

# Proportionality Framework

Response to Submissions on Consultation

March 2024



Reserve Bank  
of New Zealand  
**Te Pūtea Matua**



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## Background

From July to September 2023 the Reserve Bank of New Zealand – Te Pūtea Matua (the Reserve Bank or we) consulted on its proposed proportionality framework<sup>1</sup>. The framework sets out how we will take into account the proportionality principle when developing standards under the Deposit Takers Act 2023 (the DTA or the Act).

In this *Response to Submissions* document, the Reserve Bank responds to the feedback received during the consultation. We thank all respondents for their thoughtful feedback and information.

Feedback from stakeholders is a valuable and important part of the policy development process. Submissions give us information and insights that we would not otherwise have access to. While we are not always able to accommodate all views in the final policy positions – including in cases where we may disagree with feedback provided - we genuinely want to hear your perspectives to give us a broader context when developing DTA standards and regulation more broadly. We acknowledge there is variability across the deposit taking sector and each organisation has a unique point of difference, which makes for a sector that can serve a diverse range of New Zealanders.

We are committed to working with the sector to ensure regulation is proportionate. We do not envisage that prudential standards will be 'one size fits all'. We have thought carefully about developing standards that are suitable for the size and other characteristics of each deposit taker, while ensuring the safety and soundness of individual deposit takers.

The long-term outcome of implementing the DTA is to achieve a resilient, stable and inclusive financial system that contributes to the well-being and prosperity of all New Zealanders and a sustainable and productive economy.

Under the DTA, the Reserve Bank will regulate and supervise deposit takers within a single regulatory regime. Deposit takers comprise a range of entities including banks, building societies, credit unions and finance companies. These entities are currently regulated separately as banks and non-bank deposit takers (NBDTs) under separate regulatory regimes.

The consultation paper explained how we would balance the costs and benefits of prudential standards for different groups of deposit takers, having regard to the following:

- (a) the size and nature of the businesses of different deposit takers;
- (b) the extent to which a range of different requirements are necessary or desirable to promote the safety and soundness of each deposit taker;
- (c) the relative importance of different deposit takers to the stability of the financial system.

In November 2023, we published all submissions received during the consultation in full and a *Summary of Submissions*<sup>2</sup>.

We have considered the feedback received on the draft proposed proportionality framework and made refinements based on stakeholder feedback. The finalised proportionality framework has been published alongside this document.

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<sup>1</sup> The consultation materials are available here: <https://www.rbnz.govt.nz/have-your-say/2023/deposit-takers-act-2023-proportionality-framework-consultation>

<sup>2</sup> The Summary of Submissions and the full submissions are available here: <https://www.rbnz.govt.nz/have-your-say/2023/deposit-takers-act-2023-proportionality-framework-consultation>

The Reserve Bank will use the proportionality framework when developing standards for deposit takers. We intend to launch the first policy consultation on core standards in May/June 2024. An indicative timeline for the consultations is available on the Reserve Bank's website<sup>3</sup>.

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<sup>3</sup> An indicative timeline for further consultations on standards under the DTA is available here: <https://www.rbnz.govt.nz/regulation-and-supervision/depositor-compensation-scheme/dta-dcs-timeline>

## Consultation Process

Consultation on our proposed proportionality framework was held from 31 July 2023 to 25 September 2023.

The Reserve Bank received 14 submissions comprised of:

- six from the banking sector:
- eight from the non-bank deposit taker (NBDT) sector.

Two of these were joint submissions – one on behalf of 11 separate NBDTs and the other on behalf of four banks.

In addition to receiving the written submissions, we hosted industry workshops and discussed the consultation material with stakeholders in August 2023<sup>4</sup>. We also engaged further with some respondents who requested bilateral meetings.

## Our response to feedback

This section outlines our responses to the consultation feedback. The contents of this section align with the key themes and the consultation questions in the *Summary of Submissions* that we published in November 2023.

