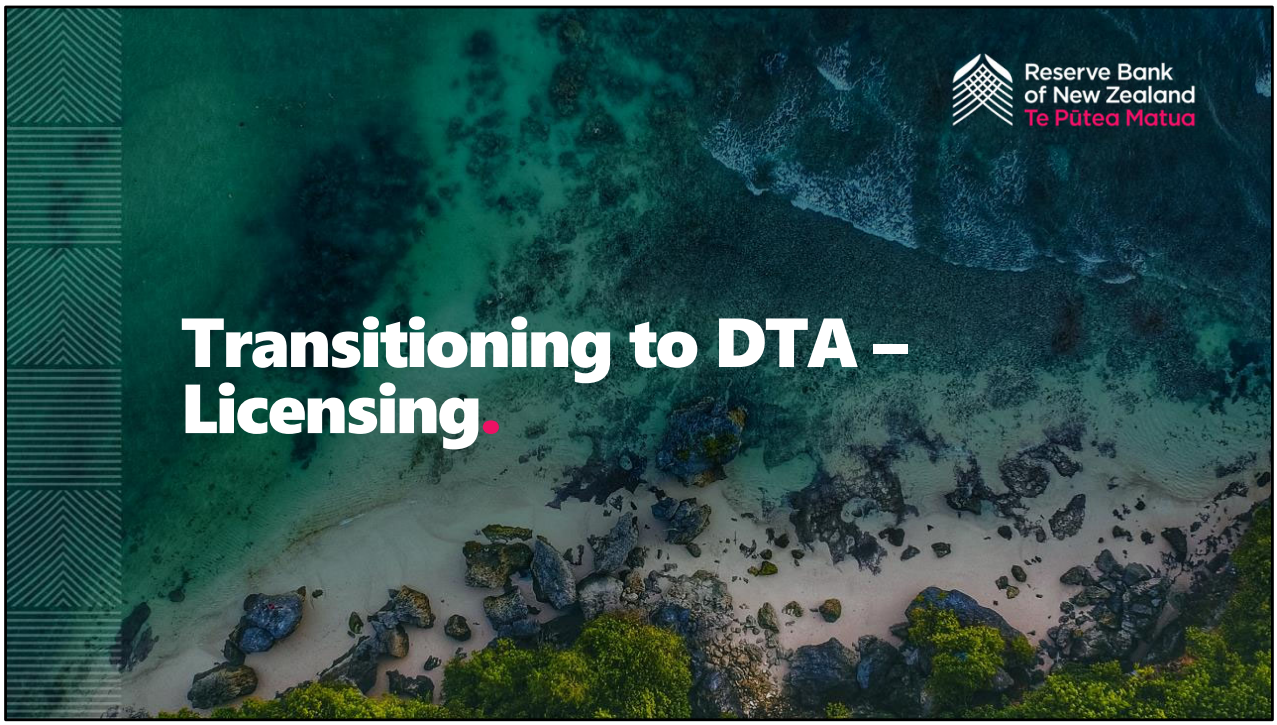

Reserve Bank
of New Zealand
Te Pūtea Matua
Transitioning to DTA –
Licensing.

Contents

Terminology

'Relicensing' – the process of licensing existing deposit takers under Schedule 1, Subpart 2 of the DTA.

Existing legislation – the Banking (Prudential Supervision) Act 1989 (BPSA) and the Non-bank Deposit Takers Act 2013 (NBDTA).

Day 1 – when relicensing concludes; when the Standards come into force; when the Act is fully commenced; when existing legislation is repealed.

Some helpful shorthand terms we will use throughout this presentation.

Please also note we have given some example licensing questions in this presentation. These are still being developed, so please take these examples as indicative only.

What we will assess.

Legislative requirements

8 When Bank must issue licence to existing deposit taker

(1) The Bank must issue a licence under this subpart to an existing deposit taker (**A**) if the Bank is satisfied that A—

(a) has applied for the licence in accordance with clause 9; and

(b) has the ability to comply with the core standards that will apply to A; and

(c) the eligibility criteria (if any) that are prescribed by the regulations are satisfied.

(a) requires you to apply in the manner we specify.

(b) is our main area of focus.

(c) is not currently applicable as there are no proposed eligibility criteria.

