

DENTONS

Banking and Finance in New Zealand

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December 2023

Banking and finance in New Zealand



3 partners

8 professionals



The team are alive to the market and aware of business and regulatory developments and how they impact their clients. They are an expert, experienced and thoughtful team.

— Banking & Finance,
Chambers and Partners Asia Pacific, 2023

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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 purpose, objectives and powers are set out in the Reserve Bank of New Zealand Act 2021 (the RBNZ Act) and the Banking (Prudential Supervision) Act 1989 respectively. 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 be exempt under the Banking (Prudential Supervision) Act 1989.

Non-bank deposit takers and the new Deposit Takers Act 2023

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.

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

NBDTs are prudentially regulated by the Reserve Bank under the Non-bank Deposit Takers Act 2013 (NBDT Act) and the new Deposit Takers Act 2023 (DTA) which was passed into law in July 2023 (among other regulations).

The DTA applies to all deposit takers (including banks and NBDTs) and introduces the following significant changes to New Zealand's prudential settings:

- Introduction of a Depositor Compensation Scheme.
- Integration of separate prudential regimes for the licensing of deposit takers.
- Strengthening of New Zealand's deposit taker crisis management framework.

The relevant provisions of the NBDT Act will remain in force until the DTA fully comes into effect. The new Depositor Compensation Scheme is expected to come into force first, in late 2024, but there will be a staggered implementation of the rest of the DTA until July 2028. Currently, the Reserve Bank proposes to develop and consult on new standards from early 2024 until 2026, with the new DTA licensing regime to be rolled out in 2027.

For other regulatory requirements that may be relevant to banks, NBDTs and financial markets participants, refer to [‘Financial Markets in NZ’](#).

How we can help you

We represent some of the largest financial institutions and corporate trustees in New Zealand and globally on matters including:

- Corporate financing, including acquisition finance, property development, trade finance, and receivables financings.
- Asset and asset based financing.
- Specialist retirement village development financing.
- Debt capital markets.
- Financial services regulatory advice.
- Consumer finance and PPSA advice.
- New product structuring and development, including assisting major New Zealand and international banks with developing corporate finance, transactional banking, trade finance, receivables financing products.
- Structured finance arrangements including securitisations.
- Restructuring.

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