The changes that we made during the refinement of the proportionality framework include stylistic changes and clarifications to improve accessibility.

This table summarises the key themes of the feedback and the Reserve Bank's decisions. Other feedback is described in more detail below.

Themes of feedback	Response / Decision
<b>Proportionality Framework:</b> Broad support for our proposed approach to grouping deposit takers, variation and transitioning deposit takers between groups.	Based on this broad support, we have decided to maintain our proposed approach.
<b>Description of standards:</b> Rather than the terms “baseline, enhanced, comprehensive”, the following terms would better describe a proportionate application of standards: “simplified, baseline, comprehensive” or “simplified, standard, enhanced”.	Responding to the feedback, we removed the descriptive labels from the three groups, and simply labelled the Groups 1, 2 and 3. We hope this reduces complexity. To address the substance of the queries around the use of the different terms, in the next section of this document, we have included a diagram illustrating how the comprehensive dimension could be considered together with the strength dimension, when we develop standards. The term “baseline” describes the baseline requirements that all the licensed deposit takers must meet in order to operate within the system.

<sup>4</sup> <https://www.rbnz.govt.nz/regulation-and-supervision/depositor-compensation-scheme/industry-engagement>

Themes of feedback	Response / Decision
<p><b>Other DTA Principles:</b> Should other DTA principles (e.g. competition, diversity of access and compliance costs) be explicitly included and referred to within the proportionality framework?</p>	<p>The Reserve Bank will consider all other relevant principles when developing standards, alongside the factors set out in this proportionality framework. The DTA requires the proportionality framework to set out how the Reserve Bank considers the proportionality principle only when developing standards (as per section 77 of the Act). Accordingly, the absence of reference to the other principles does not reflect a lack of importance, but rather a technical, legal issue as to the scope of the framework itself.</p>
<p><b>The nature of businesses:</b> Should “the nature of businesses of different deposit takers” be considered in the framework more explicitly? For example, for-profit vs not-for-profit.</p>	<p>Responding to the feedback, we have clarified how the framework allows us to accommodate the ‘nature of business’ in designing prudential standards, without a more detailed break-down of business models within the framework itself.</p> <p>The ‘nature of business’ of locally incorporated deposit takers is captured through the flexibility towards variation from the grouping approach in the proportionality framework.</p> <p>We also explicitly grouped overseas deposit takers together within the proportionality framework. We will develop standards for them having regard to the nature of their business among other required elements.</p> <p>If an appropriate/compelling factor for ‘the nature of business’ is additionally identified in the future, we would consider updating the framework.</p>
<p><b>Framework for identifying domestic systematically important banks (D-SIBs):</b> Maintaining two separate mechanisms to identify D-SIBs may create unnecessary confusion.</p>	<p>To address the concerns, we have clarified, in the framework, that the Reserve Bank will replace the current D-SIB identification mechanism with the proportionality framework on the day that the standards under the DTA come into force. Those deposit takers who are in Group 1 will be recognised as D-SIBs.</p>

## Key Themes

### DTA Principles: competition, inclusion and compliance costs

Several respondents asked for other DTA principles to be explicitly included and referred to within the proportionality framework, specifically:

- the need to maintain competition within the deposit-taking sector;
- the desirability of the deposit-taking sector comprising a diversity of institutions to provide access to financial products and services to a diverse range of New Zealanders; and

- the need to avoid unnecessary compliance costs.

#### The Reserve Bank's response

Section 77 of the DTA requires the Reserve Bank to publish a proportionality framework setting out how the Reserve Bank will take into account the proportionality principle only when developing standards. However, responding to the feedback, we have added a note in the framework making it explicit that when issuing standards, the Reserve Bank will take into account other DTA principles (as noted above) alongside the factors set out in the proportionality framework.

### **The nature of different deposit takers' business models**

Multiple respondents noted that the DTA requires the Reserve Bank to 'have regard to the size and nature of businesses of different deposit takers' when preparing the proportionality framework. Those respondents suggested that the Reserve Bank had not put as much weight on the 'nature' of business of regulated entities compared to their size. Respondents commented that, while the proportionality framework clearly used total asset size to group deposit takers, more consideration could be given to the business practice of entities.

