

Government initiatives in the banking sector

Initiative	Detail
Government response to reviews	
Commerce Commission Market Study	<p>In August 2024, the Commerce Commission released its market study into personal banking services competition. The Government has agreed to all 14 recommendations. Recommendations currently being implemented by Government include:</p> <ul style="list-style-type: none"> • Kiwibank capitalisation • open banking fully operational by June 2026 • broadening competition assessments and greater focus by the RBNZ on reducing barriers to entry and expansion • reducing barriers to switching home loan providers from the Credit Contracts and Consumer Finance Act (CCCFA) • prioritising competition concerns when reforming the anti-money laundering and countering the financing of terrorism (AML/CFT) regime.
Finance and Expenditure Committee (FEC) Inquiry into banking competition	<p>In June 2024, the Minister of Finance wrote to the chairs of the Finance and Expenditure Committee (FEC) and the Primary Production Committee asking them to open an inquiry into banking competition.</p> <p>FEC released its report on 22 August 2025. Key recommendations, which the Government will respond to, include:</p> <ul style="list-style-type: none"> • standardising customer credit information to make it easier for people to compare loans • increasing competition by lowering barriers to entry to NZ for overseas banks and fintechs • strengthening Kiwibank • scrapping planned increases to the amount of capital banks are required to hold • reviewing capital requirements for rural lending • relaxing restrictions on the use of the words “bank” and “banking” to allow fintechs to compete on a more even footing • removing unnecessary anti-money laundering compliance barriers faced by Māori land trusts and organisations • encouraging banks to create and offer more lending products that meet the needs of Māori landowners.

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RBNZ Letter of Expectations and Financial Policy Remit	<p>Following the Commerce Commission’s study, the Minister of Finance sent a Letter of Expectations to the RBNZ in December 2024, outlining her expectations for how it should take competition into account when setting prudential regulations and making other prudential policy decisions. The Minister asked the RBNZ to, among other things:</p> <ul style="list-style-type: none"> • take into consideration the Commerce Commission’s recommendation to expand access to the Exchange Settlement Account System (ESAS) • review standardised risk weights • consider the opportunities to foster a more inclusive banking sector and reduce entry barriers to new entrants • review the restrictions on the use of the term “bank”, and • work with wider government to support the banking industry to take actionable steps toward making basic bank accounts more widely available. <p>Concurrently, the Minister issued a new Financial Policy remit, setting out her desire that the RBNZ should ensure that prudential regulation and supervision do not impede effective competition, and facilitates the goal of improving competition, while remaining consistent with financial stability.</p>
Kiwibank capitalisation	The Government has been considering options for raising Kiwibank’s capital to enable it to continue to grow its loan book at above system growth. In July 2025 Cabinet approved KGC to proceed with capital raise of up to \$500m by June 2026 from suitable NZ professional investment groups.
Open banking	The Customer and Product Data Act, which sets the legislative framework for open banking, was granted Royal assent on 29 March 2025. MBIE is working with other agencies, Payments NZ and the fintech sector to determine what further actions are needed to support the uptake of open banking.
Reserve Bank activities	
Review of key capital settings	The RBNZ has reviewed key capital settings to assess whether the prudential capital requirements for deposit takers are set at the appropriate level. It has proposed more granular standardised risk weights and two options for overall capital ratios, both of which are expected to lower lending rates compared to the status quo. Consultation began on 25 August 2025 and decisions are expected by the end of 2025.

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Lower minimum capital thresholds	Decisions on the capital standard under the Deposit Takers Act 2023 (DTA) were released on 25 August 2025, including reducing the minimum capital requirement for deposit takers from \$30 million to \$5 million, coming into force in 2028.
Proportionality	The RBNZ is calibrating prudential standards under the DTA, in accordance with its Proportionality Framework. Rather than taking a “one-size-fits-all” approach to prudential regulation, it considers the size and nature of the businesses, and balances the costs and benefits of regulation to different sized deposit-takers.
Crisis management	The RBNZ is progressing the implementation of a crisis management framework under the DTA. This is a multi-year programme of work, including the development of a Crisis Preparedness Standard and a Statement of Approach to Resolution, both expected to be issued in 2028-2029.
Restricted words framework	The RBNZ will consult on the ability of entities to refer to themselves as a “bank”, with final decisions expected to be made and announced in early 2026.
Competition assessment framework	The RBNZ is developing a competition assessment framework specifically for prudential regulation, based on existing MBIE/Commerce Commission guidance.
Access to ESAS accounts	The RBNZ has approved the revised access criteria for ESAS. The new criteria will allow non-bank deposit takers, including payment service providers, to obtain a deposit only ESAS account – i.e. deposit funds directly with the RBNZ and earn the OCR on balances. Applications for additional eligible groups to access ESAS are now open.