

[Date to add]

[CEO name to add]
Chief Executive Officer
[Bank name to add]
[Bank address to add]

Dear [CEO name to add]

New breach reporting requirements

As you will be aware, the requirement for registered banks to prepare off-quarter disclosure statements was removed from 31 March 2018. A consequence of this change is that any breaches of conditions of registration by a registered bank are now only published in disclosure statements on a six monthly basis. To compensate for the loss of information brought by this change, and to formalise existing arrangements around the private reporting of breaches to the Reserve Bank, we are issuing all registered banks with a notice under section 93 of the Reserve Bank of New Zealand Act 1989 requiring them to provide information to the Reserve Bank on any breaches of prudential requirements, and certain related matters.

This letter therefore gives you notice under section 93 of the Reserve Bank of New Zealand Act 1989 of the requirement to provide information on these matters.

Notice under Section 93 Reserve Bank of New Zealand Act 1989

Event-based reporting

If [bank name to add] (“the bank”) becomes aware of information that leads it to form a belief (or ought reasonably to have led it to form a belief) that it has breached, may have breached, or is likely to breach a specified requirement in a material respect at any time from 1 January 2021 onwards, the bank must notify the Reserve Bank as soon as practicable. The notification should take the form of a completed version of the reporting template set out in Annex 1.

Periodic reporting

i. Frequency and content of periodic reports

From 1 January 2021 the bank must provide the Reserve Bank with reports for the first and second six months of each of the bank’s accounting years setting out:

- Instances during the six month period where the bank has become aware of, and has concluded that there has been, a breach of a specified requirement; and

- Instances during the six month period where the bank has become aware that it may have breached, or is likely to breach, a specified requirement during the half-year, and where, at the date when the bank provides the report, it has not yet concluded whether or not a breach has occurred.

These reports should take the form of a completed version of the reporting template set out in Annex 2. If there has been no such instance to report the bank must submit a nil return.

ii. Timing of periodic reports

The periodic reports must be provided:

- For the first 6 months of the bank's accounting year, within 2 months of the end of that 6 month period;
- For the second 6 months of the bank's accounting year, within 3 months of the end of that 6 month period.

iii. Special arrangements for initial periodic report

For banks whose accounting year ends on 30 June or 31 December, the first periodic report due under this notice must cover the period from 1 January 2021 – 30 June 2021 (with the report due within 2 months of 30 June 2021 for banks whose accounting year ends on 31 December, and within 3 months of 30 June 2021 for banks whose accounting year ends on 30 June).

For banks whose accounting year ends on 31 March or 30 September, the first periodic report due under this notice must cover the period from 1 January 2021 – 31 March 2021 (with the report due within 3 months of 31 March 2021 for banks whose accounting year ends on 31 March, and within 2 months of 31 March 2021 for banks whose accounting year ends on 30 September).

Related matters

For the purposes of this notice, "specified requirement" means a requirement set out in any of the following instruments made under the Reserve Bank of New Zealand Act 1989:

- A condition of registration imposed under Section 74;
- A notice issued under section 80; or
- An Order in Council made under section 81.

Under the Reserve Bank of New Zealand Act information collected pursuant to this notice is confidential to the Reserve Bank and may only be disclosed outside the Reserve Bank in the circumstances listed in section 105 of the Act. Section 105(2)(d) of the Act permits the Reserve Bank to disclose this information for the purposes of, or in connection with, the exercise of powers under Part 5 of the Act. It is the Reserve Bank's intention to create a new page on its website for publishing actual material breaches of conditions of registration and section 80 credit rating notices commencing 1 January 2021.

Guidance

The enclosed document “Guidance on reporting by banks of breaches of regulatory requirements” provides further background information on the reporting obligations imposed by this section 93 notice.

If you have any further questions regarding this request, please contact the analyst for your bank in the first instance.

Yours sincerely

Andy Wood
Head of Supervision

Annex 1: Template for notifying the Reserve Bank of a material breach (event based reporting)

Bank	Contact details	Type of breach	Nature of breach	Category of breach	Date of breach	Date the bank became aware of the breach	Description of breach	Remediation plan
	<i>Name, position, and contact details of the relevant contact person</i>	<i>Identify (as applicable):</i> <ul style="list-style-type: none"> • <i>breach has occurred; or</i> • <i>breach may have occurred, but there is insufficient information to determine whether it has occurred; or</i> • <i>breach is likely to occur but has yet to be confirmed as having occurred</i> 	<i>Condition of Registration, section 80 notice, or Order in Council breach?</i>	<ul style="list-style-type: none"> • <i>Capital</i> • <i>Liquidity</i> • <i>Loan to Value restrictions</i> • <i>Governance</i> • <i>Credit ratings</i> • <i>Outsourcing</i> • <i>Connected exposures</i> • <i>Open bank resolution</i> • <i>Branch size</i> • <i>Other</i> 	<i>Date or date range of when the breach occurred / may have occurred / will likely occur</i>	<i>Date the bank became aware of the breach</i>	<i>Description and impact of the breach</i> <i>Note: Where possible, please include information on the scale of the breach, e.g. dollar amount involved, number of customers affected.</i> <i>How was the breach identified?</i>	<i>Remediation actions already undertaken by the registered bank and / or proposed actions to rectify the breach.</i> <i>Note: The bank may wish to leave this section blank if it has not yet formed a remediation plan.</i>

Annex 2: Template for notifying the Reserve Bank of breaches during a six-month period (periodic reporting)

Bank	Contact details	Type of breach	Nature of breach	Category of breach	Date of breach	Date the bank became aware of the breach	Description of breach	Date notified to Reserve Bank	Materiality (6-month reports only)	Remediation plan
	<i>Name, position, and contact details of the relevant contact person</i>	<i>Identify as applicable:</i> <ul style="list-style-type: none"> • <i>breach has occurred; or</i> • <i>breach may have occurred but there is insufficient information to determine whether it has occurred; or</i> • <i>breach is likely to occur but is yet to be confirmed as having occurred</i> 	<i>Condition of Registration, section 80 notice, or Order in Council breach?</i>	<ul style="list-style-type: none"> • <i>Capital</i> • <i>Liquidity</i> • <i>Loan to Value restrictions</i> • <i>Governance</i> • <i>Credit ratings</i> • <i>Outsourcing</i> • <i>Connected exposures</i> • <i>Open bank resolution</i> • <i>Branch size</i> • <i>Other</i> 	<i>Date or date range of when the breach occurred / may have occurred / will likely occur</i>	<i>Date the bank became aware of the breach</i>	<i>Description and impact of the breach.</i> <i>Note: Where possible, please include information on the scale of the breach, e.g. dollar amount involved, number of customers affected.</i> <i>How was the breach identified?</i>	<i>Date that the bank notified the RBNZ of the breach (if notified before the 6-month reporting date)</i>	<i>Whether or not the breach has previously been reported to the Reserve Bank as a material breach.</i> <i>For any non-material breach, an explanation of why the bank concluded it was not material.</i>	<i>Remediation actions already undertaken by the registered bank and / or proposed actions to rectify the breach.</i> <i>Note: The bank may wish to leave this section blank if it has not yet formed a remediation plan.</i>