Some respondents further asked that the Reserve Bank split the proposed Group 3 (comprised of mostly NBDTs) into two separate groups: 'mutuals' and 'finance companies'. One respondent commented that mutuals do not have 'for-profit' motives to drive risky behaviour, have benefits for financial inclusion, and can play an important counter-cyclical role by increasing deposits in times of financial shocks.

#### The Reserve Bank's response

We have added text to clarify that the Reserve Bank had regard to the nature of the businesses of different deposit takers.

We also explicitly grouped overseas licensed deposit takers together within the proportionality framework. Overseas licensed deposit takers are branches of overseas-incorporated deposit takers ('branches'). Their nature of business and legal structure necessitate requirements that are different from licensed deposit takers incorporated in New Zealand. An overseas licensed deposit taker is regulated and supervised by both the Reserve Bank and the relevant overseas supervisor. In New Zealand, overseas licensed deposit takers will be restricted to engaging in wholesale business and will not be permitted to take retail deposits or offer products or services to retail customers<sup>5</sup>. The Reserve Bank therefore separately develops standards for overseas licensed deposit takers. We originally proposed a separate process for developing standards for overseas licensed deposit takers in the proportionality framework, having had regard to the nature of their business and necessity for requirements in New Zealand.

We also clarified that the nature of business of deposit takers that are incorporated in New Zealand ('locally incorporated deposit takers') is captured through flexibility to depart from the grouping approach in the proportionality framework in developing specific standards. The variation of capital instruments available for mutual banks is a practical example of how we have previously considered the nature of business through variations to the requirements<sup>6</sup>.

We considered whether to explicitly separate Group 3 deposit takers into two separate groups (e.g. mutuals / finance companies, or non-profit / for profit). However, we consider that our current approach is preferable because:

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<sup>5</sup> <https://www.rbnz.govt.nz/have-your-say/review-of-policy-for-branches-of-overseas-banks>

<sup>6</sup> <https://www.rbnz.govt.nz/have-your-say/2022/capital-instruments-for-mutual-banks>

- There are mutuals in both Groups 2 and 3, so splitting only Group 3 into two groups could result in inconsistent treatment of similar institutions.
- To the extent that mutuals or non-profits engage in less risky behaviour, this is likely to already be captured in relevant regulatory standards. For example, capital adequacy requirements are determined as a proportion of risk-weighted assets, so institutions that are engaging in less risky lending could hold less capital.

In the future, however, if any appropriate/compelling additional factors for 'the nature of business' are identified, we would consider updating the proportionality framework to incorporate the factors in the grouping approach.

During the development process of this proportionality framework, we considered more complex mechanisms for the grouping including 'the nature of business' factors for this proportionality framework. However, the Reserve Bank's analysis, based on the data currently available, found that there was no significant difference between an asset-based grouping and groupings using a broader range of indicators including the nature of businesses (such as business model, systemic importance, interconnectedness, complexity of business). In our view, a simple and transparent indicator helps deposit takers to easily understand the prudential requirements for each group and to plan for their future growth. This also contributes to avoiding unnecessary compliance costs. Therefore, the nature of business is captured through a combination of the asset-based grouping approach and the potential variations from the grouping approach.

## **Purposes of the Deposit Takers Act**

We received a range of feedback on the following statement in the consultation paper: *"For non-bank deposit takers (Group 3) requirements are likely to be strengthened overall under the Act relative to the status quo. This reflects the overall shift to a more intensive regulatory and supervisory regime in New Zealand, in line with the statutory purposes under the Act."*

Multiple respondents suggested that the purpose of the DTA was not 'imposing a more intensive regulatory regime'. Instead, these respondents stated that the DTA's purpose is to modernise and harmonise the regime across different categories of regulated entities, as well as enabling greater powers of supervision and introducing deposit insurance.

