



## **Consultation paper: Dual Registration Policy for Small Foreign Banks**

The Reserve Bank invites submissions on this consultation paper by 5pm on 24 August 2016

Submissions and enquiries about the consultation should be addressed to:

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Please note that a summary of submissions may be published. If you think any part of your submission should properly be withheld on the grounds of commercial sensitivity, or for any other reason, you should indicate this clearly.

**June 2016**

## 1. Introduction

1. This paper discusses the Reserve Bank of New Zealand's ('Reserve Bank') approach to the registration of foreign-owned banks that have a small, non-systemic presence in New Zealand. It proposes a framework for assessing the circumstances under which these banks may be permitted to simultaneously operate a New Zealand branch and subsidiary, henceforth referred to as 'dual registration'.
2. The proposed framework will be used to assist the Reserve Bank:
  - i. Identify benefits from allowing a foreign-owned bank with small, non-systemic local operations to dual-register in New Zealand, over and above what could be achieved through a standalone subsidiary structure.
  - ii. Identify risks to the Reserve Bank's prudential objectives of promoting the maintenance of a sound and efficient financial system, and avoiding significant damage to the financial system that could result from a registered bank's failure, that may stem from permitting the bank's dual registration.
  - iii. Consider whether there are restrictions that might be placed on the dual-registered bank to mitigate the risk it would otherwise pose to the Reserve Bank's prudential objectives.
  - iv. Assess whether the benefits outweigh the mitigated costs of permitting the dual registration of the applicant bank.
3. The Reserve Bank requests that all submissions be filled using the template in **Appendix 1** and sent in electronic form. A word version of **Appendix 1** is available. The consultation closes on 24 August at 5pm.

## 2. Scope

4. This is a limited scope consultation dealing only with circumstances where a foreign-owned bank that has chosen to, or been required to, locally incorporate proposes to open a branch alongside its subsidiary. It does not address the Reserve Bank's process for assessing standalone branch applications.
5. The proposed dual registration framework covers only foreign-owned banks with small local operations that are not critical to New Zealand financial stability or to the functioning of the New Zealand economy, henceforth referred to as 'small foreign banks'. While we acknowledge some of our systemically important foreign-owned banks currently have limited-scope branches operating alongside their locally incorporated subsidiaries, we do not address those arrangements here.

## 3. Current Reserve Bank Practice

6. Section 73 of the RBNZ Act ('the Act') sets out the matters the Reserve Bank must have regard to when considering banking applications<sup>1</sup>. The Reserve Bank's policy and approach to implementing these requirements for foreign-owned banks is found in Section C(II)(a) of the Bank Registration and Supervision Handbook ('BS1'). The

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<sup>1</sup> The matters the Bank must have regard to when considering any banking applicant are set out in s73(2); s73A and 73B of the RBNZ Act detail further matters to which the Bank must have regard to if the applicant is an overseas person, or subsidiary of an overseas person, respectively.

Reserve Bank's approach to hosting foreign-owned banks seeks to limit the risks of their participation in the local financial system, whilst recognising the important role they play in providing financial services to the New Zealand economy.

7. Our banking sector is relatively open and accessible to foreign participants, and there is a correspondingly high degree of foreign ownership: foreign-owned banks account for around 93% of assets in the New Zealand bank system. Foreign-owned banks can generally operate as branches or subsidiaries in New Zealand. However, the Reserve Bank's local-incorporation policy requires that banks with specific characteristics must incorporate in New Zealand if they wish to operate here.
8. In summary, if a bank is systemically important to New Zealand; is based in a jurisdiction that does not have comparable oversight, governance, accounting or transparency standards to ours; or where we have concerns about the treatment of local creditors in resolution or insolvency, it will be required to locally incorporate. Specifically<sup>2</sup>, any bank that falls within the following categories, or is expected to within 5 years of authorisation, will be required to establish a locally incorporated entity rather than operate via a branch:
  - a. Systemically important banks, that is, banks whose New Zealand liabilities, net of amounts due to related parties, exceed NZ\$15bn.
  - b. Retail deposit takers<sup>3</sup> incorporated in a jurisdiction that has legislation which gives deposits made, or credit conferred, in that jurisdiction a preferential claim in a winding up.
  - c. Retail deposit takers which do not provide adequate disclosure in the home jurisdiction.
  - d. Other applicants incorporated in a jurisdiction that has non-comparable supervisory arrangements (including disclosure arrangements) and governance standards.
9. Foreign-owned banks are permitted to have dual registration provided both entities comply with all relevant matters set out in Section 73 of the Act, and are approved by the Reserve Bank. In addition, a dual registered branch must fall outside of the categories requiring local-incorporation, set out above (which apply to all branch operations, be they standalone or dual-registered); and is not permitted to take retail deposits<sup>4</sup>. Where dual registration is approved by the Reserve Bank, the branch and subsidiary become separately registered entities, subject to separate Conditions of Registration.
10. The Reserve Bank's local-incorporation policy was implemented in April 2001, and our approach to dual-registration introduced in the July 2004 version of BS1. Ten foreign-owned banks have been registered in New Zealand since 2001 (see **Appendix 2**), a demonstration of the ongoing ease of accessibility. There are currently 16 foreign-owned banks operating in New Zealand, of which four are dual-registered (see **Appendix 3**).

