

A close-up photograph of a hand holding a smartphone, with a semi-transparent blue overlay covering the entire image. The text is positioned on the left side of the image.

Banking and Finance in New Zealand

2021

Banking and Finance in New Zealand



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Key points about Banking and Finance in New Zealand



The Reserve Bank of New Zealand ('Reserve Bank') is New Zealand's central bank.



Banks operating in New Zealand must be registered with the Reserve Bank.



Certain non-bank deposit takers ('NBDTs') operating in New Zealand must be licensed by the Reserve Bank.





The detail

Reserve Bank of New Zealand

The banking industry in New Zealand is prudentially supervised by the Reserve Bank. The Reserve Bank's powers are set out in the Reserve Bank of New Zealand Act 1989 (the 'Act'). In general, the Reserve Bank:

- formulates and implements monetary policy to maintain price stability and support sustainable employment;
- promotes the maintenance of a sound and efficient financial system; and
- supplies and manages the New Zealand currency.

Fundamental to the Reserve Bank's roles are managing the registration and prudential supervision of banks, and monitoring the financial system with the intention of preventing, or mitigating the consequences of, institutional distress or failure.

Bank registration

All banks operating in New Zealand must be registered with the Reserve Bank. There are currently 27 registered banks in New Zealand, most of which are subsidiaries or branches of overseas-incorporated banks.

Only an entity whose business substantially consists of borrowing or lending money, or the provision of financial services, may be registered as a bank in New Zealand. In general, for registration, the Reserve Bank will have regard for:

- Qualitative criteria: the applicant's financial standing and its ability to prudently manage its business; and

- Quantitative criteria: evidence of the applicant's ability to meet the qualitative criteria, and of its ability to consistently carry on business in a prudent manner on an ongoing basis following registration.

In addition, applicants that are incorporated overseas are required to have the approval of their home supervisor to conduct banking business in New Zealand. The applicant must also meet the prudential requirements imposed on it by its overseas home supervisor.

Any person or entity carrying on any activity in New Zealand and that includes 'Bank', 'Banker', or 'Banking' in its name must be a registered bank or authorised to use that name by the Reserve Bank or otherwise exempt under the Act.

Non-bank deposit takers

An NBDT is an entity which is not a registered bank but which offers debt securities (a deposit-taker) and carries on the business of borrowing and lending money, or providing financial services, or both.

NBDTs are prudentially regulated by the Reserve Bank under the Non-bank Deposit Takers Act 2013 ('NBDT Act') and associated regulations.

In general, the NBDT Act requires every NBDT which makes a regulated offer of debt securities to retail investors to be licensed. If a licence is granted, it may be subject to conditions imposed by the Reserve Bank.



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Restructuring.

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