Some respondents acknowledged that the intention of the proportionality framework is not to lower existing prudential standards, but ensure that regulation is appropriately tailored across deposit takers.

One respondent noted the desirability of ensuring that the proportionality framework does not lead to a lowering of standards across the industry, and that the gap in requirements between the different groups is relatively small. This respondent referred specifically to the recent failure of smaller deposit takers in the United States, which caused a significant elevation of risk in the financial system.

### The Reserve Bank's response

We acknowledge the range of feedback, and the magnitude of change that the DTA represents for deposit takers in New Zealand. We will continue to work with our regulated entities to manage and support this change, as we move towards a more modern regulatory framework.

The DTA completes the legislative reforms including the replacement of the Banking (Prudential Supervision) Act 1989 and the Non-bank Deposit Takers Act 2013<sup>7</sup>. These legislative reforms resulted from the Review of the Reserve Bank of New Zealand Act 1989 to modernise the Reserve Bank's framework for prudential regulation and supervision of the deposit-taking sector. Uplifted supervision is underpinned by the Reserve Bank's increased use of formal regulatory requirements which will also make supervisory expectation more transparent<sup>8</sup>. This responds to a variety of recommendations by the International Monetary Fund in the Financial Sector Assessment Program review in 2027 to increase the regulatory and supervisory intensity of our regime.

Importantly, the DTA purposes have also been extended to cover not only the soundness of the financial system as a whole, but also to ensure the safety and soundness of **each deposit taker**, and the maintenance of public confidence in the financial system. Coupled with the introduction of the Depositor Compensation Scheme, which socialises the cost of individual entity failure, the regime does deliberately reflect a step up in regulatory intensity. We also acknowledge that even relatively small deposit takers play an important role in their local communities and society by providing financial services and products.

### **Potential implications of the Deposit Takers Act for some deposit takers**

Some respondents requested further articulation of these statements in the consultation paper: *"all deposit takers need to be safe and sound, and all promote public confidence in the financial system [...] The prudential requirements applicable to Group 3 therefore still need to meet prudential baselines. [...] This means that [...] Some deposit takers may need to modify their business model to meet the minimum standards. Others may need to assess their viability in line with operating in a well-regulated competitive marketplace"*.

One respondent argued that these statements ran counter to Parliament's intention with the proportionality framework.

#### The Reserve Bank's response

We appreciate the feedback from respondents, and again acknowledge the scale of regulatory change and the current uncertainty as to where the new prudential standards will be set. However, operating a regulated deposit taker does come with responsibilities, including a need to meet baseline requirements to be safe and sound and to promote public confidence in the financial system.

We understand that Group 3 deposit takers pose much less systemic risk than deposit takers in the other Groups, and have lower operational capability to manage detailed requirements or to absorb additional regulatory burden. However, Group 3 deposit takers still play an important role, along with larger deposit takers, in serving New Zealanders and promoting access to a diverse range of financial services. Because of their role in society and the economy, regardless of size, all deposit takers need to be safe and sound, and all promote public confidence in the financial

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<sup>7</sup> The Banking (Prudential Supervision) Act 1989 for banks <https://www.legislation.govt.nz/act/public/1989/0157/latest/whole.html#DLM1606600>

The Non-bank Deposit Takers Act 2013 for NBDTs <https://www.legislation.govt.nz/act/public/2013/0104/latest/whole.html#DLM3918921>

<sup>8</sup> Review of the Reserve Bank Act 1989 Phase 2 – Terms of Reference <https://www.treasury.govt.nz/sites/default/files/2018-06/rbnz-3933712.pdf>

The International Monetary Fund's Financial System Stability Assessment on New Zealand <https://www.imf.org/en/Publications/CR/Issues/2017/05/08/New-Zealand-Financial-Sector-Assessment-Program-Financial-System-Stability-Assessment-44886>

system. The prudential requirements applicable to Group 3 therefore still need to meet prudential baselines, and the Act requires this.