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<sup>2</sup> See BS1, paragraph 25.

<sup>3</sup> Defined as a 'financial institution that has more than \$200mn in New Zealand retail deposits on its books'. Retail deposits are 'deposit liabilities held by natural persons, excluding liabilities with an outstanding balance of more than \$250,000'. BS1(s31).

<sup>4</sup> See BS1, paragraph 39.

#### **4. Problem Definition**

11. Over recent years, a number of foreign-owned banks with small local operations in New Zealand have sought permission to open branches alongside their existing subsidiaries.
12. These banks have suggested that a standalone subsidiary structure prevents them from growing their local lending activities as planned, due to high operating costs arising from local capital and other regulatory requirements. Permitting banks to operate branches alongside their existing subsidiaries could potentially open up more diversified funding channels in New Zealand and encourage greater competition for the incumbent banks. There is ample evidence of the beneficial effects of openness and competitiveness in the financial system: banks, for example, compete actively to offer customers new products and new ways of obtaining service.
13. The Reserve Bank acknowledges that while banks' preferred structure is driven by a variety of factors, in general those with a wholesale focus may prefer to operate cross-border through a branch structure, due to the flexibility of managing capital and liquidity on a consolidated basis. Funding can be raised in jurisdictions where it is least expensive, and deployed where it receives the highest returns or is most needed with speed and ease, giving these banks an ability to respond rapidly to changing funding costs or return relativities. It should be noted in this context, however, that there is nothing in the Reserve Bank's current framework that limits the transfer of funds across borders under a subsidiary structure: locally incorporated banks can access credit facilities from either their parent or cross-border affiliates.
14. On the other hand, local incorporation gives the Reserve Bank greater powers of oversight and discipline over foreign-owned banks, allowing us to set a variety of prudential requirements on their local operations – including capital and liquidity adequacy, governance, and disclosure requirements. These powers may in turn improve the quality and robustness of self and market discipline exerted on the local bank. Host authorities also have greater control over crisis management arrangements and operational continuity provisions at locally incorporated subsidiaries.
15. In contrast, host authorities have limited supervisory and regulatory powers over local branch operations, which are legally inseparable extensions of their foreign parent. Instead, the Reserve Bank must rely on other channels of discipline exerted on the consolidated banking group – by its own directors and senior managers, its foreign home state authorities, and the global capital markets in which it raises funding - to ensure the bank and the local branch are being run in a prudent manner that is aligned with promoting the maintenance of a sound and efficient New Zealand financial system. It is for this reason that the Reserve Bank has tended to require foreign banks based in jurisdictions with non-equivalent oversight, governance, accounting or transparency arrangements to establish a local subsidiary.
16. The Reserve Bank does not currently have a clear and transparent process for making decisions on whether a branch may be permitted to simultaneously operate alongside a local subsidiary, and recent engagement has highlighted that some industry participants find the Reserve Bank's current approach towards dual registration difficult to understand.

Question 1: What, if any, benefits do you see to New Zealand from allowing foreign banks with small, locally incorporated subsidiaries to simultaneously operate a branch beside this? Are these benefits **additional** to what could be obtained through a standalone local subsidiary? If so, explain why identified benefits can only be achieved through a local branch.

