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Finance and Expenditure Committee
Komiti Whiriwhiri Take Pūtea, Take Whakapaunga Pūtea

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Briefing on the response to the inquiry into banking competition

Interim report

Presented to the House of Representatives
by Ryan Hamilton, Chairperson

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Recommendation
The Finance and Expenditure Committee has considered a briefing on the response to the inquiry into banking competition, and recommends that the House take note of its report.

Introduction

This briefing follows up on the Inquiry into banking competition, which we reported to the House in August 2025.[1] The inquiry examined the state of banking competition in New Zealand. We conducted the inquiry between June 2024 and August 2025, with significant input from our colleagues on the Primary Production Committee.

Our report contained 19 recommendations to the Government. Some of our recommendations contained suggestions aimed at regulators, banks, non-bank deposit takers (NBDTs), and financial technology companies (fintechs).[2] To ensure change is delivered, we asked the Government to respond to all the recommendations in our report. We received the Government's response on 19 December 2025.[3] The Government agreed with all the recommendations except for recommendations 5, 9, and 13, with which it partially agreed.

Parliamentary process

In our inquiry report, we indicated that we would request six-monthly updates from banking regulators and entities to discuss how they are progressing our recommendations and any other work they are doing to enhance banking competition in New Zealand.

In December 2025, we wrote to regulators and banking-related entities inviting them to meet with us. We asked each to provide, in writing, an overview of the work it is doing on the key recommendations related to it.

- For the Reserve Bank, we sought information about its progress on implementing recommendations 2, 6, 9, 12, 13, and 14.
- For other entities, we sought information about progress on recommendations 1, 3, 4, 7, 8, 10, 11, 15, 16, and 19.

We also met with regulators and banking-related entities at hearings between 11 February and 23 February 2026. These hearings supplemented the written information we received.

1 Inquiry into banking competition, Finance and Expenditure Committee.

2 Our recommendations are set out in Appendix B.

3 Government Response to the Finance and Expenditure Committee Inquiry into Banking Competition Information Release | The Treasury New Zealand, 19 December 2025.

This report gives a high-level summary of the themes in our hearings.[4]

About the New Zealand banking services sector

New Zealand has 27 registered banks and 14 licensed non-bank deposit takers (NBDTs). There are numerous other non-bank providers of banking services, which include NBDTs, such as credit unions and building societies, financial technology companies (fintechs), finance companies, peer-to-peer lenders, and other providers of different types of credit and payment services.

The four largest banks in New Zealand, measured by total assets, are ANZ Bank New Zealand (ANZ), ASB Bank (ASB), Bank of New Zealand (BNZ), and Westpac (collectively referred to as “the Big 4 banks”). All four are Australian-owned. The Reserve Bank has identified the Big 4 banks as “domestic systemically important banks” or “D-SIBs”.[5] Our inquiry report found that, combined, the Big 4 banks own almost 90 percent of the total banking system’s assets in New Zealand.

The fifth largest bank is Kiwibank, which was founded in 2001 as a subsidiary of NZ Post.

About the financial regulators and agencies in New Zealand

The Reserve Bank of New Zealand is New Zealand’s central bank and is responsible for prudential regulation. It is responsible for the licensing, regulation, and supervision of registered banks under the Banking (Prudential Supervision) Act 1989, and for NBDTs under the Non-bank Deposit Takers Act 2013. Both Acts are in the process of being replaced by the Deposit Takers Act 2023, which seeks to modernise the regulatory framework. The Deposit Takers Act is being implemented in sections and is expected to be in full effect by 2028.

The Financial Markets Authority (FMA) has a statutory objective to promote and facilitate the development of fair, efficient, and transparent financial markets, and is responsible for conduct regulation. The FMA is also responsible for administering the Conduct of Financial Institutions (CoFI) regime. From 1 July 2026, it took over regulatory responsibility for credit contracts and consumer finance.

The Commerce Commission enforces laws related to competition, fair trading, the retail payment system, and, until 1 July 2026, credit contracts and consumer finance.[6] It carried out the initial market study into personal banking services, which we reference in our inquiry and in this report.[7]

The Treasury is responsible for policy advice and matters in relation to the Reserve Bank of New Zealand Act 2021. This includes advising the Minister of Finance on the development of the monetary and financial policy remits, providing first-opinion advice on the legislative

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4 The full range of views expressed are in the written evidence, transcripts, and recordings of our hearings on the Parliament website (see Appendix A for links).

5 Requirements for domestic systemically important banks | Reserve Bank of New Zealand - Te Pūtea Matua, 28 February 2022.

6 The Credit Contracts and Consumer Finance Amendment Act 2026 transferred regulatory responsibility for credit contracts and consumer finance from the Commerce Commission to the Financial Markets Authority from 1 July 2026.

7 Market study into personal banking services | Commerce Commission, recommendation 2, 20 August 2024.

aspects of the monetary policy framework, and providing second-opinion advice on financial policy issues related to the sectoral legislation. The Treasury is the monitoring agency for the Reserve Bank.

The Ministry of Business, Innovation and Employment (MBIE) provides policy advice on a range of issues relating to the financial markets regulatory system; regulation of financial advice; regulation of the conduct of banks, NBDTs, and insurers; international financial reforms; and climate-related disclosures. MBIE is responsible for the open banking regime, and is also the monitoring agency for the FMA and the Commerce Commission.

The Council of Financial Regulators is comprised of the Reserve Bank, the FMA, the Commerce Commission, the Treasury, and MBIE. Its purpose is to facilitate cooperation and coordination between members to support effective and responsive regulation of the financial system. It is co-chaired by the Reserve Bank and the FMA.

Open banking live from 1 December 2025

Open banking is a system that allows consumers to use third-party providers, such as fintechs, to make payments and instruct their banks to share financial data, such as account information and transaction data. It does this through secure digital channels called Application Programming Interfaces (APIs). Open banking enables third-party providers to offer different services, like streamlined loan approvals, budgeting and comparison tools, or new payment services.

The Commerce Commission concluded in its market study that, in the medium to long term, open banking has the greatest potential to promote ongoing disruptive competition. However, without a strong focus on implementation, it cautioned that open banking could risk “further entrenching the existing major banks’ position rather than stimulating competition.” The Commerce Commission recommended that “industry and the Government should commit to ensuring open banking is fully operational by June 2026.”

Since the Commerce Commission completed its market study in August 2024, the Government passed the Customer and Product Data Act 2025, which established the Consumer Data Right (CDR) framework. The CDR framework allows consumers to access, share, and manage certain data with trusted third parties through secure digital systems. So far, the CDR framework has only been applied to the banking sector but may be expanded to other sectors in the future, such as the electricity sector.

The regulated open banking system went live on 1 December 2025.[8] MBIE told us that the Big 4 banks are “largely compliant” with the regulatory requirements for open banking and that Kiwibank is on track to deliver open banking for payments by 1 June 2026 and for account information on 1 December 2026.[9] Kiwibank affirmed that it is on track to meet its open banking deadlines, and noted that it has had fintech connection for lending since 2019. Kiwibank launched its open banking service on 28 May 2026.