Schedule 1, clause 8 of the DTA sets out the legislative requirements for issuing a licence to an existing deposit taker. It has three parts:

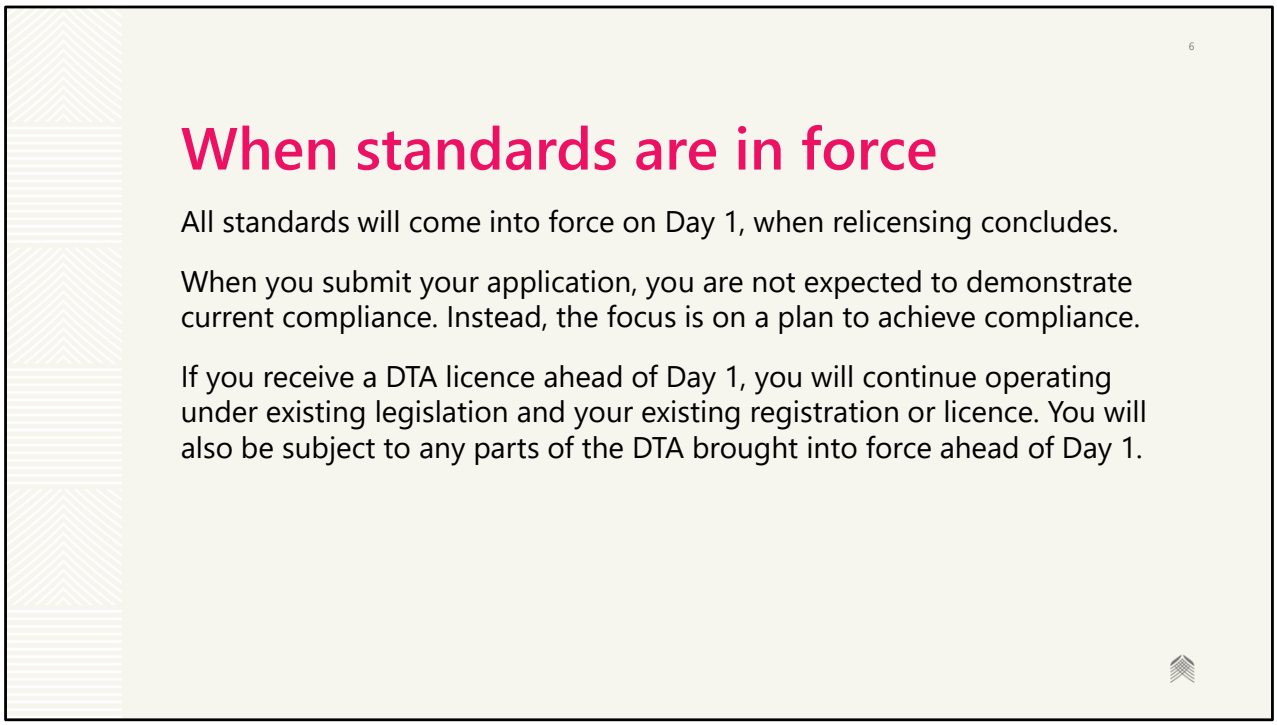
Subclause (a) requires you to apply for your licence in the manner we specify. We will set this out in a notice made under Part 8, subpart 4 of the Act. This covers procedural elements such as using our technology platform to submit, and submitting by relevant deadlines.

Subclause (b) is our main area of focus. We will be assessing whether you have the ability to comply with the core standards. The definition of a "core standard" is set out in Schedule 1, clause 2, those relating to capital, liquidity, depositor compensation and the disclosure of information. Note in the past you will have heard us refer to **four** core standards – the reporting standard has since been split out from the public disclosure standard (but both fall under the umbrella of disclosure), meaning there are now **five** core Standards. However, each Proportionality Group will see a different mix of questions because some standards do not apply to some groups.

Subclause (c) is only relevant if we decide to set eligibility criteria under regulations. Presently, there are no proposals to do so, meaning we do not expect this to be part of our assessment.

What will **not** form part of our licensing assessment:

- Any matters covered under section 17, the full licensing process under the Act. This means we are not reassessing fit and proper, nor overseas jurisdiction equivalence, for example.
- Any material relating to non-core standards. No licensing questions will be asked on this content. This doesn't mean it's not important – you are still expected to comply with the requirements of the non-core standards on Day 1, but it will be your supervisors who will assess this once you are licensed.



