



Guidelines for Non-bank Deposit Taker Licence applicants

Prudential Supervision Department

March 2014

Part 1: Introduction

Purpose of this document

- 1 This document provides guidance to firms that are applying to be licensed as a Non-bank Deposit Taker ('NBDT') by the Reserve Bank of New Zealand ('the Bank') under the Non-bank Deposit Takers Act 2013 ('the Act'). It provides guidance on the information that the applicant should provide to the Bank and explains the Bank's approach to assessing licence applications.
- 2 The information provided in this document is intended to assist applicants in compiling their application. Nothing in this guideline overrides the provisions of the Act or any regulations, nor does it affect other legislated requirements that apply to NBDTs.

Contacting the Bank

- 3 Responsibility for making a licence application and meeting key dates rests with the applicant. Each applicant is encouraged to contact the Bank to discuss their licensing plans prior to submitting an application. The contact details for the Bank are included at the end of this document. Our expectation is that applicants will familiarise themselves with the Act and the background information on the Bank website prior to such discussions.

Who should apply for a licence

- 4 All NBDTs will need to obtain a licence. An NBDT is defined in section 5 of the Act, and includes:
 - persons offering debt securities to the public in New Zealand who also carry on the business of borrowing and lending money or providing financial services, or both;
 - persons who were previously an NBDT, or were a deposit taker as defined by section 157C of the Reserve Bank of New Zealand Act 1999, and who still have debt securities that were issued to the public in New Zealand that remain unpaid; and
 - persons declared by regulations to be NBDTs.
- 5 Section 5(2) of the Act identifies some institutions that are not NBDTs for the purposes of the Act, including entities in liquidation, certain entities in receivership and persons declared by regulations not to be NBDTs.
- 6 Some NBDTs may be eligible for an exemption from one or more of the requirements of the Act, however they will still need to obtain an NBDT licence.

Part 2: Transitional arrangements for existing Deposit Takers

Licensing timescales

- 7 Transitional arrangements included in the Act provide “existing NBDTs” (those entities that were deposit takers under Part 5D of the Reserve Bank of New Zealand Act 1989 immediately before the Act came into force and are NBDTs under the Act) with a transitional period to obtain a licence. The transitional period ends on 30 April 2015, one year after the date that the Act comes into force. **However, existing NBDTs should be aware that applications for a licence should be submitted to the Bank by 31 August 2014 in order to ensure that their application is assessed and a decision made prior to the end of the transitional period.**

Exemptions

- 8 Exemptions granted under Part 5D of the Reserve Bank of New Zealand Act 1989 (which the Act replaces) will continue in force as if they were granted under section 70 of the Act.

Making a licence application – existing NBDTs wanting to become licensed NBDTs

- 9 The Bank anticipates the following sequence for licence applications from existing deposit takers:
- (a) In March 2014, NBDTs who intend to apply for a licence will begin developing the information required in their application, and interact with the Bank to discuss licensing issues as appropriate.
 - (b) In order for applications to be assessed and a decision made prior to the 30 April 2015 licensing deadline, applicants should submit the complete application (see paragraph 26) to the Bank by 31 August 2014.
 - (c) The Bank aims to make a licensing decision as soon as possible. However, applicants should note that this process is likely to take a minimum of three months from the receipt of a full application, and will take longer for more complex applications. The decision-making process is likely to take longer in the transitional licensing period due to the high volume of applications.
 - (d) Licence applications will be sequenced for administrative reasons within the Bank. Applicants should not infer anything from the order in which NBDTs receive a licence. The timing around the grant of licence does not relate to the prudential standing of the applicant.

Key dates for licence applications

- 10 31 August 2014 – Existing NBDTs should submit a complete licence application by this date in order to ensure that their application can be assessed, and a decision made, prior to the licensing deadline of 30 April 2015.
- 11 1 May 2015 – All existing NBDTs must be licensed.

Part 3: New NBDTs

- 12 Entities that wish to commence non-bank deposit taking business on or after 1 May 2014 must obtain an NBDT licence before taking deposits. Prospective NBDTs will normally need to provide the Bank with the same information required from existing NBDTs (where relevant), and we may request additional information where appropriate.
- 13 Prospective NBDTs are encouraged to contact the Bank to discuss their plans prior to developing an application.
- 14 Where an application is received from a prospective NBDT, the Bank will normally notify the applicant of our final decision within three months of receiving full information on all relevant criteria, although this will vary depending on the complexity of the application.

Part 4: The Licensing Process (for both existing and new NBDTs)

Licence requirements

- 15 The matters that the Bank must take into account when assessing a licence are set out in section 14 of the Act. The Bank must not grant a licence to an applicant unless:

14(1)(a) the Bank is satisfied that the applicant, if licensed, would be able to comply, on an ongoing basis, with this Act and the regulations (having regard to any exemptions granted or likely to be granted under section 70), and the proposed conditions (if any) of its licence; and

14(1)(b) the Bank has received a suitability notice for each director and senior officer, or proposed director and senior officer, of the applicant and the Bank has issued a notice of non-objection in relation to any such person who raises suitability concerns.

