships with shell banks.

*Question 2.9*

Describe your entity's policies and procedures in respect of suspicious transactions reporting, including:

- use of standardised form (provide copy);
- information recorded;
- criteria on which suspicion based; and
- sign-off by authorised person.

*Question 2.10*

Describe your entity's policies and procedures in respect of record keeping including:

- what information is kept;
- the period of time for which information is kept; and
- in what form are records kept.

*Question 2.11*

Describe your entity's CDD policies and procedures in respect of cross-border electronic funds transfers (if applicable), including:

- obtaining and verifying information about the originator;
- record keeping in respect of originator information; and
- information attached to electronic funds transfers.

*Question 2.12*

Describe your entity's policies and procedures in respect of new or developing technologies that might favour anonymity, including:

- identifying such technologies; and
- what additional measures are taken.

**Section 3: Risk and policy assessments***Question 3.1*

What types of generic products does your entity already provide or plan to provide – check the appropriate boxes in the table at the end of this questionnaire.

*Question 3.2*

Are structured AML/CFT risk assessments to identify where risks may lie in your business undertaken or planned? How frequently are such assessments done or how frequently will such assessments be done? Who does or who will undertake such assessments? What happens or will happen to the results of the assessments?

*Question 3.3*

What plans are in place to review and audit the effectiveness of your entity's AML/CFT policies? Please provide details of any reviews or audits already undertaken (including details of when each review or audit took place, who undertook it, and what processes are in place to respond to the results).

*Question 3.4*

Does your entity have, or will it have, any branches or subsidiaries in other jurisdictions? If so, how are AML/CFT risks assessed for those establishments or how will they be assessed? How are AML/CFT risks managed or how will they be managed? How is compliance with your entity's AML/CFT policies and procedures within branches and subsidiaries ensured, or how will it be ensured?

**Product list**

<b>Type of product</b>	<b>Planned</b>  <b>Y/N</b>	<b>Already provided in NZ</b>  <b>Y/N</b>
Acceptance of deposits from public		
Lending		
Financial leasing (except on consumer products)		
Transfer of money or value		
Issuing or managing means of payment (e.g. credit or debit cards,		

**BS3**  
**October 2009**

<b>Type of product</b>	<b>Planned</b>  <b>Y/N</b>	<b>Already provided in NZ</b>  <b>Y/N</b>
cheques)		
Financial guarantees and commitments		
Trading in financial instruments, derivatives or foreign exchange		
Participation in, and financial services related to, securities issues		
Portfolio management		
Financial custodial services		
Funds management or administration		
Underwriting of life or investment related insurance		
Money and currency changing		