Reserve Bank of New Zealand
Te Pūtea Matua

Deposit Takers Act 2023 (DTA) June 2026 Consultations.

Webinar and Q&A

July 2026

Welcome

What we'll cover today

- Questions on standards and guidance exposure drafts (tranche 3)

- DTA crisis management framework
- Crisis Preparedness Standard
- Loss Absorbing Capacity (LAC) requirements
- Continuity of Access to Deposits (CoAD) Standard

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DTA standards exposure drafts (tranche 3) Q&A.

Mark Holden and Michael Blank from Prudential Policy

The DTA crisis management framework

Crisis response waterfall

	Option 1	Option 2	Option 3	Option 4	Option 5
Group 1	Recovery	SPE bail-in	Rapid sale	Standalone Recap	Liquidation and DCS
Group 2 and transactional Group 3	Recovery	Rapid sale	Orderly wind-down	Liquidation and DCS	
Other Group 3	Recovery	Rapid sale	Liquidation and DCS		

Crisis Preparedness Standard

Purpose and scope

- The Standard will support the DTA crisis management framework and will cover:
  - Recovery and exit planning
  - Resolvability

Recovery and exit planning

- Most deposit takers will have already undertaken some level of planning
- We are proposing to formalise this and to set clear requirements
- Recovery and exit planning should occur during business as usual

Content of recovery and exit plans

- Description of deposit taker and any critical functions
- Triggers and risk indicators
- Recovery and exit options
- Assessment of options
- Governance and communications arrangements

Proportionality and implementation

- All deposit takers must develop and maintain a recovery and exit plan
- In most cases, branches will be able to use a group recovery and exit plan to meet this requirement
- Level of detail in plans will vary based on the size, nature and complexity of a deposit taker's business
- Differing review and testing requirements across deposit taker groups
- Deposit takers need to comply with recovery and exit planning requirements on commencement of the Standard

Resolvability

- All locally incorporated deposit takers must undertake preparations to enable delivery of relevant resolution strategies
- Requirements are principles-based, with resolvability outcomes falling under these categories:
  - Financial management
  - Operational continuity
  - Valuations
  - Data and systems
  - Restructuring and separation
  - Governance and communications

Resolvability Implementation Plans

- Deposit takers are not expected to meet the resolvability outcomes on commencement of the Standard
- Implementation will be an interactive process:
  - We will advise deposit takers of their orderly resolution plan (based on the options in the crisis response waterfall)
  - Deposit takers will develop a 'Resolvability Implementation Plan'
  - We will continue to engage with deposit takers as they develop and execute these plans
  - We are proposing two approval processes during the path to resolvability

Proportionality

- Level of detail in Resolvability Implementation Plans will vary based on the size, nature and complexity of a deposit taker's business
- Group 1 deposit takers can build on work undertaken to:
  - comply with the Outsourcing Policy; and
  - support their parent in implementing APRA's CPS900 (Resolution Planning)
- Less complex deposit takers will have fewer options to prepare for under the crisis response waterfall and less complex resolution plans overall
- In most cases, we expect that branches will be able to rely on resolution arrangements in their home jurisdiction

Loss Absorbing Capacity (LAC) requirements

Background

- The recent “Review of Key Capital Settings” (the capital review) decided that:
  - Group 1 deposit takers would need to hold LAC equal to 6% of risk-weighted assets, on top of existing minimum total capital requirements.
  - Tier 2 and LAC for Group 1 deposit takers would be the same type of instrument.
  - These instruments would need to be issued within the deposit taker’s group, rather than to external investors.
- We are now consulting on additional detail around the design of Tier 2/LAC instruments for Group 1 deposit takers.

General approach to Tier 2/LAC design

- The proposed design of the instruments aims to draw on existing capital related concepts, definitions, and approaches where appropriate. For example:
    - Apart from the inclusion of bail-in terms (and certain changes related to this) the instruments are designed to look like existing Tier 2.
    - The instruments would be subject to the same kinds of notification and assurance arrangements as existing capital instruments.
- The instruments are intended to qualify for corresponding deductions under APRA rules (we are continuing to liaise with APRA about the detailed design of the new Tier 2/LAC requirements).

Points to note

- We would be particularly interested in submitters' views on:
  - The trigger clause (this currently contains a combination of DTA statutory language and Australian-style PONV language).
  - Transitional arrangements (the options in the consultation paper are the same as those set out in the capital review documents, but leave open how entities should transition from old to new T2 when meeting the 3% Tier 2 requirement).
  - Not including conversion provisions in the instruments (we are proposing that the instruments only contain write down provisions).
- We would also welcome views on any other aspects of the proposals.