Question 2: What, if any, risks do you see to New Zealand from allowing foreign banks with small, locally incorporated subsidiaries to simultaneously operate a branch beside this?

## 5. Policy Objectives

17. The RBNZ Act establishes the Reserve Bank as a prudential regulator for the purposes of promoting a sound and efficient financial system, and avoiding significant damage to the financial system that could result from a registered bank's failure<sup>5</sup>. Under this remit, the Reserve Bank is responsible for determining whether granting a bank dual registration in New Zealand is consistent with our statutory objectives for regulating the financial system.
18. The Reserve Bank must weigh up the benefits and costs to New Zealand stemming from a bank's dual registration to determine whether or not it is appropriate. The Reserve Bank will seek to minimise the risks to financial stability whilst maximising the efficiency gains, and there may be circumstances where the benefits from allowing a small bank from a non-equivalent jurisdiction to operate a dual-registered branch in New Zealand outweighs the risks, especially if restrictions can be placed on the branch that mitigate the risks it would otherwise pose to the soundness of the New Zealand financial system.
19. Adopting a systematic and transparent framework for assessing dual registration applications from small foreign banks will allow the Reserve Bank to make clear and consistent decisions. Clearly setting out our expectations and requirements for applicant banks, and their relevant home state authorities, should also enhance the smoothness and efficiency of the assessment process for all stakeholders.

Question 3: Do you think that the Reserve Bank should provide more clarity and transparency around the process it uses for assessing the dual registration applications of small, non-systemic foreign-owned banks?

## 6. Policy Proposal

20. The proposed assessment framework will help the Reserve Bank determine whether permitting a foreign bank to open a branch alongside a small local subsidiary falls within our risk appetite. The assessment process involves: identifying the benefits of granting dual registration; identifying the risks of dual registration; identifying possible mitigants to these risks; and assessing whether the benefits to New Zealand from granting dual registration outweigh the mitigated risks.
21. In the event that dual registration is permitted, mitigants would be incorporated into the dual-registered branch's Conditions of Registration. The Reserve Bank may also require public disclosure of the mitigants imposed on the dual-registered branch, in the interests of maintaining an open and transparent process. Public disclosure may also enhance market discipline.

<sup>5</sup> Section 68, RBNZ Act (1989).

22. The Reserve Bank will expect and require a high degree of cooperation and coordination from the foreign bank and its relevant home state authorities wherever necessary throughout the assessment process.
23. The proposal is a more flexible approach to the registration of small foreign banks in New Zealand, and may in some cases relax existing restrictions around local structure. Where necessary, changes to the Reserve Bank's approach to foreign bank registration stemming from this consultation will be incorporated into Section C(11)(a) of the Banking Supervision Handbook (BS1).

### *Identifying the benefits*

24. The Reserve Bank's starting assumption is that any foreign banking applicant is free to make their own decisions around their operating and legal structure, and may apply to enter New Zealand as a branch or subsidiary.
25. Where a small foreign bank that has been required to locally incorporate for reasons set out in paragraph 8 now applies to operate a parallel branch, the Reserve Bank will consider the case for dual registration. It would be unhelpful to have a blank canvas for such an assessment. Our starting position is that banking groups should normally be willing and able to fund their operations in foreign jurisdictions by injecting capital.
26. There must also be benefits to New Zealand from allowing a branch to operate alongside a subsidiary, and these benefits must not be equally achievable through a subsidiary structure. Such benefits are necessary to offset the additional risks to our soundness objective posed by local branch operations.
27. The Reserve Bank will work with the applicant bank to identify and understand any benefits to New Zealand stemming from its dual registration. As part of the application process, applicants we have previously required to locally incorporate might be asked to submit a business case for why it is appropriate and preferable to provide planned activities out of a branch, rather than the local subsidiary or directly from the parent.
28. The Reserve Bank will also need to be satisfied the dual-registered branch will accord with our local-incorporation policy, such that its activities will not become critical to the New Zealand financial system or economy within the business plan horizon.
29. The track record of regulatory compliance and risk management in the dual-registration applicant's existing group operations in New Zealand will be taken into consideration.
30. If branching benefits can be demonstrated, the Reserve Bank will proceed to an assessment of whether the dual-registered branch provides a net benefit to the New Zealand financial system.