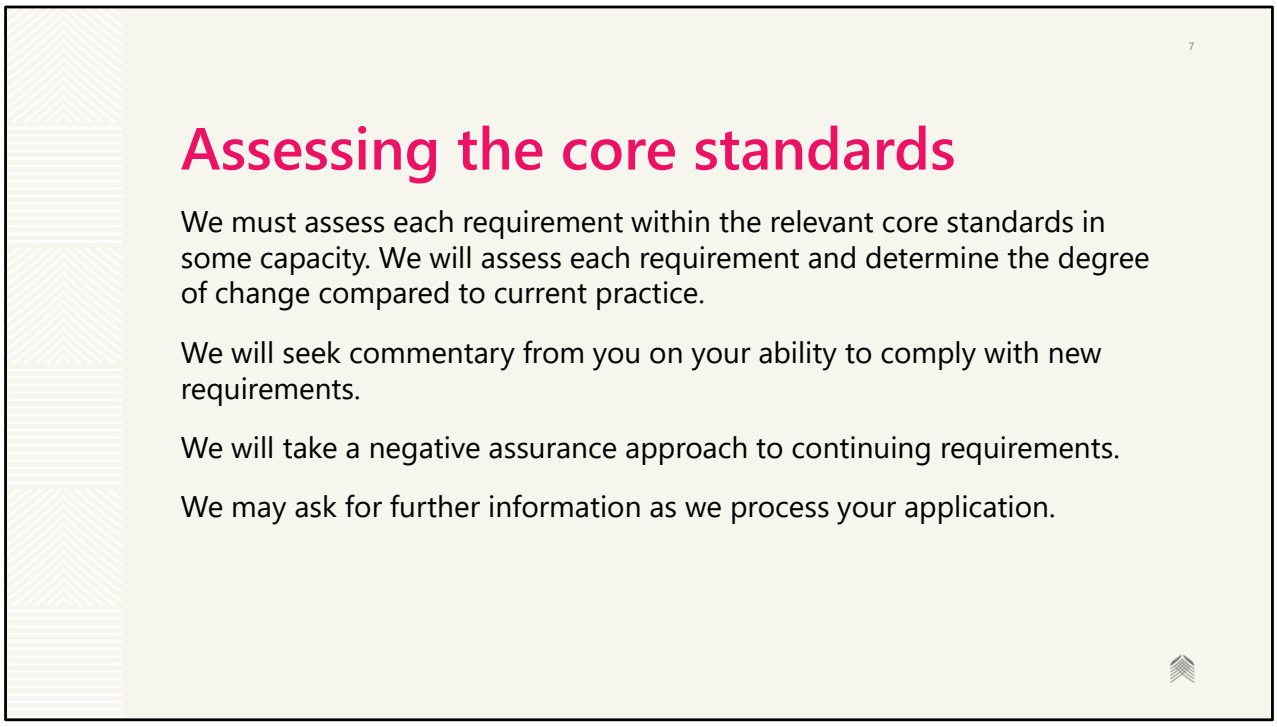
To operate solely under the DTA, applicants need both the standards in force, and an approved licence. We have previously signalled that all standards will come into force alongside the Act's main commencement date, once relicensing is complete (Day 1). If we brought the standards into force ahead of Day 1, this would mean each applicant would transition to the DTA at different times, as they receive their licence. We do not consider this workable due to concerns about competitive advantage, supervisory complexity, and shortening your runway for compliance.

This does mean you will be submitting your licence application before you are expected to comply with the requirements. We will **not** need you to demonstrate full and current compliance with the DTA in your application. Rather, we are looking ahead to your likely position on Day 1 and beyond, and will expect you to outline a credible plan for achieving compliance from that date forward. If you are in fact compliant at the time you submit, that is a bonus as it means we do not need to weigh the likelihood of you achieving this in future, but it is not a requirement.

What happens if you receive a DTA licence ahead of the Day 1 requirements coming into force? This will be common, and ideally, you should experience little to no change. Your existing banking registration or NBDT licence will continue to operate, and the existing legislation continues to impose requirements upon you. There are also some parts of the

DTA that are already in force, such as Part 6 relating to the DCS, which will continue to apply to you.

The real change will come on Day 1, when all licensed deposit takers simultaneously transition to operating fully under the DTA. When this occurs, the existing legislation is repealed and your bank or NBDT licence becomes redundant and ceases to have effect.



We must assess each requirement within the relevant core standards in some capacity. But we will be pragmatic with where we put our focus, acknowledging, as Scott said, that you are already meeting current prudential obligations and are known to us. Our Policy consultations have flagged that in some areas, we are carrying over and translating current requirements into the new regime, sometimes with minor revisions. As exposure drafts are released, we will assess each requirement and determine whether we consider it is materially new or a continuation of your current practice – noting this degree of change may be different for each Proportionality Group. This categorisation will determine how we assess the requirement.

Where a requirement is new, we will seek commentary from you on how you'll meet the requirement. Importantly, in almost all cases we do not intend to gather documents or other primary resources from you to support your answers. We are simply looking for a clear and credible explanation of the solution you intend to put in place.

Where a requirement is materially unchanging, we will not ask individual questions on these requirements. Instead, we'll be doing this in the form of negative assurance - we'll just need to be satisfied that any known issues have been brought to our attention.

These two approaches cover the information we'll gather from you at the outset. As we

assess your application, we may ask for further information from you if we have concerns or require greater clarity. That said, given our timeframes we hope this will be rare – we strongly encourage you to provide a full and complete application upfront so we can process it as efficiently as possible.