If a deposit taker is unable to meet the baseline requirements, the deposit taker may need to modify its business model to meet the baseline for licensed deposit takers, or assess its viability for carrying out regulated activities.

However, this does not mean that the Reserve Bank will take a 'one-size-fits-all' approach to prudential regulation. Taking a proportionate approach – that is, balancing the costs and benefits of regulation – is important, as it means that the public can benefit from a safe, sound, and stable deposit-taking sector, but also one that can be diverse, innovative and inclusive.

## Consultation Questions

### **Question 1 - Do you have any comments on our interpretation of the meaning of proportionality?**

Respondents generally agreed with our interpretation of the meaning of proportionality, and the dimensions of 'strength' and 'simplicity'. Many respondents noted their understanding that the proportionality framework is not intended to result in any lowering of prudential standards.

One respondent suggested that the Reserve Bank's interpretation of proportionality was not clear, and that it was overly focused on simplicity and increased prudential conservativeness. The respondent suggested that this was opposed to the approaches of the Bank for International Settlements (BIS) or the Bank of England, which recognise that regulatory intensity should correlate to the level of risk posed to financial system stability.

#### The Reserve Bank's response

We acknowledge the range of feedback, and have decided to maintain our proposed approach for the reasons explained below.

The proportionality framework assists us to balance the costs and benefits of requirements for different groups of deposit takers by looking at their risk profile and systemic importance. When we adjust the strength and comprehensiveness of particular requirements, we will consider various elements to achieve the purposes of the Act. These elements include the business model and risk profile of the deposit taker.

When we simplify methodologies to measure risks in standards, we may find that the simplified methodologies are not sensitive enough to measure the risk precisely. In that case, we would compensate the simplification with conservativeness. A practical example is that risk-weights used for simplified methodologies are generally more conservative under the capital adequacy framework.

It is important to recognise the difference in our regulatory regime as compared to other relevant jurisdictions, in particular our requirement to ensure the safety and soundness of each deposit taker and not just focus on systemic importance.

## **Question 2 - Do you have any comments on the proposed scope of the proportionality framework?**

Respondents expressed support for the proposed scope of the proportionality framework.

### The Reserve Bank's response

Based on the feedback, we have decided to maintain our proposed approach with a modification to explicitly group overseas deposit takers together within the proportionality framework. For further details, please refer to the nature of different deposit takers' business models section above.

## **Question 3 - Do you have any comments on our proposed three-tier grouping approach for designing proportionate standards?**

Respondents generally expressed support for the three-tiered grouping system.

Three respondents commented that the 'total asset size' basis for the groups may be misleading without factoring in the business model or nature of the business. One respondent encouraged further engagement with NBDTs to better understand their business models.

One respondent noted that the proposed Group 3 will contain entities with differing business models, with some suggesting dividing the group into 'mutuals' and 'finance companies'.

Some respondents proposed different terms to describe the standards likely to be applicable to each group. Their proposals were to replace our proposed terms (baseline, enhanced, comprehensive), with either "simplified, standard, enhanced" or "simplified, baseline, comprehensive". One respondent noted that the Reserve Bank had already used the language "simplified" in the Liquidity Policy Review.

Two respondents suggested that deposit takers should be grouped using the existing domestic systematically important bank (D-SIB) classification model and argued that introducing a separate system of grouping deposit takers brings unnecessary complexity and ambiguity.

