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Submission

Consultation on Crisis Preparedness package supporting implementation of the Deposit Takers Act 2023

For Reserve Bank of New Zealand – Te Pūtea Matua

2 September 2026

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Contents

Executive summary

1. Payments NZ welcomes the opportunity to comment on the Deposit Takers Standards for Crisis Management and Resolution consultation paper published by the Reserve Bank of New Zealand – Te Pūtea Matua (Reserve Bank).
2. We understand the proposals primarily relate to obligations on deposit takers under the Deposit Takers Act 2023 (DTA). While Payments NZ does not propose to respond to the specific questions in the consultation paper, we consider the proposed framework has direct implications for the operation of payment systems and the ongoing application of Payments NZ's access, risk management and participant default requirements. In particular, the proposed framework contemplates distressed deposit takers continuing to provide payment services and participating in critical payment infrastructure. This raises important questions regarding participant eligibility, risk management, obligations under the FMI Standards, and the continued integrity and stability of the payment system.
3. The proposed framework is likely to require consequential changes to Payments NZ rules to ensure alignment between future crisis management arrangements, participant access requirements and obligations under the FMI Standards. We recommend these implications be considered as part of the final design of the framework.
4. A key issue not addressed by the consultation is how payment system operators are expected to discharge their access, risk management and FMI obligations where a distressed deposit taker continues to participate in critical payment infrastructure. Greater clarity is required on how these obligations interact with the proposed recovery and resolution framework.
5. The effectiveness of the proposed framework will therefore depend, in part, on maintaining confidence in the payment systems that support access to deposits and the continued operation of critical banking services.

About Payments NZ

6. Payments NZ plays a central system governance role in the payments ecosystem of Aotearoa New Zealand. We govern core clearing system arrangements, rules and standards, and coordinate industry change to enable payment systems that are safe, efficient, open, innovative and interoperable.

7. The systems we govern support the movement of significant value across the economy and form part of our country's critical financial infrastructure, supporting the continuity of payment services relied upon by consumers, businesses and government.

Parameters of our submission

8. Part of our work is to ensure that participants in the systems meet our access requirements on a continuous basis. In other words, to protect the system, all participants must not introduce significant risk into these systems or undermine the integrity or reputation of the systems.

9. In light of this, it is important that the consultation paper recognises the role that Payments NZ would play in the event that the Reserve Bank were to use its crisis management powers in relation to a deposit taker in financial distress, if that deposit taker were a participant in Payments NZ's clearing systems.

10. This is important because Payments NZ has statutory, contractual and FMI-related obligations to ensure that clearing system participants do not introduce significant risk into the system or undermine its integrity, resilience or public confidence. The consultation paper does not currently explain how those responsibilities would interact with the Reserve Bank's proposed recovery and resolution powers.

11. In turn, our submission provides an overview of Payments NZ's response to a participant in financial distress and sets out matters which we believe require further consideration. Currently, the Reserve Bank's consultation is silent on these matters.

Current settings

12. Payments NZ was established in 2010 with the endorsement of the Reserve Bank. We sit at the heart of the country's payments system and govern and manage the following clearing systems on behalf of industry:
    - Bulk Electronic Clearing System (direct debits, electronic credits, bill payments and automatic payments);
    - Consumer Electronic Clearing System (EFTPOS transactions); and
    - High Value Clearing System (same day cleared payments, NZD cross-border payments).

13. Our participants are financial institutions that have joined our clearing systems and who clear and settle payments directly with other participants pursuant to the rules of Payments NZ (the rules). All participants in Payments NZ's clearing systems have agreed to be bound by the rules which are, in effect, a multilateral contract between participants and between Payments NZ and its participants.

14. The rules set out the framework for access to, participation in and governance of each clearing system. The rules provide a clear, transparent, and enforceable legal basis for each material aspect of our activities, including:
    - access to clearing systems,
    - risk management,
    - security and operational reliability,
    - system resilience,

- participant default,
- legal certainty in relation to end to end clearing and settlement of transactions and when debts are created and discharged.

15. Payments NZ's objectives, as set out in the Payments NZ Constitution are to:
    - manage the rules;
    - promote interoperable, innovative, safe, open and efficient payments systems;
    - encourage and facilitate new entities becoming participants in clearing systems based on fair and reasonable public access criteria; and
    - facilitate interoperability of payments between participants on legally appropriate and fair and reasonable terms.