8 Open Banking goes live for Kiwi customers | Beehive.govt.nz, 1 December 2025.

9 Minimum Open Banking Implementation Plan | API Centre.

Open banking should promote increased competition

The Commerce Commission identified open banking as having the greatest potential to promote ongoing disruptive competition in the medium to long term. In its hearing with us, the Commerce Commission described open banking as “a means to an end rather than an end in itself.”

The Commerce Commission released an open letter about open banking in September 2025. In the letter, it opined that major banks have delayed aspects of open banking, hindering fintechs and locking in banks’ existing market power as the major banks begin to roll out their own open banking products.[10] The Commerce Commission was concerned that open banking would not increase competition because the major banks would remain in control.

As the regulator of the retail payments system, the Commerce Commission said that it will monitor the adoption of open banking-driven payments and how it changes the payments landscape. In particular, it said it will pay close attention where it sees competition not working as well as it could.

Fintech accreditation

MBIE is the policy lead for the open banking system, and, at the time of our hearing, had accredited four fintechs, with five further applications in progress. MBIE told us that the four accredited fintechs are Akahu Technologies Limited, BlinkPay NZ Limited, Merco Limited, and Volley Payments Limited.[11]

Accreditation criteria

MBIE told us that the four fintechs were accredited because they met all the requirements in the Act and Regulations. Each was assessed against the following categories: organisation and product details, “fit and proper person” / “good character”, security, insurance, dispute resolution, and intermediary-specific questions.

Observable trends in the applications for accreditation

MBIE has observed three notable trends in the applications.

- **Payment providers**—a dominant use case is payment providers looking to offer open banking-initiated payments.
- **Intermediaries**—several fintechs have applied for “intermediary” status to share CDR information, with consent, to other fintechs.
- **Interest from offshore**—several Australian applicants that are active in the Australian CDR regime are now applying to bring their service offerings to the New Zealand market.

Barriers (if any) that accredited requestors are facing from the banks

MBIE told us that accredited requestors have not reported any barriers to onboarding with banks. It noted that the four accredited fintechs had already onboarded with banks under a

10 Open banking – our observations on recent progress | Commerce Commission, 2 September 2025.

11 Register of Participants | Ministry of Business, Innovation & Employment.

commercial arrangement prior to the introduction of the CDR. MBIE told us that it actively seeks feedback from accredited requestors on this matter and will continue to monitor and record any onboarding issues should they arise.

It said that some accredited requestors have raised concerns with MBIE, some of which are viewed as barriers, about whether banks are meeting specific aspects of the regulations and standards. MBIE told us that a number of these concerns reflect longstanding challenges from the existing industry-led open banking environment that are now being raised under the new regulated CDR regime. This includes the transition from industry-led open banking practices to the specific requirements of the Customer and Product Data Act framework. MBIE noted that not all issues raised fall within the scope of the regulated regime. It is using a triage process to assess, prioritise, and respond to the issues.

Relationship between banks and fintechs

Homely says banks are reluctant to engage with fintechs

Homely is a New Zealand-based fintech platform. It enables home loan customers to connect directly with banks and lenders without the involvement of mortgage brokers or financial advisers. It describes itself as using artificial intelligence and open banking technologies to streamline the home loan application process.

Homely told us that the most significant challenge it is facing is gaining access to the banking market. We were told that, after many months, it is still awaiting meaningful participation from banks in its lender panel. Homely said that a common experience for fintechs is “slow, uncertain, and often stalled engagement with banks.”

Homely told us that, without genuine engagement and support from the incumbent banks and the financial services industry, local fintech companies risk failing before they can scale. We asked some of the banks to respond to this.

Westpac told us that it is very supportive of working with fintechs and sees it as a key part of the New Zealand ecosystem. Westpac told us it has nine fintechs that are up and running and four that are currently accredited but are going through the testing process. It pointed to its work to help migrate POLi on to the open banking rails.[12]

ANZ told us that it is “very, very willing” to work with fintechs and that it has engaged with all the fintechs that belong to the API Centre at the moment. We heard that ANZ is focused on modernising its banking platforms. It said that, “going back a couple of years”, fintechs would approach ANZ with an idea that would be difficult to connect to ANZ’s legacy infrastructure. ANZ noted that it is not directly investing in any fintechs.

BNZ says acquiring and investing in fintechs will promote competition

BNZ recently acquired two fintechs: BlinkPay and CentralPay. We asked BNZ if the Commerce Commission should be worried about large banks acquiring small fintechs. BNZ’s view is that its investment in fintechs allows them to accelerate innovation and more quickly

[12] POLi payments allow consumers to make payments to a merchant directly from their bank account. This allows consumers to avoid surcharges associated with paying with a credit or debit card.

put products into the market that are available for all banks to use, which it said, overall, strengthens competition.

We heard that BNZ has 35 fintechs that are onboarded to use APIs with open banking and has another 34 fintechs that are either in the testing sandbox phase or are in the process of being onboarded. When asked, BNZ told us that once accredited, it is very quick to onboard a fintech.

Committee opinion

We welcome New Zealand's adoption of the open banking regime. We agree that open banking has great potential to promote ongoing disruptive competition in the medium to long term. We look forward to discussing the roll out and uptake of open banking with regulators, banks, NBDTs, and fintechs. We are particularly interested in discussing ways to ensure this is happening as quickly as possible. We would also like to discuss potential barriers for fintechs who are trying to engage with banks on open banking.

Regulatory sandbox and licensing

In 2025, the FMA launched the pilot phase of its regulatory sandbox for fintechs.[13] The regulatory sandbox allows firms to test innovative products, services, and business models in a controlled environment.

The FMA told us that it expects four of the six firms that are currently engaging with the sandbox to be operational by early 2026, having already received their licences in December 2025. It said that the other two are likely to exit as a result of commercial decisions.

The FMA told us that it learnt a lot from the regulatory sandbox pilot. It showed that some smaller and mid-market firms struggle to meet the regulatory requirements in the Financial Markets Conduct Act 2013, especially when using innovative technology and business models. The pilot also showed that handling exemptions and licences on a case-by-case basis is not scalable. The FMA said that if it is going to foster fintech innovation, it needs to be able to reach more than six entities. We heard that to address this, the FMA is going to explore a more diverse group of cohorts, following the lead set by the United Kingdom.

Throughout 2026, the FMA will be developing an on-ramp licence that allows entities to test their products in the market before applying for a full licence. The FMA told us that, based on its engagement with the fintech sector, it needs to move quickly to broaden what it can do and make it scalable. When asked how long it would take, the FMA said it was unable to commit to a specific timeline, but that it would be by the end of 2026 "at the latest."

Committee opinion

We understand that in May 2026, the FMA published a paper that detailed its insights from its fintech regulatory sandbox pilot and provided an overview of the FMA's broader regulatory approach to support innovation in New Zealand's financial markets.[14] We look forward to discussing with the FMA its regulatory sandbox pilot and time line for establishing

[13] FMA launches "regulatory sandbox" pilot for 2025 | Financial Markets Authority, 10 December 2024.

[14] Supporting innovation in New Zealand's financial markets | Financial Markets Authority, 27 May 2026.

an on-ramp licence for fintechs. We are also interested in the work the FMA is doing with regard to digital markets and tokenisation.