Question 4: Do you think that this process will effectively identify the benefits to New Zealand from permitting dual registration?
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### *Identifying the risks*

31. The Reserve Bank will use our three prudential pillars of self, market and regulatory discipline as the framework for analysing the potential costs to the New Zealand financial system from allowing a small foreign bank to open a branch alongside its existing local subsidiary. We will consider the oversight, governance, accounting or transparency arrangements the dual registered branch will operate under, focusing on whether such arrangements can achieve outcomes broadly equivalent to our three-pillar approach for domestic banks and consistent with our financial stability objectives.
32. In addition, the Reserve Bank will consider the risks to financial stability stemming from the crisis management arrangements at the wider banking group. This will include how a recovery and resolution of the banking group would work from a New Zealand perspective.
33. These risks will have already been identified and assessed during the process of registration of the local subsidiary bank, so that this part of the process will likely only focus on if the proposed branch operations would change any of the previously identified risks.

Question 5: Do you think that this process will effectively identify the risks to New Zealand from permitting dual registration?

### *Identifying risk mitigants*

34. The Reserve Bank will explore whether restrictions can be placed on the dual registration applicant that will mitigate the risks it would otherwise pose to our financial stability objectives, to the extent required for its dual registration to fall within our risk appetite.
35. A variety of branch activity, governance, and funding arrangements designed to promote financial stability by mitigating branch risk in certain key areas is presented below. This process will be applied consistency but will take firm specific aspects of the applicants into account through investigation and assessment by supervisors in collaboration with the foreign bank applicant and its home state regulators, from whom we would expect a high degree of cooperation and coordination.

#### *a) Insufficient regulatory and market discipline:*

36. Creditors to the local branch may be unable to accurately price and respond to risks if there are barriers to the smooth and free functioning of the home-state's financial system. This could be mitigated by restricting the dual-registered branch's local activities. In addition to existing branch size and activity caps<sup>6</sup>, and a ban on retail deposit taking that applies to all dual-registered branches<sup>7</sup>, this might involve:

- **Option A: Ring-fencing retail activities:** Retail customers are highly susceptible to inadequate governance, less able than wholesale investors to see through information gaps to understand the risks they are exposed to. They are also more likely to regard adverse outcomes as 'unfair', undermining their confidence in the financial system more broadly. To prevent this, *all* local retail activities (including retail lending) could be ring-

<sup>6</sup> BS1, section C(II)(a).

<sup>7</sup> BS1, paragraph 39.

fenced from the dual-registered branch; dual registered subsidiaries may still be permitted to carry out retail activities. Although this is wider than the existing ban on retail deposit taking at dual-registered branches, the impact should be limited given global banking groups' natural and revealed preference to undertake wholesale activities out of their branch operations.

- **Option B: Disallowing external unsecured funding:** Retail investors may still be exposed to the branch and its foreign parent under a ban on retail activities. Debt issued through the branch may be purchased directly by retail investors, or by wholesale players such as pension funds acting as agents for retail end-users. And while wholesale investors are generally considered better equipped to assess and act on the risks they face a further restriction may be to require fundraising activities undertaken out of the dual-registered branch to be fully secured. The only unsecured external liabilities permissible would be the branch's operating liabilities.
- **Option C: Disallowing all external funding:** Restricting dual-registered branches from raising any funds externally, and requiring all funding to be sourced directly from the parent, would be the cleanest way of protecting all New Zealand creditors from 'unfair' outcomes that may undermine confidence in the system. The dual-registered branch would still be able to undertake local lending activities, subject to any other restrictions that may apply.

37. Options are presented in increasing order of restriction; option A could be applied in isolation or in conjunction with the funding restrictions presented in options B and C. At the extreme, option A and C could be used where there is weakness in the home state's legal framework, a lack of clarity around the home state's operational approach to the consolidated supervision of the banking group, and market signals are severely distorted by state influence.

Question 6: Do you agree that each of these options could adequately mitigate risks to the New Zealand financial system stemming from permitting dual registration where regulatory and market discipline may otherwise be insufficient?

Question 7: Is there anything else the Reserve Bank should consider to mitigate the risks of permitting dual registration where regulatory and market discipline may otherwise be insufficient?

