

Stepping up and moving forward

*The Reserve Bank's approach to payment
systems*

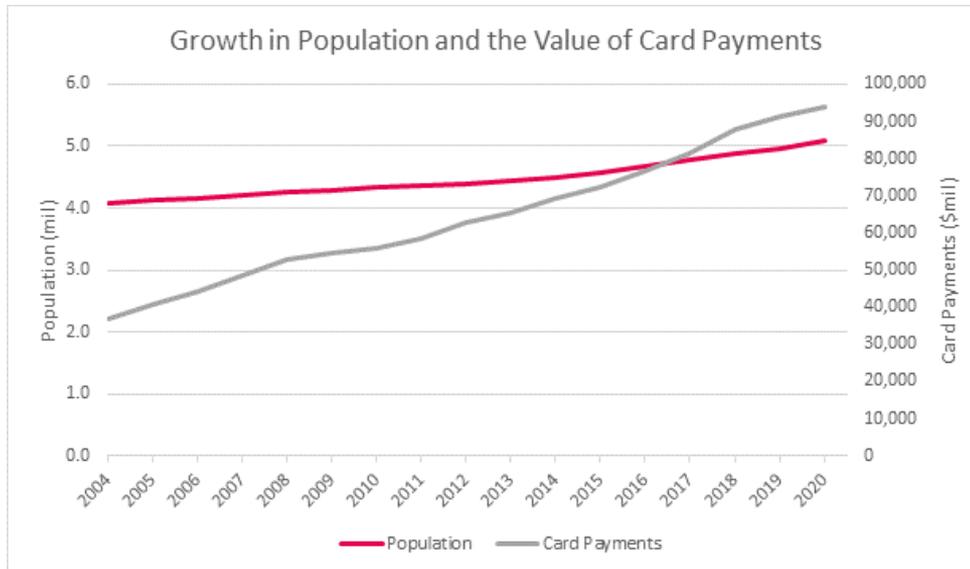
13 October 2020

The Reserve Banks renewed focus on FMIs and fintech



Why renew our approach to FMIs and fintech?

- New Zealand is following the international trend towards the increasing digitisation of financial services (for example, via the ongoing growth of card payments and new digital technologies).





The Financial Market Infrastructures Bill: A new approach to the regulation and supervision of FMIs in New Zealand

The Financial Market Infrastructures Bill



- New and enhanced regulatory regime for FMIs
 - The legislation covers payment systems, settlement systems, central counterparties, central securities depositories and trade repositories
 - It also retains the flexibility to deal with new developments (FinTech, etc)
- Administered jointly by the Reserve Bank and the FMA
 - But the Reserve Bank is the sole regulator for pure payment systems
- Separate approach for designated and non-designated FMIs



Implementation of the Financial Market Infrastructures Bill

- The Bill was reported back from select committee on 4 August 2020
- The forward timing of the Bill will be determined by Ministers after the election
- We are currently anticipating an approximately 18 month transitional period once the Bill is enacted - this will include consultation on designation decisions and proposed standards to be made under the Bill
- Standards will be based upon the relevant parts of the PFMI (likely to be principles based, but with tailoring where necessary)



RBNZ approach to supervision of payment systems under the FMI Bill

- Align with our supervisory philosophy for other sectors (banks, NBDTs, insurance)
- Based on the purposes of the FMI Bill
- Risk-based approach, focussing on higher risks to financial stability
- Supervisory approach based upon the PFMI with a particular emphasis on:
 - Governance, risk management, continuity of service, fair and open access and transparency; and
 - Observing the responsibilities for authorities, such as clearly defined and disclosed supervisory policies for FMIs, applying PFMI consistently and cooperating with other authorities
- Follow FSAP recommendations, including conducting standardised assessments and monitoring FMI landscape



International engagement: The EMEAP working group on payments and market infrastructures



