

# Industry Webinar

Depositor Compensation Scheme (DCS) Payout Solution

24 September 2024

# Purpose and Objectives

- Provide context around the DCS and a payout event
- Communicate with industry the outcomes and RBNZ conclusions for the end-to-end (e2e) DCS Payout solutions
- Confirm the RBNZ and industry delivery expectations prior to the DCS 'go-live' (mid 2025)
- Opportunity for industry questions and RBNZ responses
- Discuss next steps



# Context and Background

- The Deposit Takers Act (DTA) establishes a new Depositor Compensation Scheme (DCS) to protect depositors up to \$100,000 per depositor per institution in the event of a deposit taker failure.
  - Financial stability and to reduce the risk of contagion - our common interest.
  - Reserve Bank (RBNZ) will have a range of resolution options available.
  - A payout may be necessary, for example, as part of a liquidation.
- End-to-end payout solution (incl. recommended options) is the culmination of consultation internally, and with industry and other jurisdiction representatives.
  - In the event of a liquidation and payout, the RBNZ / DCS Operations team will:
    - receive data from the failed deposit taker
    - analyse it to assess the compensation that depositors will be eligible for
    - make payment to depositors.
  - Requires implementation of an end-to-end payout solution – including new systems and processes.
- End-to-end solution must be delivered by go-live in mid-2025.
- RBNZ will work with industry on specific components where their support is needed.



# Payout Options Considered

- A range of “solutions” (either end-to-end or payment mechanisms) have been considered, with feedback sought internally, across industry and other jurisdictions.
- The preferred DCS payout method is direct deposit / fund transfer into an eligible depositor’s nominated account.
- The recommended solutions have met the evaluation criteria: Desirable, Viable and Feasible
- Some of the potential but discounted “solutions” considered include:
  - “Alternative Deposit Taker” model (no longer deemed a viable standalone option)
  - Other government agencies (eg IRD and MSD systems and processes)
  - Suffix 99 to maintain access and allow time for alternative account establishment
  - App-based or fintech solutions such as e-wallets and ‘digital’ cards
  - Cheques – promissory notes

- Failed entity's website

*Recommended*

- DCS portal

*Recommended*



# DCS Key Solution Requirements



## The end-to-end payout solution must:

- Be ready to support a payout of at least ~120k account holders by DCS "go-live"
- Be "fit for purpose" at DCS 'go-live'
- Be scalable and cost effective
- Enable compensation payments as soon as practicable
- Include prepositioning of communication plans
- Include data management, customer support and customer statementing processes.

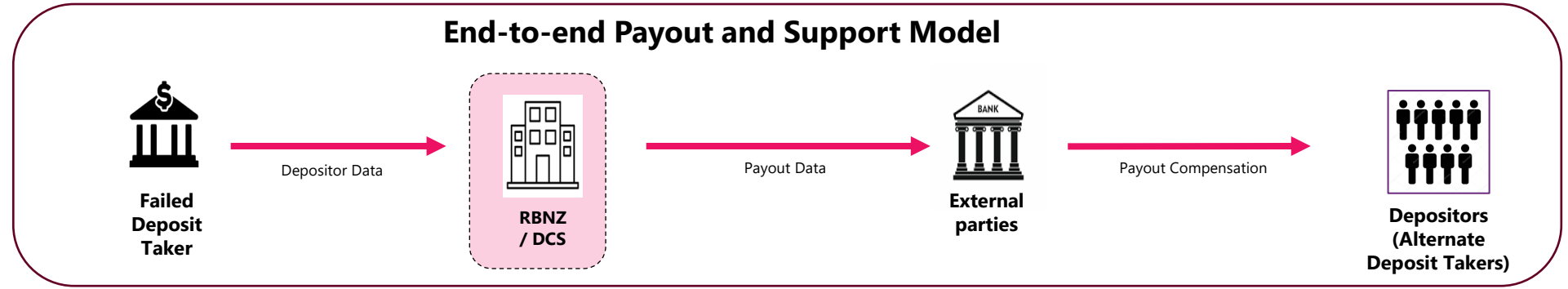


# Payout Design and Delivery Considerations

Assumptions when the DCS takes effect (mid-2025):