As Scott highlighted, we are trying to find the right balance where we fulfil our legal obligations, while being pragmatic and causing minimum impost to yourselves. At one end of the spectrum, we have ruled out deeming you compliant with some or all of the requirements, as we could not then satisfy ourselves you have the ability to comply with the core standards in full. At the other end, we have also ruled out full verification where we request extensive evidence from you, on the basis that it would be costly for you and impractical for us.

Changing – commentary sought

We'll seek commentary when a requirement is materially new to your Group. This may take one of two forms – simple or standard.

Simple commentary comprises Yes/No statements we will ask you to confirm.

Confirm your disclosure statements will:

- *Disclose the remuneration (including any long-term incentives) of your CEO and executive management team?* *Yes/No*
- *Note that historical financial statements are available via the RBNZ dashboard?* *Yes/No*

Standard commentary focuses on how you will comply, and by when.

- *How will your contingency funding plan enable you to address a range of actual or potential liquidity shortfalls?*
- *When will you be ready to implement this?*

We'll ask for commentary when the DTA is fundamentally altering your responsibilities, meaning we can't rely on pre-existing knowledge, and have to ask you a direct question.

In some cases, simple confirmation from you will suffice. This will most often be appropriate for small changes which are straightforward to implement, or those relating to technical calculation methodologies. An example is provided here. Expanding upon this example, we've called out executive remuneration and past financial statements because that is new information that must be included in a disclosure statement. The fundamentals of preparing and publishing disclosure statements, while required by the Disclosure Standard for certain Groups, are also requirements under current banking requirements. We would likely consider these unchanging, and subject to negative assurance instead.

In most cases, we will ask for standard commentary. We'll want to know both how you intend to comply with the new requirement, and be confident there is a credible pathway to achieving that compliance by Day 1. An example is provided here. Note we are not asking to receive a copy of your contingency funding plan – merely a description of how it will work in practice to achieve the required outcomes.

We will develop guidance material which broadly sets out what we expect, and the level of detail required, when answering these questions. For instance, when answering "when will

you be ready to implement this?", we would expect you to cover the work undertaken to date, key milestones still to come, expected delivery date, and the resourcing allocated to this delivery. An unacceptable answer would be merely stating "1 December 2028".

Unchanging – negative assurance

Negative assurance is appropriate where knowledge of your current compliance is also evidence of your ability to comply with the DTA.

We intend to seek affirmations from:

- You
- Your RBNZ supervisor (or your trustee supervisor)
- FMA

We'll ask a broad, catch-all question intended to allow known compliance issues to be flagged with us for further discussion. For example:

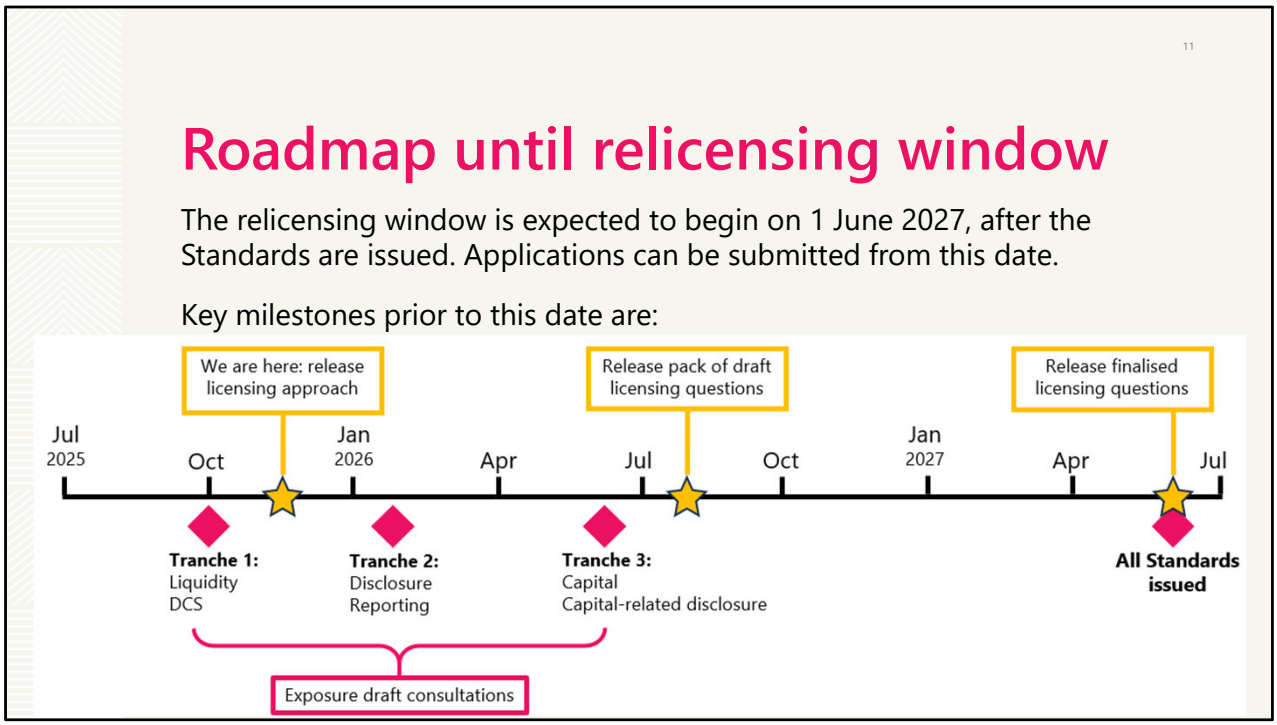
To the best of your knowledge, are there any other matters which may affect your ability to comply with the [Capital] Standard when it comes into force?