Access

16. Payments NZ facilitates new entities becoming participants in clearing systems based on fair and reasonable public access criteria.
17. In accordance with international principles, the access rules are objective, fair and risk-based, without imposing any unwarranted barriers to access. The access rules (which apply to all applicants and all participants on an ongoing basis) require an applicant to satisfy one overarching access criterion, namely, that an applicant will not, if it becomes a participant in a clearing system:
    - adversely affect the integrity and reputation of the clearing system; or
    - introduce significant risk into the clearing system.
18. The rules specify prudential, operational risk management, and operational requirements in relation to clearing systems and provide that an applicant can satisfy the access criterion by demonstrating it complies with these requirements. The prudential requirements are focused on the creditworthiness of the applicant and the ability of the applicant to carry on its business in a prudent manner.
19. The rules also require all participants to represent and warrant to Payments NZ and each other participant that they satisfy the access requirements and that they are solvent and able to pay their debts as they fall due.

Payments NZ rules

20. Payments NZ ensures that it rules comply with relevant FMI Standards, which include requirements for:
    - a sound risk management framework that sets out how legal, credit, liquidity, operational, and other relevant and material risks are managed; and
    - effective and clearly defined rules, policies and procedures to manage a participant default.

Risk management

21. Participants are required to provide annual attestations in relation to compliance with the rules, including confirmation that they continue to meet the access criterion. Participants also have proactive obligations to notify Payments NZ of any event that has, or is likely to have, an adverse effect on:
    - the participant's financial position, credit-worthiness, or solvency or ability to continue to satisfy the access criterion; or
    - the integrity or the reputation of a clearing system in which the participant participates or which introduce significant risk into that clearing system.

22. If a participant no longer meets the access criterion, the rules require the board to consider this urgently and decide whether to allow the participant to continue to participate in the clearing systems (with or without conditions) or suspend the participant. The board can only allow the participant to continue to participate if it is satisfied that the participant will not:
    - introduce significant risk into the clearing system; and
    - undermine the integrity or reputation of the clearing system.

Participant default

23. Payments NZ must take immediate action if a participant is subject to a financial problem, including failure to settle a file, or statutory management (with or without the Reserve Bank invoking its open bank resolution policy). This involves instructing all other participants to stop interchanging and settling files with the affected participant until the board can meet and determine whether to suspend the participant.
24. The rules provide that the board must not suspend a participant if the participant provides an appropriate guarantee or, in the case of a participant who is subject to the Reserve Bank's open bank resolution policy, a statutory manager undertaking and a Reserve Bank statement (government guarantee).

Proposed settings

Impact of Reserve Bank's proposed crisis management response

25. The consultation document outlines the Reserve Bank's proposed new approach to crisis management, replacing the open bank resolution policy with the following staged responses for dealing with a distressed deposit taker:
    - normal supervision where deposit takers are expected to maintain appropriate pre-positioning,
    - early detection and diagnosis where there is heightened supervision with proactive monitoring by the Reserve Bank,
    - recovery where the Reserve Bank expects the deposit taker to implement its planned recovery measures to restore financial viability,
    - resolution which follows a formal declaration by Order in Council and the Reserve Bank, acting as resolution authority, manages the failure.
26. We note that the crisis management response is centered on:
    - customers having continued access to deposits (CoAD); and
    - the protections afforded to depositors under the depositor compensation scheme (DCS) and to all creditors under the no creditor worse off regime (NCWO) – where creditors would be compensated to the extent they are made worse off in resolution compared to their counterfactual position in liquidation.
27. CoAD is intended to maintain access to deposits and enable critical banking and payment services to continue operating during a resolution event, recognising the importance of customers being able to access funds and continue using services such as automatic payments, card payments and ATM withdrawals.
28. However, this is likely to involve the distressed deposit taker continuing to participate in the clearing systems operated by Payments NZ. As a result, it is important that the Reserve Bank's proposed recovery and resolution strategies ensure that a distressed deposit taker can continue to satisfy the Payments NZ access criterion. Even at the early detection and diagnosis stage, where there are emerging signs of financial or operational distress, circumstances may arise where a participant no longer satisfies the access criterion. In the absence of greater clarity regarding the interaction between the proposed framework and payment system access requirements,

Payments NZ may be required to assess whether restrictions on participation or suspension from a clearing system are necessary in order to meet its access, risk management and FMI obligations. This creates a potential tension where the Reserve Bank's objective of maintaining continuity of access to deposits and payment services may be difficult to reconcile with the obligations of payment system operators to manage risk and ensure participants continue to satisfy access requirements.