Real-time payments

Real-time payments are payments between bank accounts that are initiated, cleared, and settled within seconds, at any time of the day or week, including weeks and holidays. In our inquiry report, we recommended that banks invest in global standard, next-generation payment infrastructure to enable real-time payments at a national and international level.

The Reserve Bank is leading a programme of work on modernising payments, in partnership with key agencies across the government and in collaboration with the private sector.[15] Part of the programme includes enabling next-generation capabilities and real-time payments. ANZ, ASB, Kiwibank, and Westpac acknowledged the work that the Reserve Bank and government are doing in this space and expressed interest in participating in it.

BlinkPay told us that it believes real-time payments are possible today using existing open banking infrastructure. BNZ told us that, through BlinkPay, it has invested in and developed a next-generation, real-time payments capability. We were told that the system uses open banking-enabled APIs to deliver real-time settlements “as fast as a text message”, instead of half-hourly or overnight. BlinkPay and BNZ told us that this solution will be available to all banks and fintechs on the New Zealand open banking standard, which we heard will provide about 95 percent coverage.

Real-time payments introduce real-time fraud

The Big 4 banks and Kiwibank all agreed that any move towards real-time payments would need to prioritise fraud prevention, safety, and security. BlinkPay acknowledged that “real-time payments introduce real-time fraud.” We heard that as BlinkPay develops its real-time payments capability, it will design protections for consumers against fraud with equal priority.

ASB and Westpac both asked when real-time payments are necessary. Both ASB and Westpac process their New Zealand transactions every 30 minutes. ASB told us that it is essential to be on top of frauds and scams, because in a real-time payments environment, it is impossible to retrieve money once it has been sent. Westpac told us that a pause between payments is important for catching transactions that should not be processed, including frauds and scams. Westpac emphasised the importance of a pause on payments by telling us about an industry-wide scam that affected customers, where all payments went to the country in the world with the fastest international payments processing.

Payments New Zealand

Payments New Zealand is the governance organisation for New Zealand’s payment system. Its shareholders are ANZ, ASB, BNZ, Citibank, HSBC, Kiwibank, TSB Bank, and Westpac. It was formed in 2010 by the industry with support from the Reserve Bank. Payments New Zealand does not own or operate payments infrastructure; it manages clearing systems that

15 Collaboration on payments modernisation, Reserve Bank of New Zealand letter to Payments New Zealand, 4 November 2025.

govern how payments are exchanged and settled between financial institutions. It manages the following three clearing systems:

- High Value Clearing System—used for large payments that cannot be reversed, such as property settlements
- Bulk Electronic Clearing System—for direct debits, automatic payments, bill payments, and direct credits
- Consumer Electronic Clearing System—for consumer payments such as those made using EFTPOS and mobile phone.

In addition, Payments New Zealand established the API Centre to develop the processes and technology needed to support open banking.

During our inquiry, some submitters expressed concern about Payments New Zealand's governance structure. We recommended that the board of Payments New Zealand improve its governance structure to better support new entrants (such as fintechs) and announce next steps to improve transparency and competition. The Government agreed with this recommendation, and welcomed efforts that would enable Payments New Zealand to support the wider financial services sector to support innovation and competition.

BNZ told us that when Payments New Zealand was formed, it had a tight mandate, and that mandate has expanded, particularly with open banking. In its written submission, Westpac told us that Payments New Zealand's mandate is still evolving. Westpac added that the government's ambitions for the CDR regime extend beyond open banking, and there is a question as to the role of Payments New Zealand in this broader context. Westpac said that it looks forward to working with Government on developing a clearer mandate for Payments New Zealand.

Committee opinion

We are interested in an update on Payments New Zealand's governance review. In 2023, Payments New Zealand indicated that it would be undertaking a review of its governance structure.[16] However, it is unclear what steps Payments New Zealand has taken towards its governance review. There does not appear to be a set time frame for when Payments New Zealand expects to publish the outcome of its governance review.

We are also seeking clarification on Payments New Zealand's current mandate. We agree with submitters that Payments New Zealand's mandate has expanded significantly since it was formed in 2010.

Everyday accounts and interest-bearing accounts

Our inquiry recommended that the FMA investigate transaction account pricing by using fair conduct principles and request that banks disclose the profitability of transaction, on-call, and savings accounts to provide more transparency and incentive to do better. As outlined in the Government's response, the Government will write to banks to encourage them to consider disclosing the profitability of transaction, on-call, and savings accounts. It will also

[16] 2023 Report | Payments NZ, p 21.

write to the FMA to ask it to consider responding to the recommendation to investigate transaction account pricing.

About everyday accounts

Transaction accounts enable customers to access a broad range of in-person and digital banking services for low or no cost. The Big 4 banks and Kiwibank all offer free everyday transaction accounts, although the specific benefits differ from bank to bank. Some benefits offered include in-app, online, and contactless payments (including Apple Pay and Google Pay); free debit cards; free transfers; and fraud protection and prevention. We heard from banks that these free transaction accounts allow customers to participate in the financial system at no charge while benefiting from the significant investment banks have made into providing and maintaining these services and their underlying infrastructure.

The Financial Markets Authority's work with banks

The FMA told us that its immediate focus is on product reviews. It explained that product reviews refer to the requirement for banks to look at the reviews of their products and services to confirm they are providing what consumers need. In December 2025, the FMA published its thematic review of financial institutions' product and service reviews.[17]

We heard that in 2026, the FMA will be engaging with banks to understand how banks are assessing the ongoing suitability of everyday accounts and how they inform customers of the benefits and costs of their accounts, including fees and potential interest earnings.

The FMA does not plan to ask banks for data about pricing. Instead, it is working with banks to understand how banks explain the costs and benefits of transaction accounts. It is also working with the Reserve Bank to see what information it holds about transaction account balances. We heard that the FMA needs to think carefully before asking banks for a lot of data.

Banks question whether formal reporting requirements would enhance transparency

ANZ, ASB, Kiwibank, and Westpac questioned whether imposing formal reporting requirements on banks regarding transaction, on-call, and savings accounts would achieve greater transparency and meet the desired outcome. ANZ's written submission notes that the Commerce Commission's market study found that:

> it is not feasible to robustly compare profitability for personal banking services across banks. Banks pool various sources of funding and have unique internal approaches to transfer pricing meaning it is difficult to robustly allocate costs in a consistent way. There are also differences in how each bank defines their business units and product segments so that comparisons would not necessarily be like for like.[18]

ANZ told us that formal reporting requirements pose a risk of greater costs to consumers and that it does not know of any other jurisdiction with formal reporting requirements. ASB noted that similar jurisdictions, such as the United Kingdom and Australia, do not require

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17 Thematic review of financial institutions' product and service reviews | Financial Markets Authority, 9 December 2025.

18 Market study into personal banking services | Commerce Commission, Final Report, p 157.

banks to publicly disclose profitability on transaction, on-call, and savings accounts. It told us that the regulators in these jurisdictions have acknowledged the difficulty in measuring profitability by banks across different product types. This is because of the different ways banks allocate fixed and shared costs, assign value to different products, and segment their products. ASB said that this makes like-for-like comparisons challenging, and the same challenges would exist.