### The Reserve Bank's response

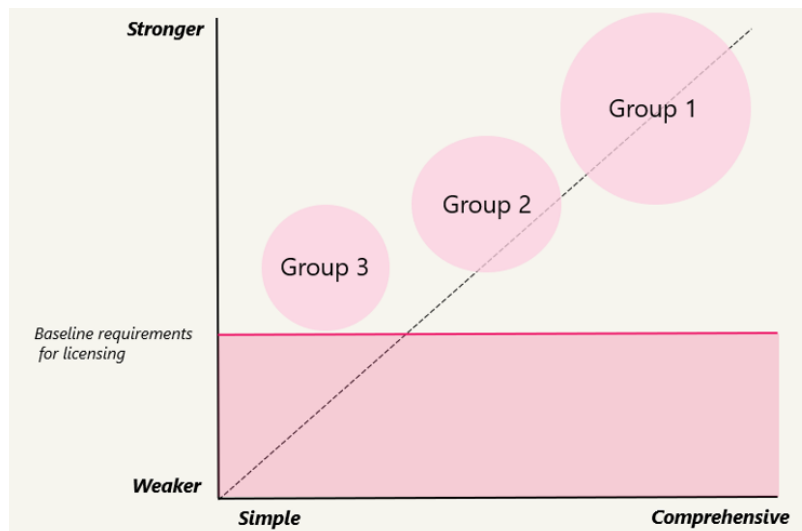
We acknowledge the range of feedback, and have decided to maintain our proposed approach.

For the nature of business, please refer to *the nature of different deposit takers' business models* section above.

Responding to the feedback, we removed the descriptive labels from the three groups, and simply labelled Groups 1, 2 and 3. We also added the diagram below illustrating how the comprehensiveness dimension could be considered together with the strength dimension, when we set requirements in prudential standards.

We expect that systemically important deposit takers will be subject to strong and comprehensive requirements, while small deposit takers will be subject to proportionately strong and simple requirements.

The term "baseline" describes the baseline requirements that all the licensed deposit takers must meet in order to operate within the system. Baseline requirements are key for deposit takers to be safe and sound and to promote public confidence in the financial system.



We heard concerns in relation to the D-SIB identification. We have considered two options<sup>9</sup>:

- Replacing the current framework for identifying D-SIBs with the proportionality framework and recognising deposit takers in Group 1 as D-SIBs<sup>10</sup>
- Using the D-SIB status determined through the current framework for identifying D-SIBs as a metric to form Group 1.

During the development of the proportionality framework, we considered various indicators for the grouping. These included size, interconnectedness, substitutability and complexity. The Reserve Bank's analysis, based on the data currently available, identified that there was no significant difference between an asset-based grouping and groupings using a broader range of indicators.

In our view, a simple and transparent indicator helps deposit takers to easily foresee prudential requirements, including those for D-SIBs and plan for their future growth.

Therefore, the Reserve Bank has decided to replace the current framework for identifying D-SIBs with the proportionality framework. The new approach will take effect on the day that the standards under the DTA come into force. Those deposit takers who are in Group 1 will be recognised as D-SIBs.

#### **Question 4 – Do you have comments on the relevant factors we have identified for tailoring standards proportionately?**

Most respondents agreed with the factors that the Reserve Bank had identified for developing standards proportionately.

Some respondents, however, suggested that we had not considered all relevant factors and encouraged the Reserve Bank to explicitly refer to all the principles in section 4 of the DTA.

Two respondents from the banking sector suggested that the standardised approach to calculating capital requirements is 'stronger' than the Internal-Ratings Based approach. Using this approach

<sup>9</sup> Please note that a framework for identifying D-SIBs focuses only on how to identify D-SIBs and does not cover the requirements applicable to D-SIBs (e.g., additional capital buffer).

<sup>10</sup> <https://www.rbnz.govt.nz/regulation-and-supervision/oversight-of-banks/standards-and-requirements-for-banks/requirements-for-domestic-systemically-important-banks>

would therefore penalise non-D-SIB banks and would not be an accurate reflection of the 'strength' dimension for tailoring standards under the proportionality framework.

#### The Reserve Bank's response

We acknowledge the range of feedback. Based on the feedback, we have decided to maintain our proposed approach for the reasons outlined above.

The purpose of the proportionality framework is to set out how we will take into account the proportionality principle when developing standards. It is not designed to cover the other principles (such as the need to maintain competition within the deposit-taking sector).

