

FOUR FAST FACTS

ON: THE DEPOSIT TAKERS ACT

MAY 2021

One regime for deposit takers

1

Drafting will soon commence on the Deposit Takers Act - legislation combining the regulation of banks and non-bank deposit takers (entities in the business of “borrowing and lending”) into a single regime. However, it is expected that wholesale funded lending institutions won't be subject to the new legislation.

Duties on directors

2

The Deposit Takers Act will impose duties on directors to ensure adequate systems, processes and policies are in place to comply with prudential requirements and obligations, and will give the Reserve Bank 'on site' inspection powers to monitor compliance.

Deposit insurance scheme

3

Cabinet has approved the introduction of a deposit insurance scheme that will protect up to NZ\$100,000 per depositor per institution in the event of a failure. The Government initially proposed a limit of NZ\$50,000, but agreed to lift the cap after a number of submissions called for the increase.

Next steps

4

An exposure draft bill is expected to be released for consultation later this year ahead of its introduction to Parliament before the end of 2021.

The deposit insurance scheme is expected to come into force in 2023, with implementation of the rest of the regime to follow.