- the number of account holders impacted by a failure is assumed to be circa 120,000
- that following a failure event the aim of the DCS is to ensure that eligible depositors receive their money as soon as practicable

The end-to-end payment solution includes multiple component parts including:



## 1 RBNZ / Industry Delivered

- Pre-failure readiness communications (education and awareness)

**\*\* Awareness\*\***

## 2 RBNZ Delivered

- Data management (including application of eligibility and validity rules)
- Portal capabilities to authenticate depositors and collect / verify depositor data
- Payout provider capabilities
- Post failure support capabilities
- Exception management

**\*\* Awareness\*\***

## 3 Industry Delivered

- Entity Webpage capabilities to authenticate depositors and collect / verify depositor data
- Post failure customer onboarding\* (alternate deposit taker)
- Data Quality in readiness for core standard (including SDV) in 2028

\*: Note - includes Industry impact in the event of a failure

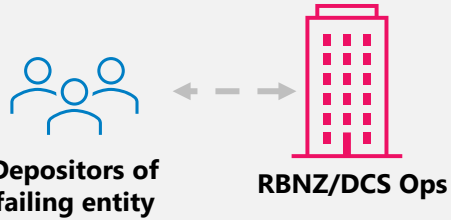
**\*\* Industry Impact\*\***

# End-to-end Payout Model Solution and Delivery Implications

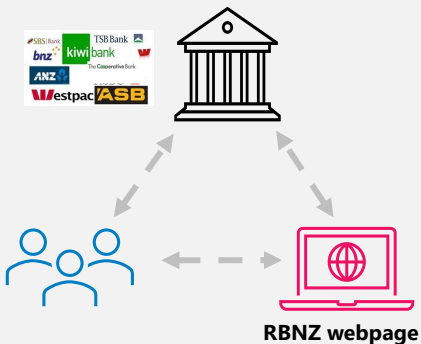
## Solution Components:

1. Communications, education and awareness
2. Data Management
3. Support Services and Exception Management
4. Post failure customer onboarding
5. Data collection and validation
  - a. RBNZ Portal or
  - b. Entity Webpage
6. Payout provider capability