Kiwibank told us that, although it supports the aim of improving fairness and transparency for customers, it does not believe a focus on creating a profitability measure or disclosing profitability is the right path. Transaction, on-call, and savings accounts do not generate stand-alone profit outcomes, and seeking to isolate profitability at an individual deposit product level would risk presenting an incomplete picture of how they operate within a full-service bank. Kiwibank said this would also likely require disclosure of commercially sensitive information.

Interest-bearing accounts

The Commerce Commission's market study found that most personal transaction account products do not pay interest on balances and that many account fees have reduced or been removed in recent years.[19] However, the Commerce Commission's market study found that, based on bank disclosure statements for 2023, the Big 4 banks and Kiwibank hold in excess of $58 billion in non-interest-bearing accounts—around $11,000 per New Zealander.[20]

ANZ, ASB, and Westpac all told us that they reach out to customers with larger balances sitting in non-interest-bearing accounts to encourage them to consider interest-bearing options, such as savings accounts or term deposits.

- ANZ said it sends targeted messages to personal customers with over $5,000. As at December 2025, ANZ reported that 85 percent of personal and business customers' funds were in interest-bearing accounts, up from 79 percent in October 2021.
- ASB told us that it proactively reaches out to customers with larger balances in transaction and on-call savings accounts. Over the past 12 months, ASB told us it has contacted approximately 230,000 customers to encourage them to consider interest-bearing alternatives. ASB told us that there are various reasons why it might reach out to a customer. As an example, we heard that if a customer has got more than $500 in their account, ASB may reach out and suggest they open a savings account.
- Westpac told us that it proactively engages with customers who consistently have balances of over $3,000 in their transaction or low-interest savings accounts to direct them to Westpac's chooser tool. Westpac said that, in the last six months, it has sent 128,712 initial emails and a further 74,489 follow-up emails to applicable customers. Westpac told us that "individual nudges" are the most effective way of helping customers to get the best value out of their banking products. We heard that it sees 42 percent of accounts change as a result of these nudges.

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[19] Market study into personal banking services | Commerce Commission, Final Report, p 138.

[20] Market study into personal banking services | Commerce Commission, Final Report, p 149.

Official Cash Rate pass through

The FMA told us that, since August 2025, it has been engaging with banks and publishing data on how quickly banks are passing changes in the Official Cash Rate (OCR) on to new and existing customers.[21] Concerns about OCR pass-through emerged early in our inquiry, and the FMA implemented this transparency initiative to help build trust, support informed decision-making, and encourage competition. We note that the Big 4 banks, Kiwibank, SBS Bank, the Co-Operative Bank, and TSB Bank are all participating in this initiative.

Committee opinion

We support the work the FMA and banks have done to provide consumers with a centralised source of information to view the interest rates of the participating banks. We agree that this initiative supports competition by improving transparency and assisting new and existing customers to make informed decisions on savings and lending product interest rate changes. We encourage the FMA to continue work in this space.

Regulatory overlap and regulatory burden

In New Zealand, financial sector regulation is split into two broad functions: prudential regulation and conduct regulation.

- Prudential regulation aims to ensure that institutions adequately manage both their own financial risks and the risks they collectively pose to the financial system and wider economy. The Reserve Bank is responsible for prudential regulation in New Zealand.
- Conduct regulation focuses on behaviours in financial markets. It aims to ensure that consumers are adequately informed and treated fairly, and that regulated entities act with integrity. The Financial Markets Authority is responsible for financial market conduct in New Zealand.

Under the Financial Markets Infrastructures Act 2021, the Reserve Bank and the Financial Markets Authority are the joint regulators of most financial market infrastructures. Under the Financial Markets Infrastructures Act, the Reserve Bank is the sole regulator of pure payment systems.

The Council of Financial Regulators' function is to facilitate cooperation and coordination between members to support effective and responsive regulation of the financial system in New Zealand. It is made up of the Reserve Bank, the Financial Markets Authority, the Commerce Commission, MBIE, and the Treasury. The council meets quarterly to discuss regulatory issues, risks, and priorities for financial markets. It is co-chaired by the Reserve Bank and the FMA.

In our inquiry report, we agreed with the Commerce Commission and submitters that the overall regulatory burden on banking services is high and may be constraining the resources available for smaller banks and NBDTs to compete. We were also conscious that the current requirements may deter fintechs from entering the market. We recommended that the Council of Financial Regulators prioritise removing regulatory duplication and streamlining

[21] OCR Pass Through Transparency | Financial Markets Authority, 15 July 2026.

processes between agencies to lower costs for banks and lenders, and focus on minimising compliance costs and regulatory impact on new technology plans, allowing firms to innovate.

Council of Financial Regulators working to identify and reduce regulatory overlap

During our hearing, the FMA told us that reducing unnecessary regulatory burden and simplifying obligations is important. We heard that, following a self-initiated review, the council is adopting a more streamlined, task force-based operating model. The FMA told us that a strategic adviser has been appointed to oversee the council's new model and strengthen its links with industry to support the delivery of our recommendation.

Banks note significant regulatory overlap in the open banking space

Kiwibank noted that there is currently considerable regulatory overlap in the payments area, with MBIE responsible for open banking, the Commerce Commission responsible for interchange fees and having a strong interest in open banking, and the Reserve Bank having recently assumed responsibility for payments modernisation. Westpac identified that the Commerce Commission's open letter on the future development of open banking did not entirely align with MBIE's views. Kiwibank and Westpac emphasised the importance of establishing clear roles and responsibilities for regulators in the open banking space.

Committee opinion

We are pleased to hear that the Council of Financial Regulators is working to identify and reduce regulatory overlap. We are interested in what progress the council has made to date, including areas of overlap that have been identified and what the council has done or is considering doing to mitigate those areas of overlap.

We note that, on 1 July 2026, the Department of Internal Affairs became the sole regulator for the anti-money laundering and countering financing of terror (AML/CFT) regime. Previously, regulatory responsibilities were divided between the Reserve Bank, the FMA, and the Department of Internal Affairs. We would welcome an update from regulators about the effects of consolidating regulatory responsibility for the AML/CFT regime to one entity.

Financial Policy Committee

In October 2025, the Reserve Bank announced that it would establish the Financial Policy Committee.[22] The Financial Policy Committee will make key policy decisions relating to financial stability, including setting the prudential requirements for financial institutions regulated by the Reserve Bank. The Reserve Bank noted that the creation of the Financial Policy Committee is in line with our inquiry's recommendation to enhance the Reserve Bank's prudential role, which included establishing a "prudential policy committee."

The Financial Policy Committee is a subcommittee of the board of the Reserve Bank and has specific statutory decision-making authority for financial policy delegated to it by the

22 Reserve Bank establishes new Financial Policy Committee | Reserve Bank of New Zealand - Te Pūtea Matua, published 7 October 2025, updated 9 October 2025.

board. The Financial Policy Committee consists of the Reserve Bank board chair, the Governor, three other Reserve Bank board members, and up to two external members.[23]

The Treasury told us that it worked with the Reserve Bank to establish the Financial Policy Committee. We heard that the Deputy Secretary, Economic Policy was an external member of the panel for the selection of Financial Policy Committee members. The Reserve Bank and the Treasury told us that the Treasury provided feedback on the committee's charter. The Treasury told us that it was particularly interested in ensuring the Financial Policy Committee had a high degree of transparency. It said that it is important that the Reserve Bank is clear about what it is considering, open with its consultation, and clear about what decisions it makes and why.