*b) Insufficient governance:*

38. Pronounced weakness in the banking group's internal governance arrangements may result in the local bank being unduly influenced to pursue the interests of the foreign parent even where these are at odds with commercial incentives or local interests. To mitigate this risk, we could seek to bolster local governance at dual-registered banks by:

- **Option A: Enhanced branch Chief Executive requirements:** The branch Chief Executive should play a key role in ensuring the local branch's affairs are being conducted prudently and in compliance with its Conditions of Registration. The local Chief Executive will have a specific focus on local interests, in contrast to the branch's overseas directors whose attention will tend to be on the banking group as a whole. But this requires the Chief



Executive to have sufficient powers within the banking group to discharge these responsibilities and exert influence over the group's strategies and operations at the local branch. Under this option, the Reserve Bank will require the banking applicant to show it has an organisational structure with clear lines of delegated responsibility from the parent to the branch Chief Executive.

- **Option B: Relative size constraints:** The Reserve Bank needs assurance that allowing a branch to operate alongside an existing local subsidiary will not compromise governance arrangements at the subsidiary. The subsidiary's management committee must maintain a high degree of autonomy and decision making responsibility over the bank's local operations, ensuring they exercise independent judgement and control in the interests of local stakeholders. The subsidiary's independence is most at risk of being compromised where branch operations are large relative to the subsidiary: if the branch is the main local entity within the dual-registered bank, it is likely to exert dominance over the local bank's strategy and operations. Under this option, the Reserve Bank will require a dual-registered branch to be no greater than its parallel subsidiary, with relative size assessed on total assets. Relative size restrictions will apply *in addition* to absolute branch size limits set out in the local incorporation policy<sup>8</sup>.

39. Options A and B could be applied alone or in conjunction. The Reserve Bank expects that both of these options will become **mandatory** for any bank granted dual registration under this framework, i.e. irrespective of the risk it may otherwise pose to the Reserve Bank's objectives.

Question 8: Do you agree that each of these options could adequately mitigate risks to the New Zealand financial system stemming from permitting dual registration where self discipline may otherwise be insufficient?

Question 9: Is there anything else the Reserve Bank should consider to mitigate the risks of permitting dual registration where self governance may otherwise be insufficient?

c) *Limited assurance over resolution:*

40. If the banking group's resolution strategy does not pay sufficient regard to local interests, or treat New Zealand creditors in a fair and predictable way, this can be mitigated by restricting the dual-registered branch's local activities:

- **Option A: Restricting branch funding:** The branch's access to local funding could be limited where we have concerns about the likely treatment of local creditors in the event of resolution or insolvency. This would be particularly pertinent where we had reason to believe the actual treatment of creditors might deviate from the ex ante insolvency hierarchy, for example due to short notice or de facto local creditor preference. At the extreme, the branch could be limited to direct parental funding sourced from international credit markets, ensuring any losses at the branch were fully upstreamed to the parent with no impact on local creditors. Note that this option is essentially seeking to mitigate conduct risk which may undermine confidence in the broader financial system, and mirrors options

<sup>8</sup> BS1, section C(II)(a).

B and C of paragraph 36 to mitigate shortcomings in regulatory and market discipline, above.

- **Option B: Restricting critical functions:** Where the Reserve Bank has insufficient assurance over operational continuity at the branch, we could restrict activities where operational continuity is important. At a minimum, this would capture all transactional accounts - any instant access account that is regularly used to accept or make payments. Beyond this, we would look to restrict the branch from providing any critical functions and services whose disruption may adversely affect NZ financial stability and the wider economy. We might choose to limit the size or rate of growth in these activities, rather than banning them entirely, in the intent of enabling a more competitive market. It is likely that, unless we have a very high level of assurance over resolution, the branch will be restricted to simple wholesale lending activities only. In all cases, the onus will remain on the firm to justify a dual-registered branch undertaking any permitted activity.

Question 10: Do you agree that each of these options could adequately mitigate risks to the New Zealand financial system stemming from dual-registered branch operations where assurance over resolution may otherwise be insufficient?

Question 11: Is there anything else the Reserve Bank should consider to mitigate the risks of permitting dual registration where self discipline may otherwise be insufficient?

Question 12: Are there additional branch functions that should be permitted alongside wholesale lending activities in Option B?

