



Cabinet Legislation Committee

Minute of Decision

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Deposit Takers Bill: Approval for Introduction

Portfolio **Finance**

On 11 August 2022, the Cabinet Legislation Committee:

- 1 **noted** that the Deposit Takers Bill (the Bill) holds a category four priority on the 2022 Legislation Programme (to be referred to a select committee in 2022);
- 2 **noted** that the Bill's main purpose is to promote the prosperity and well-being of New Zealanders and contribute to a sustainable and productive economy by protecting and promoting the stability of the financial system;
- 3 **noted** that the Bill aims to protect and promote the stability of the financial system by;
 - 3.1 promoting the safety and soundness of individual deposit takers;
 - 3.2 promoting public confidence in the financial system;
 - 3.3 avoiding or mitigating risks to the stability of the financial system and risks from the financial system that may damage the broader economy;
- 4 **noted** that the Minister of Finance has made the following decisions to further clarify and develop policy matters relating to the detail of the Bill, as authorised by the Cabinet Economic Development Committee [DEV-21-MIN-0076 and DEV-21-MIN-0204]:
 - 4.1 regulatory and supervisory matters, including the definitions of credit ratings and voting securities, and that fit and proper requirements will not extend to interim appointments of directors and senior managers;
 - 4.2 various design elements of the Depositor Compensation Scheme including the non-eligibility of deposit takers licensed in another jurisdiction, and a regulation-making power to support the identification of covered (i.e. protected) products;
 - 4.3 matters related to the use of the Depositor Compensation Scheme fund in resolution, including the appointment and duties of an independent reviewer;
 - 4.4 matters relating to the crisis management framework including the design of a ministerial direction power around the management of public funds, the design of a 'no creditor worse off' mechanism, and the parameters of a mechanism for the Crown to recoup public funds expended to support the resolution of a deposit taker;

- 5 **agreed** that the Bill directly vest general (i.e. day-to-day) management powers related to an entity in resolution in the resolution manager;
- 6 **agreed** that the resolution manager will be subject to oversight by the Reserve Bank to ensure that the resolution manager is acting consistently with the purposes of the Bill;
- 7 **noted** that the Bill as currently drafted is an omnibus bill and may not be introduced in its current form, unless the leave of the Business Committee is obtained under Standing Order 267(1)(c) or the Bill is amended in a way that makes it qualify under Standing Order 267(1)(a);
- 8 **authorised** the Minister of Finance, in consultation with the Leader of the House, to decide whether to seek leave of the Business Committee to introduce the Bill to the House, or alternatively to amend the Bill so that the amendments to the Reserve Bank of New Zealand Act 2021 and Public Finance Act 1989 can be regarded as implementing a single broad policy, by:
- 8.1 narrowing the scope of the amendment to the Public Finance Act 1989 relating to financial emergencies so that it only applies to supporting deposit takers rather than all financial institutions regulated by the Reserve Bank; and/or
- 8.2 removing the amendments to the Reserve Bank of New Zealand Act 2021 that provide qualified privilege for warnings issued under the proposed new function to issue warnings;
- 9 **approved** the Deposit Takers Bill [PCO 22618/8.0] for introduction, after any final changes made by the Minister of Finance, subject to the final approval of the government caucus and sufficient support in the House of Representatives;
- 10 **agreed** that the Bill be introduced in August 2022 or shortly thereafter;
- 11 **agreed** that the government propose that the Bill be:
- 11.1 referred to the Financial and Expenditure committee for consideration;
- 11.2 enacted early in the second half of 2023.

Rebecca Davies
Committee Secretary

Present:

Hon Grant Robertson
Hon David Parker (Chair)
Hon Aupito William Sio
Dr Duncan Webb, MP

Officials present from:

Office of the Prime Minister
Officials Committee for LEG