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Deposit Taking Measures Protect Financial Stability and New Zealanders

Grant Robertson

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22 APRIL 2021

Deposit taking measures protect financial stability and New Zealanders

**HON GRANT ROBERTSON**

Finance

Cabinet has finalised a package of new measures to protect New Zealanders' interests in the banking and financial system, including guaranteeing deposits of up to \$100,000 per eligible institution.

These measures, the final part of a comprehensive review of the Reserve Bank of New Zealand Act, have been the subject of extensive consultation. They will help protect New Zealand's financial system and wider economy from damage that could be caused by excessive risk taking by the deposit taking sector and any resulting failures of institutions, Grant Robertson said.

“While New Zealand's financial system is sound and well positioned to withstand the stress posed by COVID-19, these reforms ensure the Reserve Bank is better equipped to protect and promote financial stability in the future.

“Taken together, the recommendations will considerably strengthen New Zealand’s financial system safety net and contribute to a robust framework of protections for depositors. It also brings our protections into line with those in place overseas.

“We originally proposed a \$50,000 limit for deposit protection but after listening to feedback this has been increased to \$100,000. This will fully protect 93 percent of depositors.

“When enacted, these measures mean individuals will have up to \$100,000 of their deposits in any eligible institution guaranteed in the event of the failure of an institution.

”As well as instituting the deposit guarantee scheme, the measures we have confirmed today will improve regulation and supervision of deposit takers and strengthen New Zealand’s financial crisis framework.”

Drafting of the legislation will now get underway, with the Bill expected to be introduced to Parliament towards the end of the year. The aim is to have deposit insurance up and running in 2023,” Grant Robertson said.

The reforms will also include a new process for setting lending restrictions, such as loan-to-value ratios.

“This will give the Minister of Finance a role in determining which types of lending the Reserve Bank is able to directly restrict. The Reserve Bank will then have full discretion to decide which instrument is best suited to use and how the restrictions are applied,” Grant Robertson said.

“As with other prudential requirements, lending standards policies will be subject to more general requirements such as consultation with other government agencies and the public, and the Reserve Bank needing to have regard to the Minister of Finance’s Financial Policy Remit.”



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