

Hon Bill English

Minister of Finance



25 July 2011

Media Statement

Govt toughens rules for non-bank finance firms

The Government is introducing legislation to further tighten the rules for non-bank deposit takers (NBDTs) – another step in lifting investor confidence in our financial institutions, Finance Minister Bill English says.

The Non-Bank Deposit Takers Bill introduces licensing requirements and strengthens the Reserve Bank's powers, completing a new regulatory regime for NBDTs. It will be introduced to Parliament next week.

"From 2006, deposits of about \$8.6 billion were put at risk by finance industry failures," Mr English says. "A key focus of this Government has been supporting measures to ensure the right protections are in place to lift investor confidence.

"Last year we implemented the first stage of prudential regulation for non-bank deposit takers – bringing in rules around credit ratings, risk management, governance, capital, related party exposures, and liquidity.

"This bill completes that regulation. It gives the Reserve Bank the power to remove directors and issue directions in certain circumstances."

The bill will require NBDT directors to notify the Reserve Bank if a director or senior officer triggers new prescribed suitability criteria. The Bank will have the power to remove those individuals.

The bill is expected to become fully effective on 1 June 2013, after a one-year transition period to enable existing NBDTs to meet the new licensing rules.

"This is part of a suite of measures designed to lift investor confidence in our finance sector and capital markets - we've established the Financial Markets Authority, put in place a new regime for financial advisers, required licensing of trustees and auditors and strengthened disclosure requirements.

"We've also outlined our plans to extend the mixed ownership model to some state-owned enterprises to further lift confidence and invigorate our markets by providing fresh opportunities for Kiwi investors," Mr English says.

Media contact: Grant Fleming 021 277 9869