Treatment of new group 1 deposit takers

- A number of submitters on the capital review questioned how the new LAC requirements would apply to any new group 1 deposit taker that was not a wholly owned subsidiary of an Australian parent.
- Competition and diversity across the sector is important – we do not want to constrain the ability to become a group 1 deposit taker
- We are seeking some early feedback on the appropriate approach to new group 1 deposit takers with different ownerships structures
- Further work on this will be undertaken after 2028 once the DTA is fully in force. In the meantime, appropriate arrangements for any new group 1 deposit taker will be set via licence conditions

Continuity of Access to Deposits (CoAD) Standard

Background

- Current state
  - OBR-BS17
  - 2024 proposal on OBR-DCS integration model
- Future state
  - Implications of the DTA framework
  - Proposed Continuity of Access to Deposits (CoAD) Standard

Purpose and scope: CoAD

- Provide operational continuity in resolution
  - Variable suspension capability: enables suspension of liability classes where necessary in lieu of uniform haircuts across all liabilities
  - Protect the payments system by avoiding disruption and contagion
  - Maintain orderly resolution and financial stability
  - Does not pre-determine creditor loss allocation
- Support a range of resolution tools providing flexibility to the Resolution Authority (applies to stand-alone recapitalisation or 'good bank-bad bank', sale of business, deposit transfer, bridge bank)

Post-DTA world

- DTA allows us to exclude certain liabilities from moratorium/suspension of payment (selective freeze/unfreeze capability of classes of liabilities)
- Treatment of creditor hierarchy (depends on statutory purposes and failed bank's financial condition)
  - Secondary to systemic considerations and orderly resolution
  - Equally ranked creditors may be treated differently
  - NCWO safeguard

Indicative treatment of classes of liabilities

Liabilities potentially excluded from suspension

- Secured liabilities, covered bonds, and derivatives are usually excluded from suspension due to legal and market factors
- All transactional deposits accessible even beyond DCS cap
- DCS-protected term deposits available on maturity or earlier
- Operational liabilities (IT services, liabilities to FMIs, interbank, utilities etc)

Liabilities (beyond capital stack) that may be temporarily suspended in resolution

- Payments on wholesale bonds and other unsecured funding
- Unprotected portion of term deposits

Treatment of deposits

Type of balance	What this covers	Potential treatment
On-call/ transactional balances NB: The vast majority of customers will only have this type of balance	Access to all transactional balances will be re-established quickly the next business day (will no longer freeze part of on-call deposits).	• 100% of funds available by 9am the following day (or per their normal terms and conditions)
Term deposits	Insured term deposit available on same timeframe as DCS payout (calculation of insured amount includes part of transactional balances that have been released) Uninsured portion frozen in the meantime.	• Potential to release further funds at a later period.
Look-through accounts	All balances held in accounts subject to look-through treatment remain frozen.	• Subsequent application process for release of funds

CoAD requirements

- Closing and suspending payment of accounts
- End-of-day processing of accounts
- Capability to apply variable unfreezing or re-instatement capability for specific classes of liabilities (statutory and discretionary exclusions)
- Reinstate access to any frozen funds at a later date
- Maintain suspension of payment on other liabilities
- Implementation Plan

Proportionality

- Resolution of Group 1 and Group 2 deposit takers can be complex, given need to protect insured depositors, preserve basic banking services and limit contagion
  - We propose to extend the deposit takers covered by CoAD beyond the old requirements under BS17/OBR (which was based on whether the bank had at least $1billion in retail deposits). For Group 2, this is an 'in principle' extension that would generally apply to any *new* Group 2 deposit takers.
  - However, CoAD may not be necessary for all of Group 2 (given that not all are currently in scope of BS17). We expect to deal with this via licence conditions.
- We propose not to apply CoAD across Group 3. However, for Group 3 with significant volume of transactional accounts, the CoAD functionality may be useful in delivering an orderly wind down. We would particularly value hearing from these deposit takers as part of the consultation as we are considering whether or not CoAD requirements should be extended to them.

Recap and conclusion

- CoAD enhances optionality and flexibility by:
  - supporting different resolution strategies
  - adopting an outcomes-based approach that considers specific failure conditions and the prevailing market environment
- We are asking deposit takers to deliver simpler capability than in the past
- The main new requirement is the ability to provide access to the protected portion of term deposits, while freezing access to the unprotected part
- We are particularly interested in hearing from Group 3 deposit takers with significant transactional accounts about how easy it would be to implement CoAD requirements

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Ngā mihi.

Comments and questions welcome.