## Pre failure readiness

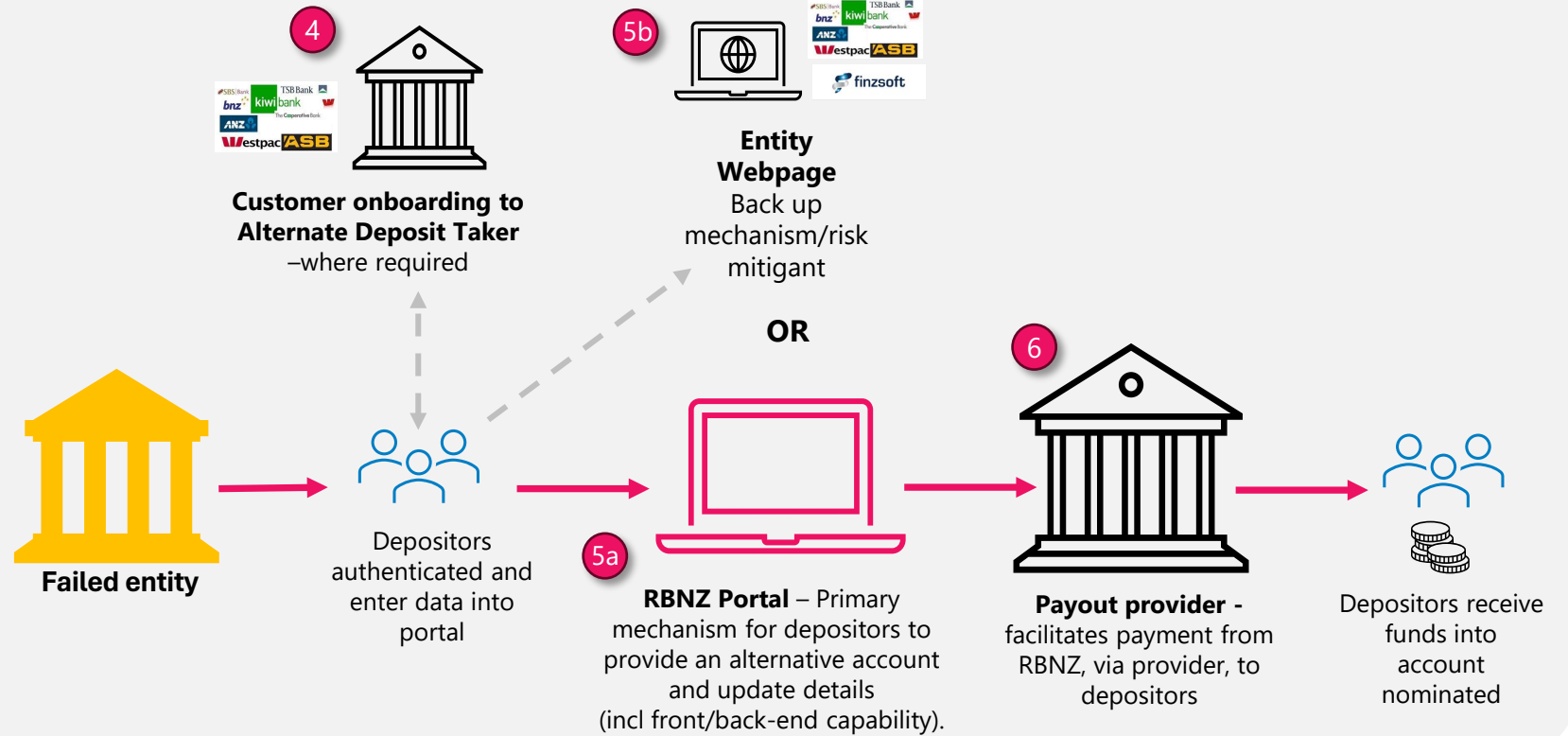


## 1 Communications, education and awareness

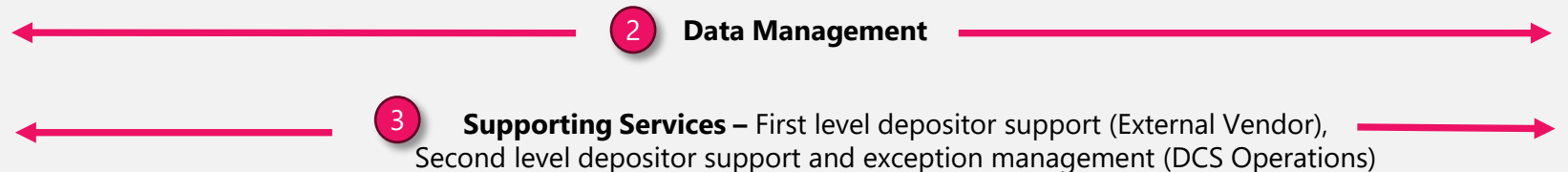


Failure Event

## High level steps to payout

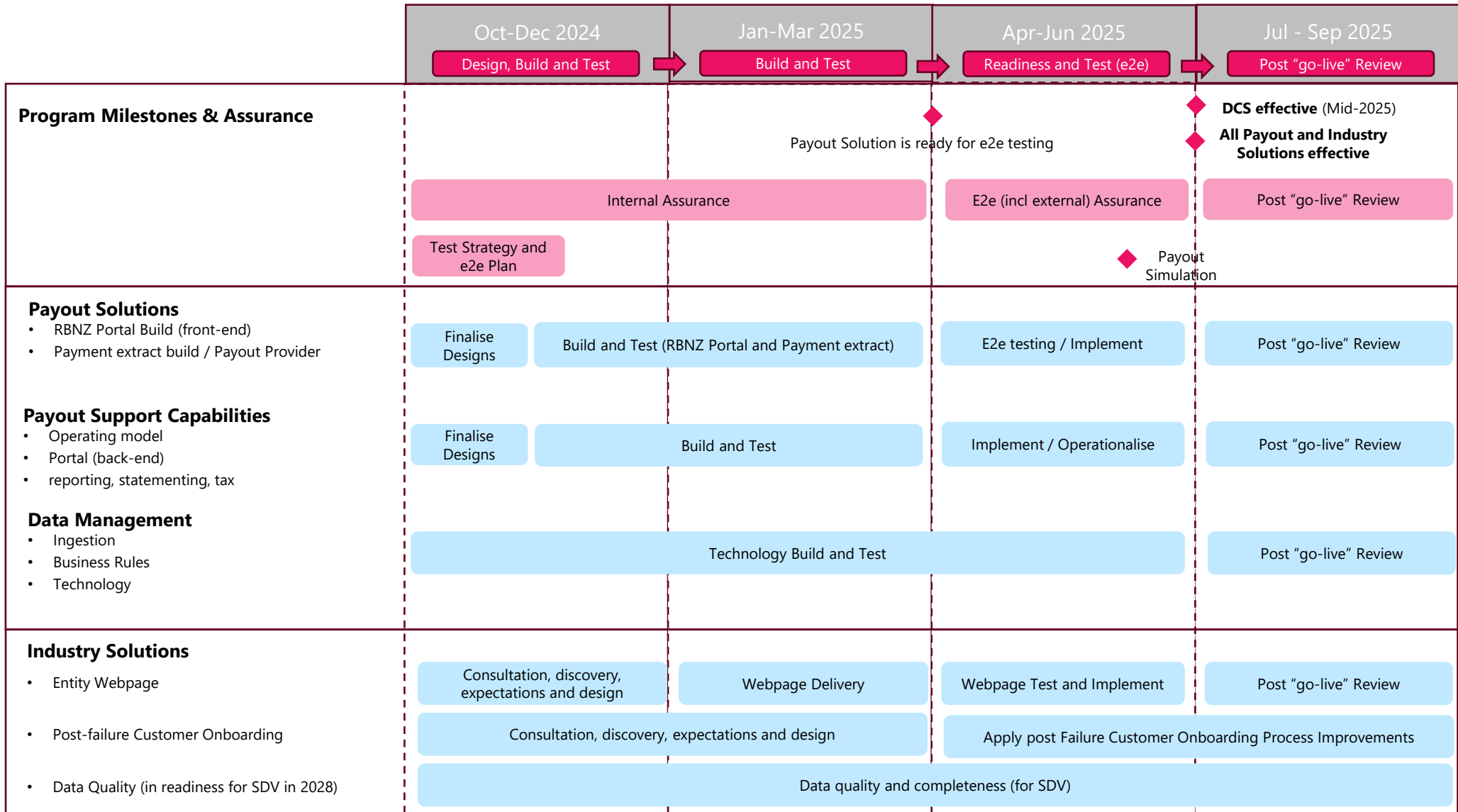


## Ongoing through payout process



# Indicative Plan – Payout and Support Capabilities

## To DCS “go-live”





# RBNZ Portal and 1st Level Support

**\*\* Awareness\*\***

## Problem Statement



In the event of a deposit taker failure requiring a DCS payout we will require eligible depositors to nominate their alternative bank account for receiving their compensation payment, which requires DCS to offer a **self-serve digital channel** and/or an **assisted customer support channel** to enable collection of that data point.



## Solution Summary

- **Self serve digital channel**
  - External facing web portal
  - The primary channel for depositors to access and nominate their alternative bank account for DCS payment
  - Validate other key fields required for payout
  - Actioned at a depositor's convenience in a self-serve manner
- **An assisted customer support channel**
  - Secondary contact centre channel where depositors who cannot access the portal may want to talk to a person to perform a specific action (eg access the portal to nominate their bank account and/or lodge a support query and/or dispute) which requires an assessment and subsequent action.



