

**Application for consent to
acquire or increase
significant influence over a
registered bank:**

Material to be provided to the Reserve Bank

Financial Stability Department
Document BS9
Reserve Bank of New Zealand

Issued: April 2013

A. INTRODUCTION

1. This release identifies the information which applicants should provide to support their application for the Reserve Bank's written consent to their acquiring or increasing a "significant influence" (as defined in the Attachment) over a registered bank.
2. Applications should be addressed to the Governor of the Reserve Bank and two copies of the application should be provided. Any queries or requests for discussion should be addressed to the Head of Financial Stability Department, in the first instance.
3. The Reserve Bank will assess applications for consent to acquire or increase significant influence over a registered bank having regard to the matters specified in the Reserve Bank of New Zealand Act 1989 for the purposes of determining registration applications. These matters are further elaborated in the document entitled "Statement of Principles: Bank Registration and Supervision", copies of which are available from the Financial Stability Department or on the Bank's website.
4. Where a significant influence is acquired or increased due to a conversion following a loss absorption trigger event or a non-viability trigger event, as defined in subpart 2E and 2F of the Reserve Bank documents "Capital Adequacy Framework (Standardised Approach)" (BS2A) and "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) no application need be made under this policy.

B. OVERSEAS INVESTMENT ACT 2005

5. Applicants who are "overseas persons" in terms of the Overseas Investment Act 2005 should note that they may also require consent under the Overseas Investment Act 2005. Where necessary, separate application should be made to the [Overseas Investment Office](#).

C. FEES

6. There is no fee for applications.

D. MATERIAL TO BE PROVIDED

7. The name of the registered bank over which significant influence is sought.
8. The Reserve Bank of New Zealand Act 1989 requires the Reserve Bank to have regard to the following matters when determining an application for registration: incorporation and ownership structure, size and nature of business, the ability to carry on business in a prudent manner, overseas banking laws and regulatory requirements, standing, and the suitability for their positions of the directors and senior managers.
9. Applicants for consent to acquire or increase significant influence are required to provide information regarding proposed changes, or confirmation that no such changes are proposed, to the circumstances or business of the registered bank as they relate to each of these categories, as detailed below.

10. The amount of information that will need to be provided regarding the applicant itself will vary according to the Reserve Bank's existing knowledge of the applicant. Generally speaking, a greater level of detail will be required from applicants without an established reputation in the banking industry. For example, where the applicant already owns or has a significant influence over another registered bank in New Zealand, the Bank may accept this as evidence that matters of standing as they relate to ownership would not be materially affected by the proposed transaction. Or, where the party acquiring or increasing significant influence is a registered bank owned by an overseas parent bank or is a registered bank incorporated overseas, that party's existing registration in New Zealand may be taken as evidence that the party's home situation (including disclosure requirements and regulatory arrangements) is satisfactory.

Incorporation and ownership structure of the registered bank

11. Applicants are required to provide details of
- (a) any proposed transfers of the business of the registered bank to the balance sheet of an overseas-incorporated bank, or confirmation that no such transfers are proposed;
- and in addition, details of planned changes following the proposed acquisition or increase of significant influence, or confirmation that no changes are planned, regarding:
- (b) Name of the registered bank.
 - (c) Method of incorporation.
 - (d) Ownership of the registered bank, including details of major shareholdings and voting rights.
 - (e) Structure charts showing relationships to other companies in the proposed group, including subsidiaries and associates.
 - (f) Composition of the board and shareholder representation on the board, including names and addresses of directors, qualifications and major business interests, where relevant.
 - (g) Capital structure.
 - (h) For locally-incorporated applicants, the source of initial capital.

Size of business

12. Applicants are required to provide details of
- (a) any proposals to merge or restructure the business of the registered bank, or confirmation that no such mergers or restructurings are proposed;
- and in addition, details of planned changes following the proposed acquisition or increase of

a significant influence, or confirmation that no changes are planned, regarding:

- (b) The services the registered bank will provide and of the market sectors it plans to target.
- (c) Forecasts for the next 3 years of operation, covering balance sheet and profit and loss and including an outline of the basic assumptions made.

Ability to carry on business in a prudent manner

13. Details of planned changes following the proposed acquisition or increase of a significant influence, or confirmation that no changes are planned, regarding:

- (a) Prudential policies employed by the registered bank (e.g. policy on capital adequacy, management of exposure concentration etc).
- (b) The nature and extent of internal and external audit arrangements.
- (c) Accounting systems and internal controls, including details of reporting to senior management and directors.
- (d) Systems and policies for managing risks associated with the business, including reporting to senior management and directors on risk management.
- (e) Outsourcing (including to a parent bank or other entity within the parent group, if applicable) of functionality or managerial capacity of the registered bank, and arrangements to mitigate the risks arising from such outsourcing.
- (f) Where applicable, arrangements for supervision of the New Zealand operations by the parent bank or head office.

Standing of the registered bank

14. Applicants are required to provide:

- (a) a specific statement on the extent of future capital support that the applicant is prepared to provide to the registered bank, including details of the extent and type of support that the applicant proposes to provide and, where applicable, any arrangements allowing the registered bank to call upon additional capital support;

and in addition, details of planned changes following the proposed acquisition or increase of a significant influence, or confirmation that no changes are planned, regarding:

- (b) The applicant's main activities and areas of expertise, including a list of the countries in which it is operating, where applicable.
- (c) Major shareholders of the applicant.

- (d) Financial accounts for the applicant for the last 3 years.
- (e) The management structure, including the names of the chief executive and other senior executives, of the registered bank.

Suitability of the directors and senior managers of the registered bank

- 15. Curricula vitae of any directors, chief executive or other senior executives of the registered bank that the applicant proposes to change, or confirmation that no such changes are proposed.

Overseas Banking Laws and Regulatory Requirements

- 16. Where the applicant is an overseas bank, the Reserve Bank will seek comment from the relevant overseas supervisory authority, before determining the application.

Other

- 17. Name, address and contact details of person to whom questions about the application should be directed.

ATTACHMENT

The definition of “significant influence” is given by section 2 of the Reserve Bank of New Zealand Act 1989:

“**significant influence**, in relation to a registered bank, means –

- (a) the ability to directly or indirectly appoint 25% or more of the board of directors (or other persons exercising powers of management, however described) of the registered bank; or
- (b) a direct or indirect qualifying interest in 10% or more of the voting securities issued or allotted by the registered bank”