When we considered our recommendation relating to our inquiry, it was our view that this committee would be independent, accountable for financial policy, and comparable to the Monetary Policy Committee. The Monetary Policy Committee is a statutory committee established within the Reserve Bank under the Reserve Bank of New Zealand Act 2021. We note that the Financial Policy Committee is a non-statutory entity and a subcommittee of the board of the Reserve Bank. The Reserve Bank described this as an "effective and efficient" way to establish the Financial Policy Committee.

We discussed the Financial Policy Committee's agenda, schedule of meetings, and the transparency of its decisions. The Reserve Bank told us that the agenda is largely driven by the Reserve Bank's "pipeline" of policy work. We heard that its agenda items include policy work about the deposit-taking, insurance, and financial markets sectors.

The Reserve Bank told us that it will probably meet every six-to-eight weeks, with flexibility to meet more often if necessary. We heard that the Financial Policy Committee is still in the early stages, and may change the frequency of its meetings once it has found its rhythm.

We heard that the Reserve Bank wants the Financial Policy Committee's decision making to be transparent, particularly in the context of the charter.[24] It told us that it intends to provide an update on this in the coming months.

Committee opinion

We understand that the Financial Policy Committee held its first meeting on 23 February 2026 and that it will meet a minimum of five times per year. Now that it has held its first meeting, we are interested in an update on its prudential priorities and what new prudential policy instruments it has available. We look forward to discussing this with the Reserve Bank.

2025 review of capital requirements

The Reserve Bank requires New Zealand banks and deposit takers to hold minimum levels of capital, which are also known as capital ratios. Capital requirements encourage the responsible management of banks and deposit takers to provide a buffer for financial losses.

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23 Financial Policy Committee | Reserve Bank of New Zealand - Te Pūtea Matua, published 9 October 2025, updated 13 January 2026.

24 Financial Policy Committee Charter, p 5.

In 2017, the Reserve Bank launched a comprehensive review of its capital framework for banks and deposit takers and decided to increase the minimum levels of capital that deposit takers must hold.[25] During our inquiry, submitters told us that the changes from the 2017–2019 review of capital requirements were overly conservative. We heard that the level of capital held against certain loan products (known as “risk-weighted assets”) may hinder lending to business and agriculture, leading to a rise in less productive lending, such as residential lending.

In its 31 March 2025 hearing with us on our inquiry, the Reserve Bank announced that it would initiate a review of its capital requirements. It told us that the review would build on its work reviewing more risk weights for residential mortgages and business lending, community housing, and whenua Māori lending at a more granular level.

We welcomed the Reserve Bank’s announcement that it would review capital settings, taking into account submissions and evidence from our inquiry. We recommended that the Reserve Bank specifically consider our sixth recommendation.

Proportionality principle and framework

Section 4 of the Deposit Takers Act sets out the principles that must be considered when setting standards under the Act. This includes the desirability of taking a proportionate approach to regulation and supervision. Section 77 of the Act requires the Reserve Bank to publish a proportionality framework setting out how it takes into account the proportionality principle when developing standards under the Act. The Reserve Bank published its first proportionality framework document in March 2024.[26]

To develop prudential standards, the proportionality framework groups locally incorporated licensed deposit takers into three groups based on their total asset sizes, with a fourth group for overseas licensed deposit takers. When setting the proportionality framework, section 77(3) of the DTA requires that the Reserve Bank consider:

- the size and nature of the business of different deposit takers
- the extent to which a range of different requirements are necessary or desirable to promote the safety and soundness of each deposit taker
- the relative importance of different deposit takers to the stability of the financial system.

Three groups of locally incorporated deposit takers[27]

Group	Type of deposit takers	Total asset size	Likely standards applied
Group 1	Domestic Systemically Important Banks (D-SIBs)[28]	$100 billion or more	Comprehensive prudential requirements

[25] 2017 to 2019 Capital Review | Reserve Bank of New Zealand - Te Pūtea Matua.

[26] DTA legislation and regulation | Reserve Bank of New Zealand - Te Pūtea Matua, published 30 November 2023, updated 10 October 2025.

[27] Deposit Takers Act 2023 - Proportionality Framework Consultation | Reserve Bank of New Zealand - Te Pūtea Matua, March 2024, p 4 and p 13.

[28] The Reserve Bank has identified the Big 4 banks as D-SIBs.

Group 2	Most other locally incorporated banks	$2 billion or more but less than $100 billion	Enhanced prudential requirements
Group 3	Mostly non-bank deposit takers	Less than $2 billion	Baseline prudential requirements

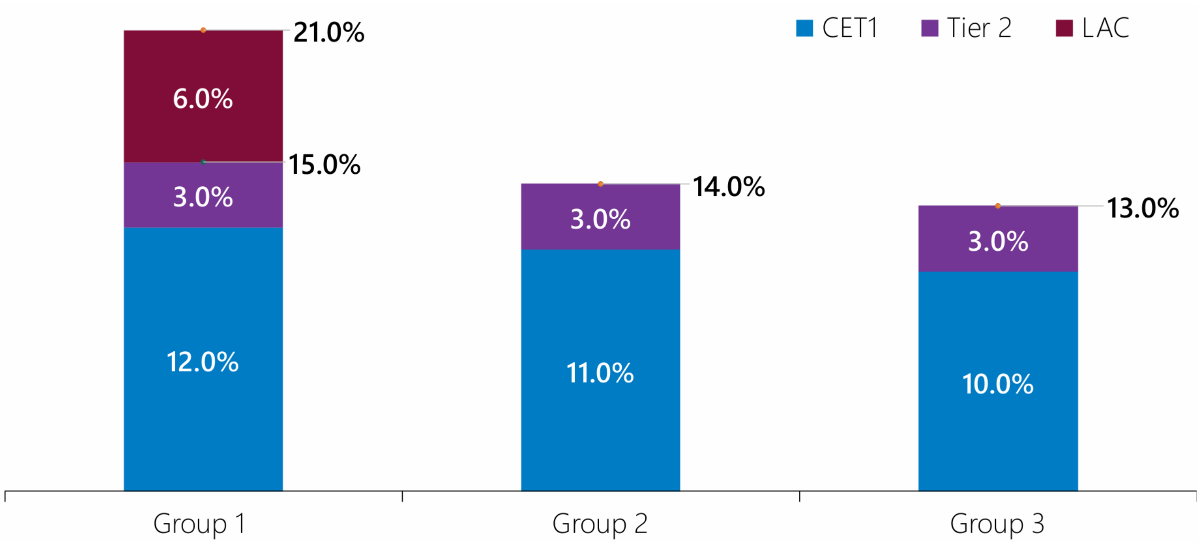
Overseas licensed deposit takers are grouped together and will be subject to a different set of standards.