Where we're dealing with materially unchanging requirements, evidence that you currently comply is also good evidence you can continue doing so under the DTA. Issues will be flagged by exception, and if no issues are flagged, no further enquiry is needed. We'll gather affirmations from yourselves, your supervisor (whether RBNZ or trustee supervisor), and the FMA. We are still developing the process we'll follow with the trustee supervisors. We will share more detail with NBDTs, and the trustee supervisors, as this develops.

These affirmations are designed to provide a channel for raising concerns about current compliance. It is important to note that if concerns are raised, this wouldn't automatically disqualify you for a licence – rather, it is a prompt for us that further conversations are needed in order to be satisfied you can comply with the Act.

These affirmations will be framed along the lines of "To the best of your knowledge, are there any other matters which may affect your ability to comply with the [Capital] Standard when it comes into force?". We need to balance framing the question in a way that allows us to be made aware of important compliance issues, without being so broad that it becomes challenging for your directors to certify.

When we will assess.



Relicensing is expected to begin on 1 June 2027, after the Standards are issued. From this date forward, you'll be able to apply for your DTA licence.

The pink diamonds represent milestones relating to the Prudential Standards which our Policy team is leading. Exposure drafts for all standards are being released for consultation in three tranches, roughly around October 2025, February 2026 and June 2026. For our purposes, we have only listed content relating to Core Standards below the tranches. All Standards will then be issued by 31 May 2027.

The yellow stars represent Licensing milestones. We are releasing our general licensing approach to you now, in November 2025. We are providing as much clarity to you as we can presently, but note we are not yet able to release a full list of proposed licensing questions. That level of detail follows from the exposure drafts.

Once Tranche 3 of the exposure drafts are released for consultation, our intention is to release our draft application form to you, outlining all the questions we intend to ask. We will endeavour to do this as quickly as possible following Tranche 3, but noting we will need to take this through our internal approval process.

While our questions will necessarily be in draft (reflecting draft Standards), we do not

expect there will be substantial change between the draft and finalised versions. Therefore, we would encourage you, upon receipt of the draft licensing questions, to begin preparing your application. This will alleviate some of the time pressures you'd otherwise face in meeting our deadlines. Once the finalised Standards are issued, we will concurrently release the finalised licensing questions. These will be provided to you both in a clean copy, and a marked up copy so you can easily identify if any draft answers need to be updated.

The relicensing window will then formally begin.

Deadlines during relicensing

Relicensing runs between 1 June 2027 to 1 December 2028 (79 weeks). There are currently ~40 existing deposit takers, but this number may change.

We have a matter of weeks (rather than months) to assess each entity's application and determine an outcome before Day 1, when entities must be licensed under the DTA.

We will set individual deadlines for each Proportionality Group. The first deadline will be set three months after Standards are issued.

Subsequent deadlines will coincide with our planned completion of the preceding group, in a waterfall fashion.