We however stress that this does not make the other principles in section 4 of the Act any less important and they will be taken into account when issuing individual standards, as required by the Act.

For further details, please refer to our response in the section above about the *DTA Principles: competition, inclusion and compliance costs*.

The Internal-Ratings Based approach is in general more risk sensitive compared with the standardised approach. Therefore, a standardised approach tends to be accompanied with higher risk weights to compensate the lower risk sensitivities. We will develop individual standards including capital standard in accordance with the proportionality framework. We plan to consult on individual standards later in 2024.

### **Question 5 – Do you have any comments on our proposed approach to grouping deposit takers (i.e., average total assets over a one-year period, the threshold and flexibility to vary from the grouping approach)?**

Respondents generally supported the approach for grouping deposit takers.

One respondent suggested splitting Group 3 into 'mutuals' and 'finance companies'. Other respondents suggested explicitly factoring in the nature of different business of deposit takers.

#### The Reserve Bank's response

Based on the feedback, we have decided to maintain our proposed approach.

For the nature of different businesses, please referred to *the nature of different deposit takers' business models* section above.

### **Question 6 - Do you have comments on our proposed approach for transitioning deposit takers between groups?**

Respondents generally expressed support for the proposed approach for transitioning deposit takers between groups. A respondent noted benefits from voluntarily moving into a higher group.

One respondent, however, requested that the Reserve Bank does not allow for the possibility of entities to opt into higher prudential requirements in the proportionality framework. The respondent suggested that this might confuse the boards of regulated entities and make them think that they should always choose to do this.

One respondent expressed a desire to work with the Reserve Bank in developing guidelines for entities to transition between groups.

### The Reserve Bank's response

Based on the feedback, we have decided to maintain our proposed approach.

To address the concern raised by one of the respondents, we can clarify that the 'opt-in' variation is an option for deposit takers who see benefit in opting into higher prudential requirements. If a deposit taker assessed that it was not desirable to opt into higher prudential requirements, the deposit taker would not have to do so.

### **Question 7 - Do you have any other elements that you think we should clarify in the proportionality framework?**

Respondents had a range of responses to this question, many of which have already been outlined above. These included requests for the Reserve Bank to refer to other DTA principles, such as competition and avoiding unnecessary compliance costs.

### The Reserve Bank's response

For the DTA principles, please refer to our response in the section above about the *DTA Principles: competition, inclusion and compliance costs*.

## **Other Miscellaneous Comments**

One respondent asked that the cumulative impacts of other recent legislative changes be considered, such as those from the Credit Contracts and Consumer Finance (CCCFA), Anti-Money Laundering (AML) and Conduct of Financial Institutions (CoFI) Acts.

One respondent urged the Reserve Bank to engage with NBDTs and requested that the Reserve Bank share all drafts before finalising the proportionality framework. The same respondent recommended that the Reserve Bank consult with the World Council of Credit Unions.

One respondent objected to the use of the 'credit rating' example, suggesting that New Zealand is an outlier in requiring credit ratings for prudential regulation.

Another respondent requested that the proportionality framework provide clarity on the Reserve Bank's restricted word regime for entities permitted to use the word 'bank'.

### The Reserve Bank's response

We acknowledge the range of feedback, and thank respondents for their comments. We will continue to work closely with deposit takers, and the NBDT sector in particular. We also recently took up the opportunity to meet with the World Council of Credit Unions, which was very informative.

On the cumulative impacts of the recent legislative changes, we continue to liaise closely with other agencies through the Council of Financial Regulators (CoFR).

On the word 'bank,' the Reserve Bank will separately set out its policies in relation to minimum requirements for a deposit taker to be authorised to use a name or title that includes a restricted word. These policies will be outlined in general terms in the Reserve Bank's Statement of Prudential Policy<sup>11</sup>.

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<sup>11</sup> See section 431 of the DTA and <https://www.rbnz.govt.nz/regulation-and-supervision/cross-sector-oversight/prudential-policy>