Outcome of the Reserve Bank's 2025 review of capital settings

On 17 December 2025, the Governor of the Reserve Bank told us the outcome of the Reserve Bank's 2025 review of capital settings.[29] The key changes to the capital requirements compared to the decisions in 2019 were:

- For the largest deposit takers (Group 1), a reduction in capital ratio requirements relative to the 2019 proposals, alongside the introduction of a requirement for additional loss absorbing capacity (LAC) instruments.
- For Group 2, a reduction in their capital ratio requirements relative to the 2019 proposals.
- For Group 3, a reduction in their Tier 1 equity capital ratio requirements relative to the DTA capital standard policy consultation, offset by an equal increase in Tier 2 capital (Tier 2 capital is long-term subordinated debt and is cheaper than Tier 1 equity capital).

New capital stack requirements[30]



Components of regulatory capital

Common Equity Tier 1 capital (CET1) is the highest quality of regulatory capital, as it absorbs losses immediately. Additional Tier 1 capital (AT1) absorbs losses on a going-

[29] 2025 Review of key capital settings | Reserve Bank of New Zealand - Te Pūtea Matua, published 6 May 2025, updated 27 February 2026.

[30] 2025 Review of key capital settings decision document | Reserve Bank of New Zealand - Te Pūtea Matua, 17 December 2025, p 5.

concern basis, but they do not meet all the criteria for CET1. Tier 1 capital comprises CET1 and AT1 capital, and is the primary funding source of banks.

Tier 2 capital is a supplementary layer of bank capital. When a bank fails, Tier 2 instruments must absorb losses before depositors and general creditors do.[31]

Total available regulatory capital is the sum of Tier 1 and Tier 2 capital. Banks must maintain specified levels of CET1, Tier 1, and total capital, with each level set as a percentage of risk-weighted assets, sometimes known as a "capital stack."

Other changes

The Reserve Bank told us that it also reviewed the standardised risk-weight settings and will introduce new risk weights for lending to agricultural, small and medium enterprise (SME) businesses, Community Housing Providers, and Cooperative Housing entities. The changes include:

- The introduction of new standardised risk weights specifically for agricultural lending, based on the loan-to-value ratio of the loan.
- The introduction of new standardised risk weights for SMEs without credit ratings that are lower than the standard corporate risk weight for a corporate loan without a credit rating.
- Including lending to Community Housing Providers and Cooperative Housing entities within residential mortgage lending. The Reserve Bank told us that this will give them access to lower risk weights.

The Reserve Bank told us that it intends to make the standardised risk weight changes listed above in late 2026 for all deposit takers. It intends to review additional areas in 2026, including reverse mortgages, commercial property, infrastructure, and securitisations.

We asked the Reserve Bank what feedback it has received from the banking sector on the capital review. The Reserve Bank told us that engaging with industry for the capital review was "extremely positive." We heard that, in broad terms, that the feedback on the decisions has been positive and that there is a sense that the Reserve Bank has calibrated its settings appropriately.

Banks welcome changes to capital settings

BNZ told us that the capital review has resulted in positive changes. It told us that lowered capital requirements will lower the cost of credit for households and businesses, relative to the previous settings. BNZ said that, overall, interest rates will be about 20 basis points lower than they would have been in 2028 under the previous settings, although it noted that this will vary across different sectors.

ASB told us that the reduced capital requirements for small banks will increase their ability to compete. For larger banks, the changes to capital requirements will lower the cost of some components. ASB said that it will still have to increase its holding capital, but, because of the changes to the settings, some of that capital will be cheaper.

[31] Definition of capital in Basel III – Executive Summary | Bank for International Settlements, p 1.

ANZ agreed with ASB that the changes to capital settings would promote competition. It noted that the Reserve Bank's capital review did not go as far as our inquiry report recommended, which was to cease capital increases for banks immediately, but told us that the new capital settings are an improvement. ANZ said that, across its portfolio, upward pressure on interest rates has lowered by 6 basis points on average.

Kiwibank told us that smaller players had a significant disadvantage under the previous capital settings and said that the changes were a positive step towards levelling the playing field. We heard that, under the updated settings, it has the capacity for an addition $20.7 billion in retail lending or $7.4 billion in business lending. This is discussed further below.

Committee opinion

We welcome the outcome of the Reserve Bank's review of capital settings. We are pleased to see that the Reserve Bank has worked to refine risk weights for agricultural lending, SME lending, and lending to Community Housing Providers and Cooperative Housing entities. We would like to know if the Reserve Bank has set a date for the changes to come into effect.

Effect on Group 3 institutions

The Non-Bank Deposit Takers Association (NBDT Association) told us that the 2025 changes to capital requirements are positive and will improve competitive conditions, particularly for business and rural lending. It said that the recalibrated risk weights remove a significant barrier to competition for NBDTs. The NBDT Association thanked the Reserve Bank for its engagement with the NBDT sector and noted that it now holds quarterly meetings with the Reserve Bank. Similarly, the Reserve Bank told us that it values the strong working relationship it has with the NBDT sector.

However, the NBDT Association considers that the application of the proportionality principle remains a major issue. It noted that the recent changes to the capital requirements have reduced requirements for Group 1 and Group 2 institutions without corresponding adjustments for NBDTs, which are largely in Group 3. It told us that, although the recalibrated risk weights for different types of lending offer benefits for NBDTs, it considered that there were more significant benefits for big- and medium-sized banks.

The NBDT Association told us that when it comes to prudential standards, the key issue is whether they are calibrated to the actual systemic risk for smaller institutions. It believes that enabling smaller participants to succeed through balanced risk management will lead to a more productive economy and is a better way of preventing deposit taker failure.

Committee opinion

We understand that the NBDT Association is concerned that the settings for Group 3 may not be calibrated to the actual level of systemic risk posed by Group 3 entities. We understand that the NBDT Association meets regularly with the Reserve Bank. We are interested in the Reserve Bank's view on whether its Group 3 settings are calibrated appropriately. Similarly, we would like to hear from the NBDT Association what settings it would like to see for Group 3 entities.

Kiwibank forecasts strong growth in the medium term

Kiwibank is the largest New Zealand-owned bank operating in New Zealand. It was set up in 2001 to challenge the dominant position of the Big 4 banks, which are Australian-owned. Although Kiwibank is owned by the Government, it is held at arms-length through holding company Kiwi Group Capital Limited (KGC). This means that Ministers do not make operational decisions for Kiwibank.[32] Kiwibank and KGC each have independent boards.

The Commerce Commission's market study found that Kiwibank has the greatest potential to constrain the major banks in the near term. The Commerce Commission recommended that the Government, as Kiwibank's owner, should consider what is necessary to make Kiwibank a disruptive competitor, including how to provide it with more capital.

The Government agreed with this recommendation. In December 2024, the Minister of Finance directed KGC and the Treasury to conduct a feasibility study of raising up to $500 million from suitable New Zealand-based funds and investment groups for this purpose. On 30 July 2025, the Government announced Cabinet had given approval for KGC to raise up to $500 million of capital to fund Kiwibank's growth.