## Key Next Steps / Actions

- **External vendor confirmed**
  - Procurement plan completed & approved
- **Discovery workshops (Self serve digital channel and customer support channel)**
  - Identification & analysis of requirements (high-level & detailed)
  - Scoping decisions identified (internal vs. external)
  - Solution design, options analysis documentation
  - Build delivery plan including schedule, resourcing & budget initial forecasting
- **Build and test of Portal**



## Industry Impact

- **Delivery impact**
  - None
- **Impact in the event of a failure event**
  - Provision of depositor data to facilitate a payout event
  - In the event a failure Banks / NBDTs may be required to provide support to onboarding new customers (refer over) and / or assist customers through to support channels (eg RBNZ Portal or support channels)



# Payout Provider Capabilities

**\*\* Awareness\*\***

## Problem Statement



In the event of a deposit taker failure requiring a DCS payout we will require a payout provider to facilitate compensation payments to eligible depositors



## Solution Summary

- **Facilitate Compensation Payments**
  - Process a daily payments file of compensation amounts for eligible depositors
  - Utilise an appropriate payment mechanism to execute the payment to the nominated account of eligible depositors



## Key Next Steps / Actions

- **RBNZ lead engagement with and confirm suitable payment provider**
  - Requirements (high-level & detailed)
  - Solution design, options analysis documentation
  - Build delivery plan



## Industry Impact

- **Delivery impact**
  - None (refer next steps / actions to confirm suitable payment provider)



# Entity Webpage

**\*\* Industry Impact\*\***

## Problem Statement



In the event of a deposit taker failure requiring a DCS payout we will require an alternate to the RBNZ Portal (as a mitigant to delivery risk or failover risk) for eligible depositors to nominate their alternative bank account for receiving their compensation payment via an entity webpage to enable collection of that data point.



## Solution Summary

- **Entity Webpage**
  - Webpage per deposit taker (alternate to RBNZ Portal) and activated when an entity has failed
  - Delivered within a failed deposit takers existing digital channel(s), ie we don't intend the user to leave, or be redirected from their existing, trusted environment to help mitigate security risks and/or concerns
  - At point of failure the digital channels of the deposit taker would be switched into 'failure' mode and utilise existing identity credentials
  - Validate other key fields required for payout
  - Utilise existing data-sharing mechanisms in place with RBNZ



## Key Next Steps / Actions

- **Provide outcomes focused requirements to industry by end of 2024**
  - Flexibility and cost-effectiveness
  - Regular testing
  - Similar to Australian requirements
- **Industry consultation and/or bi-lateral engagements as appropriate to confirm:**
  - Expectations
  - Assess limited exemptions
  - Timelines
  - Solution design, options analysis documentation



## Industry Impact

- **Delivery impact**
  - Each entity will be expected to deliver (build, test and implement) the webpage capability in line with the supplied requirements by mid-2025
  - Possible exemptions or scope for alternative solution in some exceptional circumstances, e.g. no online banking portal or not offering transactional banking and already holds alternate account information on customers.
- **Impact in the event of a failure event**
  - Webpage activated when an entity has failed



# Post-failure Customer Onboarding

**\*\* Industry Impact\*\***

## Problem Statement



In the event of a deposit taker failure requiring a DCS payout we will require customers of the failed deposit taker to establish an account at a depositor of their choice (where an alternate account or the account of a trusted person does not exist). We understand that the processes and /or timelines to currently onboard a customer is an 'industry-wide' issue and may require improvement to support the timely receipt of their compensation payment.



## Solution Summary

- **Post-failure Customer Onboarding**
  - Customers from the failed deposit taker have the choice to select an alternate deposit taker
  - Onboard new customers in a timely manner (including appropriate identification and AML checks)
  - Establish alternate account that is 'ready' to receive funds (so that details can be collected in the RBNZ portal or industry-wide webpage)



## Key Next Steps / Actions

- **Industry lead resolution of current onboarding issues**
  - Consolidated solution design, options analysis and timelines
- **Confirm industry roles and responsibilities (incl NZBA)**
  - Industry collaboration and leadership
  - RBNZ support where needed
  - Regular discussion with industry leads



## Industry Impact

- **Delivery impact**
  - Identify and action improvements to the customer onboarding process
  - Each Bank / NBDT to review and assess their onboarding processes and timelines and collaborate to achieve best-practice processes across the industry
- **Impact in the event of a failure**
  - Assist customers in the redirection of existing financial relationships to the alternate deposit taker account. For example, salary or benefit payments, automatic payments, direct debits etc



Please email us with questions or  
if you would like to arrange a time to meet with us.

[dta@rbnz.govt.nz](mailto:dta@rbnz.govt.nz)