Interaction with payment system access and risk management requirements

29. Payments NZ welcomes the Reserve Bank's intention to work closely with relevant stakeholders during recovery and resolution processes. Early engagement with Payments NZ will be critical to ensuring that decisions affecting participant access, clearing and settlement arrangements, and broader payment system confidence can be managed effectively.

30. We note that the Reserve Bank appears to be relying on DCS and NCWO to ensure that all creditors are guaranteed at least as good an outcome from resolution as they would have received without public intervention – i.e. in liquidation, with the Reserve Bank expecting any need for a government guarantee to be significantly reduced (and ideally eliminated).

31. We also note that the DCS guarantees deposits of up to $100,000 per depositor, per institution, and the NCWO is linked to a creditor's position in liquidation. The practical effectiveness of these protections may depend on how quickly a distressed deposit taker progresses through the crisis management framework. The period between the identification of distress and resolution could have implications for market confidence, participant risk assessments, and operational decision-making across the payments system. It is therefore essential that there is close coordination, clear communication and careful monitoring throughout the process.

32. To support a comprehensive and operationally workable framework, it would be helpful for the Reserve Bank to outline how it expects the DCS and NCWO protections to operate alongside the continued participation of a distressed deposit taker in critical payment infrastructure. In particular, greater clarity is needed regarding how payment system operators can be satisfied that a distressed participant continues to meet applicable access and risk management requirements throughout the recovery and resolution process.

33. While we support the focus on ensuring the best outcomes for Aotearoa we consider it important to recognise the inherent challenge in ensuring that confidence in the financial system is maintained when a distressed deposit taker continues to operate in the system.

Other matters for consideration

34. The proposals have important implications for the operation of the payment system of Aotearoa and for the governance frameworks that support confidence, resilience and risk management across that system. There is a fundamental theme throughout the proposals that a distressed deposit taker should continue to provide payment services, deriving from the continuation of systematically important activities under section 259 of the *Deposit Takers Act 2023* and what is contemplated by the CoAD framework. While we support this objective, further consideration is required regarding how distressed participants can continue to access our payment infrastructure while ensuring system integrity and stability are preserved.

35. Payments NZ recommends that the final framework explicitly recognises the role of payment system operators and provides for early and ongoing engagement where a participant enters recovery or resolution processes and remains connected to critical payment infrastructure. This engagement should ensure that payment system operators have sufficient information to discharge their access, governance, risk management and FMI obligations.

36. The consultation would benefit from further consideration of how access to critical payment infrastructure should be managed where a deposit taker is experiencing financial distress. In particular, the final framework should set out how recovery and resolution decisions interact with payment system access requirements, FMI obligations

and the governance responsibilities of payment system operators. It should also provide clarity regarding the information that will be made available to payment system operators to enable informed decisions about participant access, risk management and ongoing participation in critical infrastructure.

37. Without greater clarity, payment system operators may be required to balance competing obligations relating to financial stability, participant access and risk management during a crisis event.

38. We note that the proposed resolution framework more closely aligns with the international resolution standard: the Financial Stability Board Key Attributes of Effective Resolution Regimes for Financial Institutions. There is a heavy reliance on planning and pre-positioning which form an important foundation for the implementation and success of the proposed regime. This would strongly support the need for close collaboration between the Reserve Bank and Payments NZ under the framework.

39. A key challenge within the proposed framework is that a participant may continue operating and providing payment services while experiencing financial distress. This will require careful monitoring, strong coordination between relevant authorities and infrastructure providers, and clear communications to ensure that confidence, resilience and systemic stability are maintained throughout the process. It will also be important to understand how the continued participation of a distressed deposit taker aligns with the FMI Standards, particularly those relating to risk management, participant default and the management of financial and operational risks.

40. Once the proposals are finalised, Payments NZ will need to review its rules to ensure that they expressly contemplate, and to the extent practicable, accommodate the Reserve Bank's crisis management framework. And these rules will then have to be approved by the Reserve Bank under the *FMI Act*.

Closing statement

41. Payments NZ looks forward to working closely with the Reserve Bank as it develops the final format of the crisis management framework.

42. Given the central role that payment systems play in supporting depositor access, financial stability and public confidence, it will be important that payment system operators are appropriately incorporated into future recovery and resolution planning. This will be necessary to ensure operational continuity, effective risk management and confidence in the payments ecosystem are maintained during a crisis event.

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