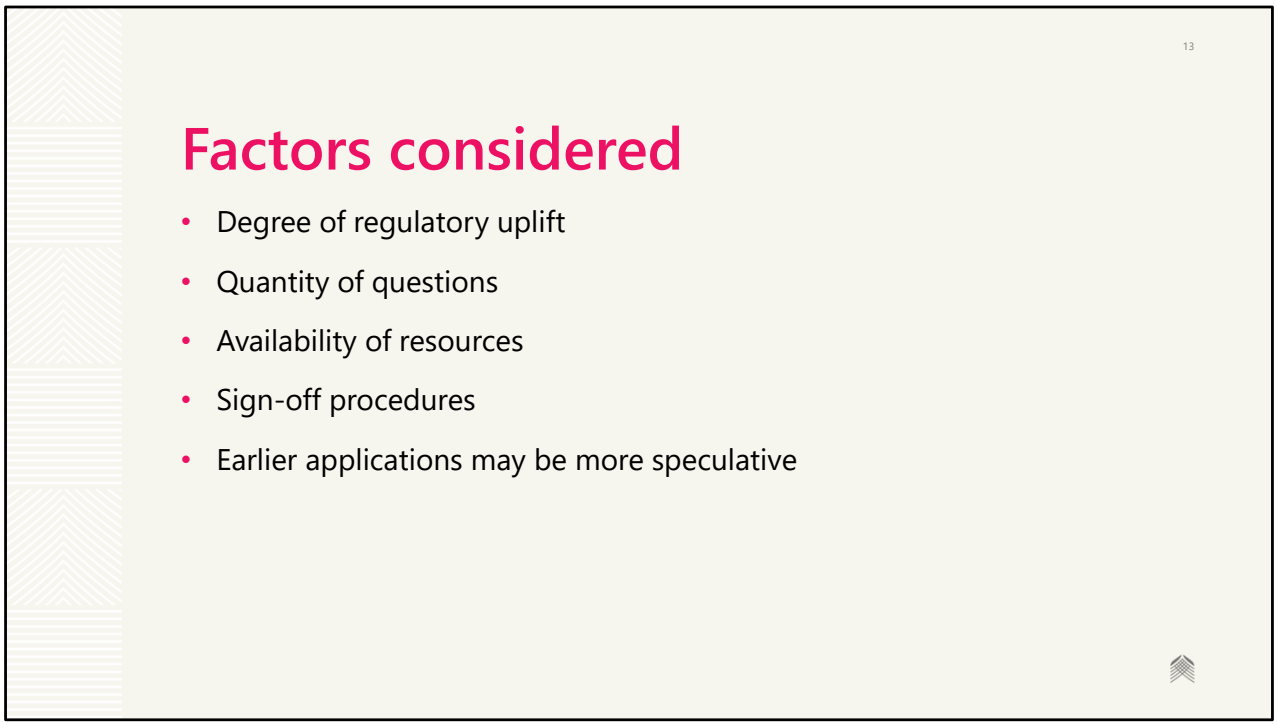
Eighteen months, broken down into weeks, is 79 weeks. Within that time, we need to receive, assess, and make licensing decisions on applications from all existing deposit takers. There are currently around 40 of you to relicense, but we may experience both market exits and new market entrants prior to June 2027 so this number is likely to change.

On our side, we're talking a matter of weeks rather than months per application, so efficiency is key to allow us to assess you all ahead of Day 1.

That's why deadlines are important to ensure a steady flow of applications, not inconsistent peaks and troughs. Rather than a single deadline for all groups (which would need to be set quite early), setting individual deadlines per group gives us more flexibility and prevents information going stale. To complete relicensing within the timeframe, we've determined the first deadline will need to be set three months into the licensing window – we don't think it is reasonable to set one any earlier than this. While three months may seem like a short timeframe, bear in mind whichever group is first will have had access to the draft questions for an additional eight months or so.

From there, deadlines will coincide with when we expect to complete our assessment of the prior group. Because each group is different and has a different number of members, the order we sequence the groups determines when the deadlines fall. Roughly, we're

expecting to complete Groups 1&2 each within 2 months, Group 3 within 8 months, and Branches within 3 months.



We understand that setting these deadlines involves a compromise between our needs (maximising time to assess applications) and your needs (maximising time to prepare applications). Some of these favour larger applicants submitting sooner, while others favour smaller applicants submitting sooner, which is why we are seeking your feedback.