Following changes to the Reserve Bank's capital requirements, KGC has decided not to proceed with raising this equity capital.[33] Kiwibank told us that the changes, combined with Kiwibank's recent $400 million Tier 2 capital raise, mean that Kiwibank can continue its strong growth in the medium term without the need for additional equity.[34] The Treasury told us that, going forward, it will continue to monitor Kiwibank's lending growth and engage with Kiwibank about its capital needs.

Committee opinion

We are pleased to hear that Kiwibank is forecasting strong growth in the medium term. We encourage Kiwibank to continue to find ways to innovate and increase its capital so that it can continue to compete with the Big 4 banks.

We commend Kiwibank for being the first bank to fully roll out open banking for personal customers, business customers, and across all of its digital channels.

Use of words "bank", "banker", and "banking"

The Banking (Prudential Supervision) Act 1989 restricts the use of the words "bank", "banker", and "banking." In general, these words can only be used officially in the name or title of the Reserve Bank of New Zealand and registered banks. This is to help the public identify registered banks.

NBDTs cannot be authorised under the Banking (Prudential Supervision) Act to use the restricted words. There are no avenues under the Non-Bank Deposit Takers Act 2013 for

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32 The Kiwi Group Capital board is accountable to the Minister of Finance and the Minister for State Owned Enterprises.

33 Kiwibank well positioned to continue growing following RBNZ changes & successful Tier 2 capital raise | Kiwibank, 19 December 2025.

34 Kiwibank Limited subordinated notes offer — interest rate for first five years & three months set | Kiwibank, 5 December 2025.

NBDTs to use the restricted words or seek authorisation to use the restricted words. During our inquiry, NBDTs told us that they are not recognised as an alternative to the main banks because they cannot call themselves banks. This is despite their prudential and supervision requirements being similar to banks.

Once the Deposit Takers Act 2023 is fully in force, the Reserve Bank will have the power to authorise persons (or classes of persons) to use a restricted word in their name or title. The Reserve Bank opened for consultation on the use of the word “bank” under the Deposit Takers Act on 30 September 2025. The consultation paper proposed expanding the use of the word “bank” to all deposit takers licensed under the Deposit Takers Act. This could include NBDTs.

The Reserve Bank told us that it is expecting to announce decisions about the use of the restricted words in the “first half of this year.” It told us that any changes to the policy would take effect when the Deposit Takers Act fully commences in 2028.

Dosh is a New Zealand-based fintech and licensed financial service provider. Its app operates as a digital wallet that allows users to send and receive money. Dosh helps its customers arrange home loans through its lending partnerships with Westpac and Avanti Finance. During our follow-up hearing with Dosh, we heard that it had recently had its banking registration application rejected by the Reserve Bank. Dosh told us that the Reserve Bank’s interpretation of the legislation is that lending is a mandatory requirement for banking in New Zealand. Dosh told us that the main reason it applied to be a bank is to use “bank” in its title, which would give consumers greater trust and confidence in it. We heard that being able to identify as a bank would help Dosh compete in the banking market and allow it to talk about offering banking services.

Māori access to capital

About Māori land

Although Māori land is subject to many of the same laws as other land in New Zealand, Māori land is different in some key ways. Under Te Ture Whenua Maori Act 1993 | the Maori Land Act 1993, transferring ownership of the land is significantly restricted. The Act favours ownership of Māori land staying with the original owners’ whānau and hapū.

Te Kooti Whenua Māori | the Māori Land Court enforces these restrictions. Most dealings with Māori land are scrutinised by the court. The sale of Māori land is not complete until the court issues an order confirming that the sale can proceed.

Because most Māori land has multiple owners, the Act provides management structures and other methods that owners can use to make decisions about the land more effectively. This includes forming an incorporation or putting the land under the care of trustees.

There are two types of Māori land. Māori customary land is held by Māori in accordance with tikanga and was never converted to Māori freehold land. Māori have the same title to the land as they had in 1840. There is very little Māori customary land today. Māori freehold land (whenua Māori) is land where Māori customary interests have been converted to freehold title by the Māori Land Court (or its predecessors) by a freehold order. Almost all Māori land is freehold land. There is also general land owned by Māori—ordinary, privately owned freehold land that is owned by one Māori person or a group of people, the majority of whom are Māori.

During our inquiry, submitters told us about difficulties associated with using whenua Māori as collateral. The Treasury advised us that the barriers to using whenua Māori relate primarily to the willingness of both borrowers and lenders to use the land as security. On the lender's side, capital providers are often unwilling to accept whenua Māori as security due to the reputational risks that banks would face if they resorted to a mortgagee sale of whenua Māori and the high transaction costs associated with this type of lending due to legal requirements. On the borrower's side, landowners may be unwilling to use whenua Māori as security due to a lack of trust in banks, collective ownership issues, risk aversion, or limited financial capability.

The Kāinga Whenua Loan Scheme

The Kāinga Whenua loan scheme is an initiative between Kiwibank and Kāinga Ora to help Māori achieve homeownership on multiply-owned Māori land. Multiply-owned Māori land refers to whenua Māori that has more than one owner. For regular home loans, banks take security over the house and the land. For a Kāinga Whenua loan, Kāinga Ora take security over the house but not the land. This means that in the unlikely event that there is a default on the loan, the house could be removed but the land would still be protected.

During our follow up hearing, Kiwibank told us that it is seeing slower growth in the Kāinga Whenua space that it had hoped for, but it is still getting a lot of inquiry. We heard that Kiwibank is focused on getting the right policy and infrastructure in place. That includes ensuring a number of lenders in its business are familiar with the Kāinga Whenua loan process.

In addition to the Kāinga Whenua Loan Scheme, Kiwibank said that it needs to "think differently" about Māori freehold land, describing it as an "underutilised asset." We heard that Kiwibank sees an opportunity for individuals to borrow against their shares in whenua Māori assets and an opportunity for larger groups of people to develop papakāinga housing and use their whenua Māori as a collective asset. Kiwibank told us that it needs to be a lot more flexible about its approaches to this type of lending. Kiwibank said that when it comes to lending on whenua Māori, "We can do more and we should do more."

Partnerships with hapū

In 2023, BNZ launched a funding framework with Ngāti Whātua Ōrākei Whai Rawa Limited to develop housing on whenua Māori. Under this framework, hapū members who meet a bank's normal home-lending criteria can secure a bank home loan for papakāinga housing on land owned by the Ngāti Whātua Ōrākei Trust at standard home loan interest rates. In 2024, BNZ expanded this funding model to enable lending for housing on whenua Māori. Under the expanded model, individuals and whānau who meet BNZ's standard home loan lending criteria can secure a home loan for housing on Māori whenua managed by land trusts or incorporates at standard home loan interest rates.

BNZ told us that it developed its funding framework in 2023 and there is now $189 million lent against whenua Māori. We heard that finding ways to lend against whenua Māori has been tricky and time consuming, but it is really committed to the work. BNZ told us that it would love to do more, and noted that there’s potentially around $490 million in the Māori agricultural business sector.

Committee opinion

We are pleased to see that regulators and banks are making developments in this space. We will be monitoring the Reserve Bank’s work programme.

Appendix A—Committee procedure

We met between 19 November 2025 and 22 July 2026 to consider this briefing. We heard evidence from regulators and banking-related entities on 11, 18, and 23 February 2026.