## **7. Policy Summary**

41. The proposed assessment framework has the potential to enhance the transparency of the bank registration process, and produce more consistent and robust decisions around the dual registration applications of small foreign banks. Assuming there are net benefits to New Zealand from these banks' dual registration, it will help realise them.
42. This is not a blueprint for dual registration applications from large, systemically important banks, and the Reserve Bank does not intend to change its practice in relation to these banks.

Question 13: Do you think this approach will adequately address the risks to financial stability stemming from the dual-registration of small, non-systemic banks? Can the risk of permitting banks from non-equivalent jurisdictions to operate dual-registered branches in New Zealand be sufficiently mitigated?

## **8. Further Considerations**

43. In relation to our approach for small, non-systemic banks, this proposal raises several potential issues. The Reserve Bank recognises that the framework could require subjective decision making and ongoing monitoring, and that our approach to classifying systemically important banks would need to be reviewed. Each of these issues is considered below.

### *Subjective decision making*

44. Determining if dual registration is appropriate will require a case-by-case assessment of the small foreign bank, its home state, and the likely effectiveness of any identified risk mitigants. While this will draw on the applicant bank's submissions, its willingness to cooperate throughout the assessment process, the strength of its track record of regulatory compliance, as well as supervisors' knowledge of the bank and its market, a degree of subjective judgement will also be required. The proposed assessment framework must be sufficiently rigorous and systematic to allow consistent decisions to be made, irrespective of the individual decision maker.

### *Ongoing monitoring requirements and costs*

45. Any small foreign bank permitted to open a dual-registered branch under this framework must be subject to monitoring to ensure the ongoing appropriateness of its legal and operational structure, its absolute and relative size, and any mitigants in place. This will require the ongoing cooperation of the banking group, as well as a degree of home/host coordination and collaboration. The requirement for ongoing monitoring may give rise to increased costs to the Reserve Bank.

### *The Reserve Bank's approach to assessing systemic importance*

46. More broadly, the Reserve Bank has identified a need to revisit our approach to assessing systemic importance. The current metric for systemic importance, based on net external liabilities<sup>9</sup>, will be reviewed in due course. However, this is outside the scope of this consultation.

Question 14: Do you have comments on these or any other potential implications arising from the proposed framework for assessing dual registration applications from small, non-systemic banks?

## **9. Timeline and next steps**

47. The consultation period for this review will run until close of business on 24 August 2016. Following that, the Reserve Bank expects to release a summary of submissions alongside a policy decision.
48. The Reserve Bank requests that all submissions be filled in using the template in **Appendix 1** and sent in electronic form. A word version of **Appendix 1** is available.

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<sup>9</sup> BS1, section C(II)(a).

**Appendix One - Submission table**

<b>Q1</b>	
<b>Q2</b>	
<b>Q3</b>	
<b>Q4</b>	
<b>Q5</b>	
<b>Q6</b>	
<b>Q7</b>	
<b>Q8</b>	
<b>Q9</b>	
<b>Q10</b>	
<b>Q11</b>	
<b>Q12</b>	
<b>Q13</b>	
<b>Q14</b>	