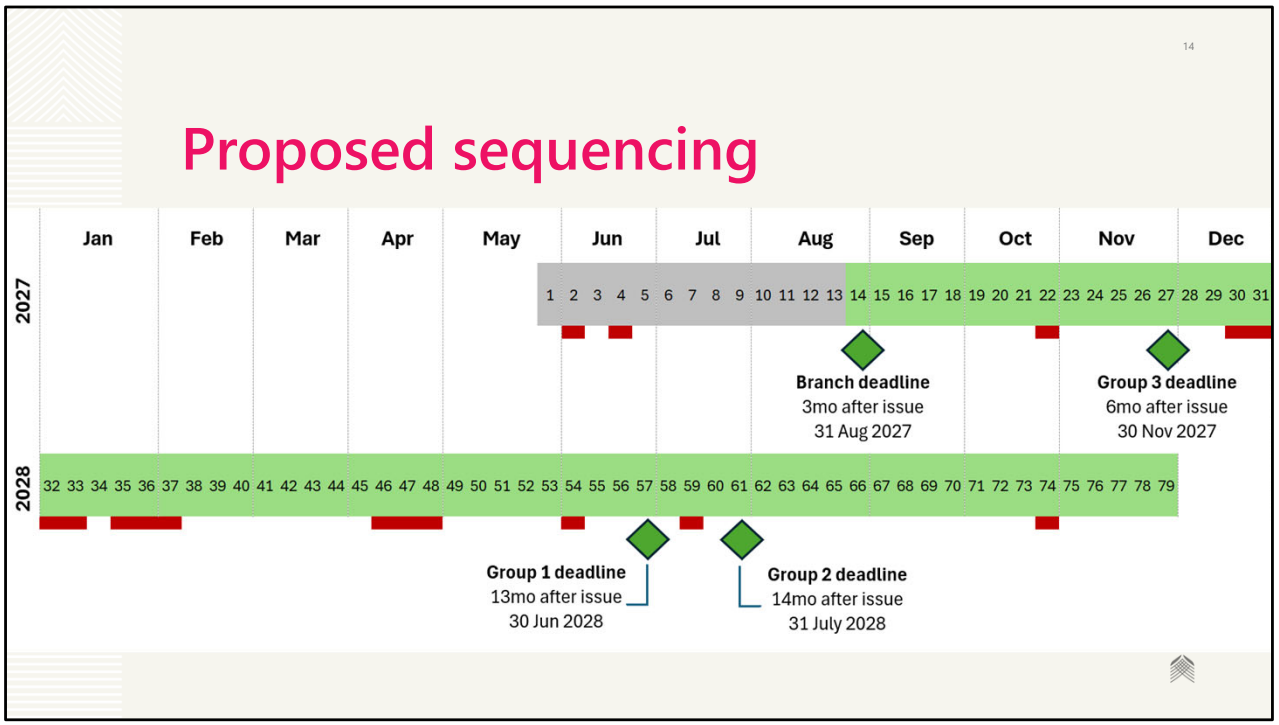
On our side, we have a strong interest in prioritising cases with the greatest degree of regulatory uplift. We expect these may take more time to process and might have a higher likelihood of us seeking clarifications. Receiving these applications first gives applicants longer runways to make changes and resubmit, if necessary. We think Group 3 is facing the most change and is least familiar with our processes. If regulatory uplift were the sole factor we took into account, this would mean we'd prioritise Group 3 submitting first. That said, we acknowledge that the applications which are more complex for us to assess are also more complex to put together – that could indicate we should allow more time, not less, for this Group to submit.

The quantity of questions is expected to be roughly the same for the three locally incorporated Groups. But notably for Branches, Capital and DCS do not apply, and only limited portions of the remaining core standards apply. Branches will be asked substantially fewer questions and in our view, we think that is good justification for asking this group to submit first.

Additional resources may need to be committed by those who must apply sooner, to expedite their application. Considering the proportionate impact, larger firms tend to have greater access to resources compared to smaller firms.

On sign-off procedures, we are aware that larger firms have more complex approval processes with more layers to work through. This might point towards smaller firms, who can obtain approvals more quickly, submitting sooner.

Finally, given your application will need to look ahead to planned compliance on Day 1, earlier applications are further out from this date and so may be more speculative about what still needs to be done. In general, we expect larger firms would have a slightly longer time horizon for delivery, meaning these applications might be more certain even if submitted sooner. But we also note that smaller firms might prefer to submit more speculative information sooner, in order to receive a licensing determination before committing to and carrying out various expenditures. We think this factor is neutral.



Let's put this into context with a mock-up of how the groups could be arranged and when deadlines fall.

Stepping through it, the first three months are greyed out as we do not expect to receive applications during this time. The first deadline is set at the 3 month mark (plus the additional 8 months with draft questions), and we've suggested branches first, placing weight on the 'quantity of questions' factor. The size of that group means we expect to finish assessing branches by end November, which becomes our next deadline. Our preference is for G3 to go second, placing weight on 'degree of regulatory uplift' factor. Because Group 3 is the largest Group, that means the next deadline falls in mid-2028. We've suggested Group 1 submits ahead of Group 2.

For completeness, the small red indicators show weeks that contain a public holiday so we are aware of reduced capacity either on our end or yours.

One feature to note is there is a long amount of time between the branch deadline and the G1/G2 deadlines. We want to understand whether this would pose problems for dual registered entities (seven of twelve branches). Our preference is to keep branches together as a group. But if it is necessary for dual registered entities to prepare and submit their applications in tandem, we can explore alternatives. For instance, dual registered branches

could have a deadline set to match their locally incorporated entity. This would pull all other deadlines earlier as effectively 7 members of the Branch Group would slot into Groups 1 and 2 for deadline purposes.

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Feedback sought

- *What order would you choose to sequence the four proportionality groups? Comment on the factors you place the greatest weight on, including any considerations we have not outlined.*
- *For dual-registered entities, how necessary is it for the branch and locally incorporated entity to progress their applications in tandem?*

We will send you these questions, along with this presentation, after the session. Feedback can be provided via return email by **5 December 2025.** We will confirm when we intend to set deadlines in the new year.

