

Updated Capital Review Implementation Timeline

As at 5 May 2021

These are the elements that will be implemented during 2021 and the beginning of 2022:

Completed on 31 March 2021	<ul style="list-style-type: none"> • Consultation on exposure drafts of revised Banking Supervision Handbook, including revised definition of capital instruments and framework for distribution restrictions and supervisory actions once a bank enters its prudential capital buffer.
June 2021	<ul style="list-style-type: none"> • Revised Banking Supervision Handbook published, along with response to submissions. • Process for banks wishing to apply for recognition of new Tier 2 capital instruments prior to 1 October 2021 communicated to industry. The Reserve Bank will modify its current non-objection processes to accommodate new Tier 2 instruments issued in the period up to 1 October 2021, with the non-objection process completely replaced by new processes from 1 October 2021 onwards. • Banks can apply for recognition of new Tier 2 capital instruments, subject to meeting the Reserve Bank's processes.
1 October 2021	<ul style="list-style-type: none"> • All components of revised Banking Supervision Handbook take effect, including new processes for the recognition of capital instruments.
1 January 2022	<ul style="list-style-type: none"> • Derecognition of non-qualifying AT1 and Tier 2 instruments begins • IRB banks required to report IRB and Standardised capital calculations (dual reporting) • Output floor on IRB exposures set at 85% • For IRB banks, Sovereign and Bank exposures move to Standardised approach
Q4 2021 and H1 2022	<ul style="list-style-type: none"> • Consultation on Standardised Measurement Approach for Operational Risk (Q4 2021 or H1 2022) • Consultation on the operational framework for the countercyclical capital buffer (H1 2022)

The phasing of the implementation of the increase in capital buffers and the IRB scalar is shown below:

1 July 2022¹	<ul style="list-style-type: none"> • D-SIB buffer set at 1%
1 October 2022	<ul style="list-style-type: none"> • IRB scalar increases from 1.06 to 1.2
1 July 2023	<ul style="list-style-type: none"> • D-SIB buffer increases from 1% to 2%
1 July 2024	<ul style="list-style-type: none"> • Minimum Tier 1 capital requirement increases from 6% to 7% • Minimum Total capital requirement increases from 8% to 9%
1 July 2025	<ul style="list-style-type: none"> • Conservation buffer increases from 2.5% to 3.5%
1 July 2026	<ul style="list-style-type: none"> • Conservation buffer increases from 3.5% to 4.5%
1 July 2027	<ul style="list-style-type: none"> • Conservation buffer increases from 4.5% to 5.5%
1 July 2028	<ul style="list-style-type: none"> • Countercyclical capital buffer set at 1.5% • Non-qualifying AT1 and Tier 2 instruments fully derecognised

¹ Changes take effect from this date, meaning the 1% D-SIB buffer would be reflected in D-SIB banks' reporting, e.g. on the RBNZ Dashboard, for 30 September 2022 (not 30 June 2022). This logic also applies to the IRB scalar and other capital ratio changes.