**Appendix Two: List of registered banks in New Zealand – past and present**

<b>Registered Bank</b>	<b>Date of initial registration</b>	<b>Registration amended</b>	<b>Registration relinquished</b>
ANZ Bank New Zealand Limited	01 Apr 1987	29 Oct 2012	
Bank of New Zealand	01 Apr 1987		
The National Bank of New Zealand Limited	01 Apr 1987	03 Dec 1987	26 Jun 2004
Westpac Banking Corporation	01 Apr 1987		
Banque Indosuez New Zealand Limited	22 Jul 1987	03 Dec 1987	31 Aug 1991
Barclays Bank New Zealand Limited	22 Jul 1987	03 Dec 1987	30 Jun 1989
CIBC New Zealand Limited	22 Jul 1987		04 Jul 1989
Citibank N.A.	22 Jul 1987		
HSBC Limited	22 Jul 1987	16 Jan 2001	
Macquarie Bank Limited	22 Jul 1987		08 Jan 1991
NZI Bank Limited	22 Jul 1987	03 Dec 1987	17 Feb 1992
National Australia Bank (NZ) Limited	22 Jul 1987		01 Oct 1993
Countrywide Banking Corporation Limited	03 Dec 1987		27 Nov 1998
Security Pacific Bank New Zealand Limited	23 Dec 1987		13 Dec 1988
Bankers Trust New Zealand Limited	21 Jun 1988	22 Aug 1988	21 Jun 1999
Barclays Bank PLC	07 Dec 1988		27 Mar 1998
State Bank of South Australia	07 Dec 1988		01 Jul 1994
Elderbank Limited	08 Mar 1989	01 Apr 1989	31 Aug 1990
ASB Bank Limited	11 May 1989		
Primary Industry Bank of Australia Limited	11 May 1989		30 Jun 1999
National Mutual Bank New Zealand Limited	02 Jun 1989	20 Jul 1989	10 Dec 1990
TSB Bank Limited	08 Jun 1989	29 Nov 1989	
Post Office Bank Limited	11 Aug 1989		01 Dec 1994
Trust Bank New Zealand Limited	21 Dec 1989		18 Nov 1996
Trust Bank Limited (Regional subsidiaries)	21 Dec 1989		01 Apr 1995
Westland Bank Limited	27 Mar 1990		01 Jul 1994
United Bank Limited	29 Jun 1990		16 May 1994
The Rural Bank Limited	13 Aug 1990	24 Dec 1990	01 Jul 1994
BNZ Finance Limited	23 Jan 1991		30 Jun 2001
Crédit Agricole Indosuez	28 Mar 1991	22 May 1997	20 Aug 1998
Rabobank Nederland	01 Apr 1996		
Bank of Tokyo-Mitsubishi (Australia) Limited	18 Sep 1996		01 Mar 2004
Deutsche Bank A G	08 Nov 1996		
BNP Paribas	14 Mar 1997	13 Jun 2000	30 Mar 2001
Kookmin Bank	14 Jul 1997		
ABN AMRO Bank NV	02 Mar 1998		29 May 2009
AMP Bank Limited	12 Oct 1998		27 Sep 2004
Rabobank New Zealand Limited	07 Jul 1999	15 Sep 1999	
Commonwealth Bank of Australia	23 Jun 2000		
Kiwibank Limited	29 Nov 2001		
St George Bank New Zealand Limited (S)	03 Feb 2003	07 Feb 2003	12 Dec 2006
The Bank of Tokyo-Mitsubishi UFJ, Ltd (B)	01 Mar 2004	04 Jan 2006	
Westpac New Zealand Limited (S)	31 Oct 2006		
JPMorgan Chase Bank NA (B)	01 Oct 2007		
Southland Building Society	07 Oct 2008		
ANZ Banking Group Limited (B)	05 Jan 2009		
Bank of Baroda (New Zealand) Limited (S)	01 Sep 2009	01 Sep 2009	
Bank of India (New Zealand) Limited (S)	31 Mar 2011	31 Mar 2011	
The Co-operative Bank Limited	26 Oct 2011	26 Oct 2011	
Heartland Bank Limited	17 Dec 2012	31 Jan 2013	
ICBC (New Zealand) Limited (S)	19 Nov 2013		
China Construction Bank (New Zealand) Limited (S)	15 Jul 2014		
Bank of China (New Zealand) Limited (S)	21 Nov 2014		

NB: Foreign banks registered subsequent to the introduction of the local incorporation policy are highlighted.

**Appendix Three: Foreign owned banks operating in New Zealand**

	<b>Foreign-owned Bank</b>	<b>Subsidiary</b>	<b>Branch</b>	<b>Home jurisdiction of parent bank</b>
1.	ANZ Bank	✓	✓	Australia
2.	CBA (trades as ASB)	✓	✓	Australia
3.	Rabobank	✓	✓	Netherlands
4.	Westpac	✓	✓	Australia
5.	Citibank	✗	✓	USA
6.	Deutsche	✗	✓	Germany
7.	HSBC	✗	✓	Hong Kong
8.	JPMorgan	✗	✓	USA
9.	Kookmin	✗	✓	Korea
10.	Bank of Tokyo-Mitsubishi	✗	✓	Japan
11.	Bank of China	✓	✗	China
12.	Bank of India	✓	✗	India
13.	Bank of Baroda	✓	✗	India
14.	BNZ	✓	✗	Australia
15.	China Construction Bank Industrial and Commercial	✓	✗	China
16.	Bank of China	✓	✗	China