This is a challenging decision to come to as there are no right answers, and competing interests between groups. We know we won't be able to make everyone happy, but we want to ensure we've heard your feedback and tested our assumptions before proceeding further. To this end, we want to seek your feedback on how you would sequence the groups, and why, and also ask about whether dual registered entities need to progress applications in tandem or could do so to different timeframes.

Ultimately, our goal is to find a feasible compromise that lets us collectively complete relicensing within eighteen months.

We'll send you the material shortly following this presentation, and would appreciate your feedback by 5 December 2025. Note this is a less formal process than consultation on our policy decisions – we will not be publishing any of your feedback on our website nor a summary of our response. But we will engage directly with you and be in touch early next year to confirm our decision, after taking your feedback into account.

Technology platform.

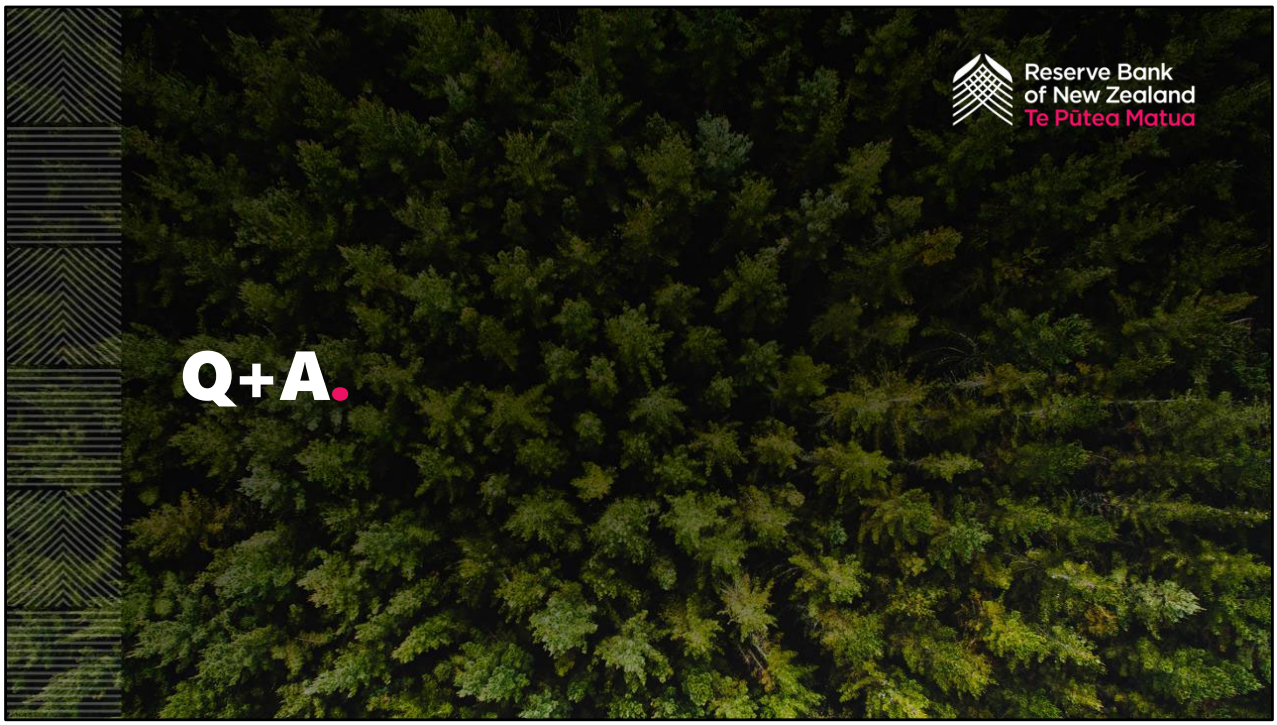
RBNZ Connect

We are planning to launch a secure, user-friendly online portal that will enable streamlined interactions between the Reserve Bank and external entities. The portal, named RBNZ Connect, will allow users to:

- Securely log in and authenticate their identity;
- Complete and submit forms;
- Track the status of their submissions; and
- Receive outcomes.

We are planning to launch a secure, user-friendly online portal that will enable streamlined interactions between the Reserve Bank and external entities. The portal, named RBNZ Connect, will enable users to securely log in and authenticate their identity, complete and submit forms, track the status of their submissions, and receive outcomes. DTA licensing is the first use-case being developed, but we intend to add more features over time. This will allow us to move away from more paper-based submissions, which are manual and time-consuming, and often unclear on what information must be provided.

We are still in the early phases of development, but our intention is to have you all onboarded comfortably ahead of 1 June 2027 so you can use the portal to submit your application.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