Committee members

Ryan Hamilton (Chairperson)
Hon Cameron Brewer (Chairperson and member until 13 May 2026)
Dan Bidois
Hon Barbara Edmonds
Francisco Hernandez (from 11 February 2026)
Nancy Lu
Hon Dr Deborah Russell
Tom Rutherford (from 13 May 2026)
Todd Stephenson
Chlöe Swarbrick (until 11 February 2026)
Rawiri Waititi
Dr David Wilson
Hon Dr Megan Woods

Arena Williams also participated in this briefing.

Related resources

The documents we received as advice and evidence for this inquiry are available on the Parliament website. Links to the Hansard transcripts and recordings of our meetings are detailed below:

11 February 2026	Hansard transcript and video 1 and video 2 for: • BNZ • BlinkPay • Reserve Bank of New Zealand • Ministry of Business, Innovation and Employment • Westpac • Financial Markets Authority • Homely.
18 February 2026	Hansard transcript and video 1 and video 2 for: • Dosh • Kiwibank • Non-bank Deposit Takers Association • ASB • ANZ

- Commerce Commission.

23 February 2026	Hansard transcript and video for: • The Treasury.

Appendix B—Inquiry into banking competition summary of recommendations

Chapter 1: State of competition in banking

1. **Standardise credit information and make it easier to compare loans**
   We recommend banks standardise processes for residential, business, and rural customers by agreeing on standard financial information and using digital technologies so it is easier for all customers to compare products and loan options across banks (for example, by encouraging multi-bank credit applications).
2. **Open the door to more overseas banks and fintechs**
   We recommend the Reserve Bank of New Zealand consider lowering barriers for overseas banks and fintechs to enter New Zealand and offer banking services, to create more competition.
3. **Strengthen Kiwibank through investment**
   We recommend Kiwibank's parent company continues to seek further ways of increasing capital to strengthen Kiwibank's retail and business banking.
4. **Review fees and profits on everyday accounts**
   We recommend the Financial Markets Authority investigate transaction account pricing by using fair conduct principles, and request banks disclose profitability on transaction, on-call, and savings accounts to provide more transparency and incentive to do better.

Chapter 2: Barriers preventing competition in banking and impact of the regulatory environment

5. **Revisit Reserve Bank prudential settings**
   We recommend the Government strengthen supervision of the Reserve Bank's prudential role, for example by:
   - reinstating "market efficiency" as a key objective of the bank in the Reserve Bank of New Zealand Act 2021
   - appointing new members to the Reserve Bank board with noted prudential regulation expertise
   - establishing a dedicated Prudential Policy Committee (comparable to the Monetary Policy Committee) with responsibility for the Reserve Bank's prudential policy
   - requiring regular independent external reviews that monitor the Reserve Bank's prudential performance.
6. **Evaluate capital settings**
   We recommend the Reserve Bank include in its 2025 capital review and other workstreams:
   - risk-weighted asset calculations and how they affect businesses and rural lending

- capital ratio requirements and compliance settings for smaller banks and regional banks, compared to the Big 4 banks[35]
- other settings to support market entry of additional banks (e.g. the $30 million initial capital requirement and the requirement for banks to hold additional Tier 1 capital)
- the overall risk tolerance underpinning decisions taken in the Reserve Bank's 2019 capital review.

7. **Broaden the "regulatory sandbox" trial**
   We recommend the Financial Markets Authority broaden its "regulatory sandbox" trial and explore a single licensing model to cut red tape for innovative financial services.
8. **Cut Council of Financial Regulators overlap**
   We recommend the Council of Financial Regulators prioritise removing regulatory duplication and streamlining processes between agencies to lower costs for banks and lenders, and focus on minimising compliance costs and regulatory impact on new technology plans, allowing firms to innovate.
9. **Make climate lending rules clear and consistent**
   We recommend the Reserve Bank develop transparent national guidelines for banks on the application of climate-related risk weighting and pricing, regarding how it influences subsequent lending practices across different sectors.
10. **Push for real-time payments**
    We recommend banks invest in global standard, next-generation payment infrastructure to work towards real-time payments at a national and international level.
11. **Improve Payments New Zealand**
    We recommend the board of Payments New Zealand improve its governance structure to better support new entrants (such as fintechs) and announce next steps to improve transparency and competition.
12. **Address limits on growth of non-bank deposit takers and fintechs**
    We recommend the Reserve Bank emphasise competition in its ongoing policy work on restricted terms such as "bank" and "banking".

Chapter 3: Rural and business banking

13. **Cease capital increases for banks**
    We recommend that, effective immediately, the Reserve Bank cease the planned incremental increases to capital requirements.
14. **Review rural requirements**
    We recommend the Reserve Bank review the capital requirements for rural lending and that any changes are monitored and publicly reported on.
15. **Formal disclosure of factors**
    We recommend agricultural lenders formally disclose to customers the specific factors they take into account when calculating their risk margin and pricing.

Chapter 4: Lending to Māori asset holders, organisations, businesses, and individuals

[35] The "Big 4 banks" refers to ANZ, ASB, BNZ, and Westpac. The Reserve Bank of New Zealand has classified these banks as "domestic systemically important banks".

16. **Set voluntary Māori banking service standards**
    We recommend banks jointly adopt voluntary service standards to better meet the banking needs of Māori, like the Banking Code of Practice in Australia.
17. **Remove anti-money-laundering (AML) roadblocks for Māori land trusts**
    We recommend the Government remove unnecessary anti-money-laundering compliance barriers faced by Māori land trusts and Māori organisations with multiple owners when accessing banking services.
18. **Enable Māori co-investment in infrastructure**
    We recommend the Government enable further opportunities for Iwi and Māori organisations to invest as co-owners or capital providers, for example through infrastructure projects.
19. **Create Māori-focused lending products**
    We recommend banks create and offer more lending products that meet the unique needs of Māori freehold landowners.

Next steps: ensuring change is delivered

i. **Seek Government comment**
   We recommend the Government respond to all recommendations in our report including those not directly addressed to it, such as recommendations to the Reserve Bank (2, 6, 9, 12, 13, and 14) and recommendations to other entities (1, 3, 4, 7, 8, 10, 11, 15, 16, and 19).
ii. **Track progress at regular intervals**
   The Finance and Expenditure Committee, and the Primary Production Committee, will request six-monthly updates from banking regulators and entities identified in this report including, but not limited to, the following:
   - their progress implementing the changes recommended above
   - other ways they are improving competition, rural lending, and Māori access to banking
   - their engagement with fintech start-ups, including the number of partnerships initiated, timelines from engagement to implementation, and outcomes of pilot projects
   - their delivery of open banking to help accelerate implementation, drive consumer uptake, and ensure greater competition in the sector
   - disclosure from banks of profitability and transparency improvements of transaction accounts
   - the work the Reserve Bank is currently assessing lending optionality to Community Housing Providers (CHP) within the prudential framework and await clarity around potentially a new category of exposure for such lending in the standardised approach or that it may also be possible to extend this category to the banks using IRB models, with specified risk weights.

The Primary Production Committee will request six-monthly updates from the Reserve Bank on rural lending.