- 16 In determining an application, the Bank must also have regard to the matters set out in section 14(2) of the Act. In summary, these matters are:
- (a) Appropriateness of ownership and incorporation / ownership structure;
 - (b) Ability to comply with the Securities Act 1978 and the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 on an ongoing basis;
 - (c) Compatibility of other activities carried on by the applicant with the business of being an NBDT;
 - (d) Quality of overseas regulatory requirements (if applicable); and
 - (e) Any other matters stipulated in regulations. There are currently no such regulations and none are currently anticipated by the Bank).

The Bank's approach to assessing the applicant

- 17 Applicants will need to demonstrate that they have the ability to meet the requirements of the Act and the regulations (having regard to any exemptions granted or likely to be granted), and the proposed conditions of its licence (if any) on an ongoing basis. Not only will the Bank need to assess whether the applicant is compliant at the date a licence will be granted, the Bank must be satisfied that the applicant would be able to comply with the relevant requirements of the Act on an ongoing basis.
- 18 The financial forecasts provided by the applicant will be used as one indicator of its ability to comply with the capital, liquidity and related party exposure requirements of the Act on an ongoing basis. The Bank does not expect that applicants will need to develop sophisticated models to provide this information. However, the Bank does expect the information to be based on reasonable assumptions using information available to the applicant at the time that the forecast is made. The information will be treated by the Bank as forecast information only, with an understanding that there are a number of factors that may cause actual performance to diverge from that forecasted.
- 19 The Bank will take a holistic approach to assessing the information provided. For example, when assessing an applicant's ability to meet the capital ratio requirements, the Bank might refer to the financial projections, the risk management programme, the governance arrangements and compliance with relevant prudential regulatory requirements in the past.
- 20 Where the Bank identifies concerns, these will be discussed with the applicant, providing applicants with the opportunity to address these concerns before a licensing decision is made.
- 21 As part of its assessment, the Bank may identify that further information, or clarification of certain points, is required. As such, the licence assessment process may involve an ongoing dialogue between the Bank and the applicant.

- 22 Where an applicant, or potential applicant, has any doubt about its ability to comply with the requirements of the Act, regulations or the proposed conditions of its licence on an ongoing basis, it should raise this matter with the Bank as soon as possible in the licensing process.
- 23 The "[Guidance note on suitability assessments under the Non-bank Deposit Takers Act 2013](#)" (PDF 215KB) explains the Bank's approach to assessing suitability notices and making decisions on the suitability of directors and senior officers that raise suitability concerns.

Overseas Applicants

- 24 An NBDT who is an overseas person will still need to apply to the Bank for an NBDT licence. However, the Bank may take into account the law and regulatory requirements of the applicant's home jurisdiction in making its assessment.

Licensing fees

- 25 There is a provision in section 12(b) of the Act to impose licensing fees. No fees are currently proposed.

Part 5: Submitting an application (for both existing and new NBDTs)

What to send to the Bank

- 26 The applicant should provide a complete application to the Bank in one pack. A complete application pack includes the following:
- (a) Completed NBDT licence application form, together with any additional information (including a completed financial information workbook) provided as part of this form;
 - (b) Where appropriate (see section 3 of the NBDT licence application form), a copy of controller forms for corporate and individual controllers, together with any additional information provided as part of those forms;
 - (c) Suitability notices for all directors and senior officers of the applicant, together with any additional information required by the Bank (see paragraph 29 of the "[Guidance note on suitability assessments under the Non-bank Deposit Takers Act 2013](#)" (PDF)). The bank also requests information about the individual's criminal record, as explained in paragraph 66 of that suitability assessment guidance note.

How to send the information to the Bank

27 All information should be provided to the Bank in soft copy (i.e. electronic / digital documents) unless otherwise specified. However, the following information also needs to be provided in hard copy:

- (a) Completed and signed NBDT licence application form;
- (b) Completed and signed controller forms; and
- (c) Completed and signed suitability notices for directors and senior officers.

Hard copies should be posted to the Bank using the address at the end of this document.

28 Soft copy documents should be sent to the Bank by e-mail, using the e-mail address at the end of this document or by way of a data storage device (e.g. CD, memory stick) posted to the Bank using the postal address at the end of this document.

Further instructions on completing the NBDT licence application form

29 The application form includes space for the applicant to list the document(s) that provide the required information. The title of the document the applicant submits should match the comparable title noted in the application form. A separate document is not necessarily required for each piece of information. However, where one document covers more than one piece of the information required, the document should ideally make it clear which sections of the application form the information applies to.

Contact for further information**Website**

http://www.rbnz.govt.nz/regulation_and_supervision/non-bank_deposit_takers/

Email

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