

How New Zealand pioneered ‘bail-in’

20 July 2022—New Zealand is reshaping the laws governing its Reserve Bank through a review of its monetary policy framework ongoing since 2017. *The Reserve Bank of New Zealand Act 1989* was updated in August 2021 and a new *Deposit Takers Act*, which includes a deposit insurance scheme guaranteeing NZ\$100,000 per account, is in the works.

But don't be fooled, these reforms are not aimed at protecting depositors. Quite the opposite: It is part of a transition to a more explicit “bail-in” regime, outside of the control of elected politicians, as is demanded for Australia. Bail-in is an alternative to government bailouts which confiscates a portion of bank obligations (such as bonds and deposits) in order to recapitalise the failing institution. It is a mechanism dedicated to saving the financial system as a whole, a.k.a. “financial stability”, at the expense of individual citizens. ...

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