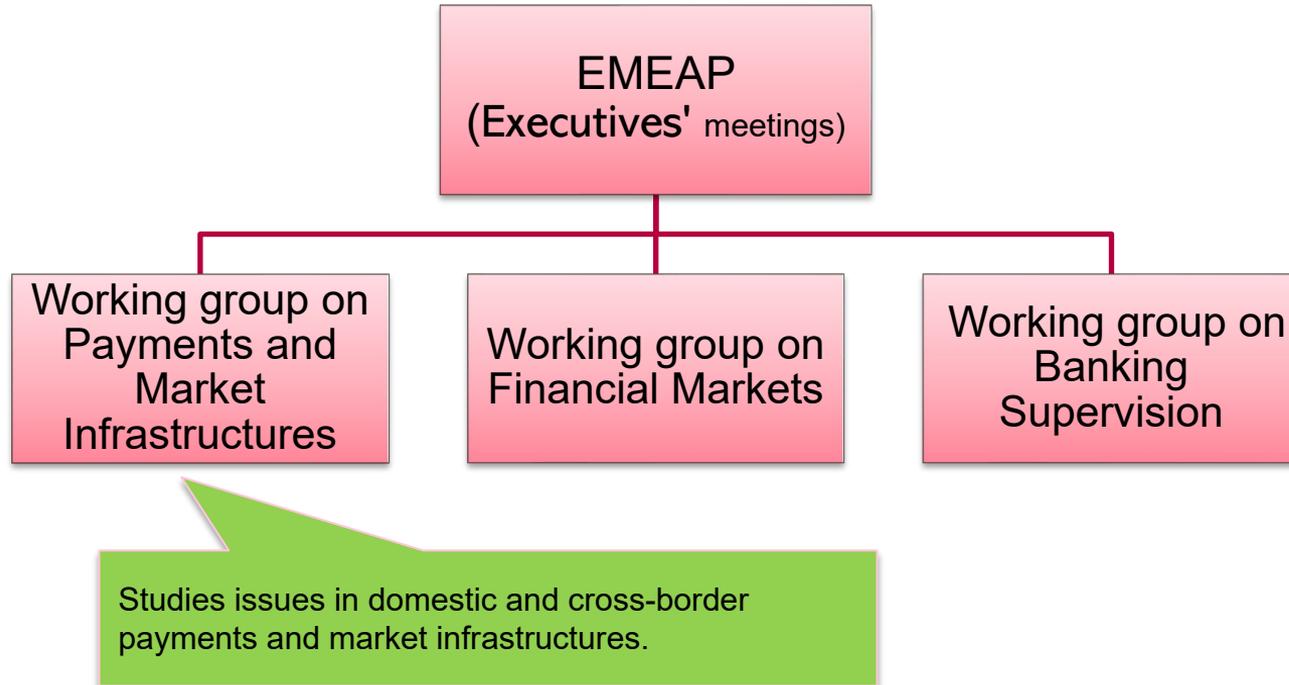
Executives' Meeting of East Asia Pacific Central Banks (EMEAP)

- EMEAP is a cooperative organization of 11 central banks and monetary authorities in the East Asia and Pacific region





RBNZ takes a leadership role @ EMEAP





Likely areas of focus for Payments and Market Infrastructures working group

Past work and discussion has included:

Building FMI resilience through new technology

International efforts to facilitate electronic payments

Landscape surveys (cross-border payments, end point security)



Looking forward there is continued and growing interest in:

The COVID-19 experience on payment systems and FMIs

Cross-border payments

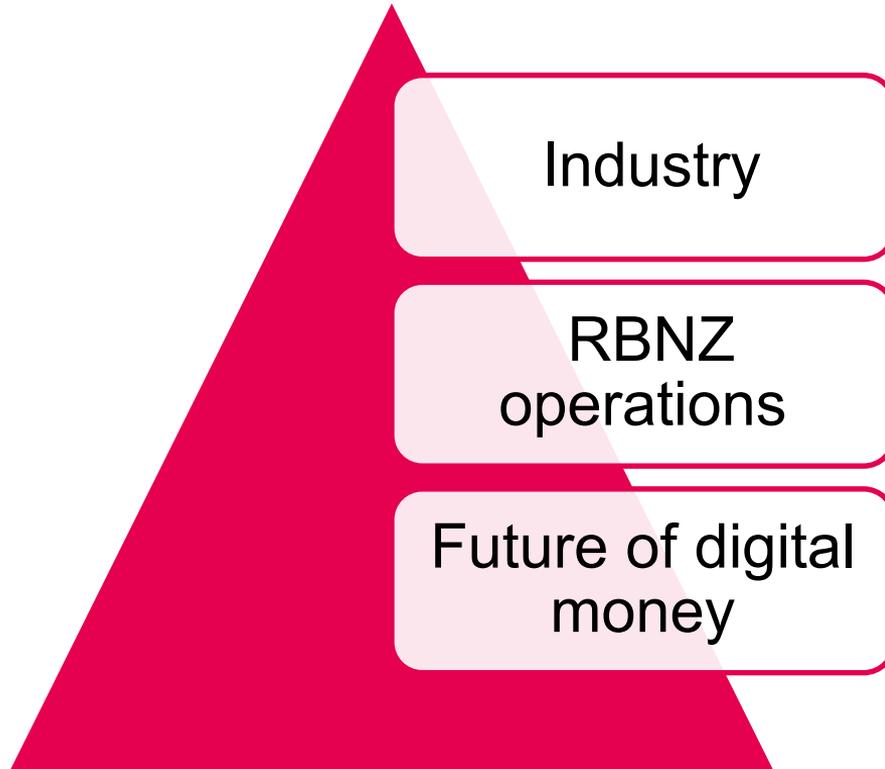
FinTech developments

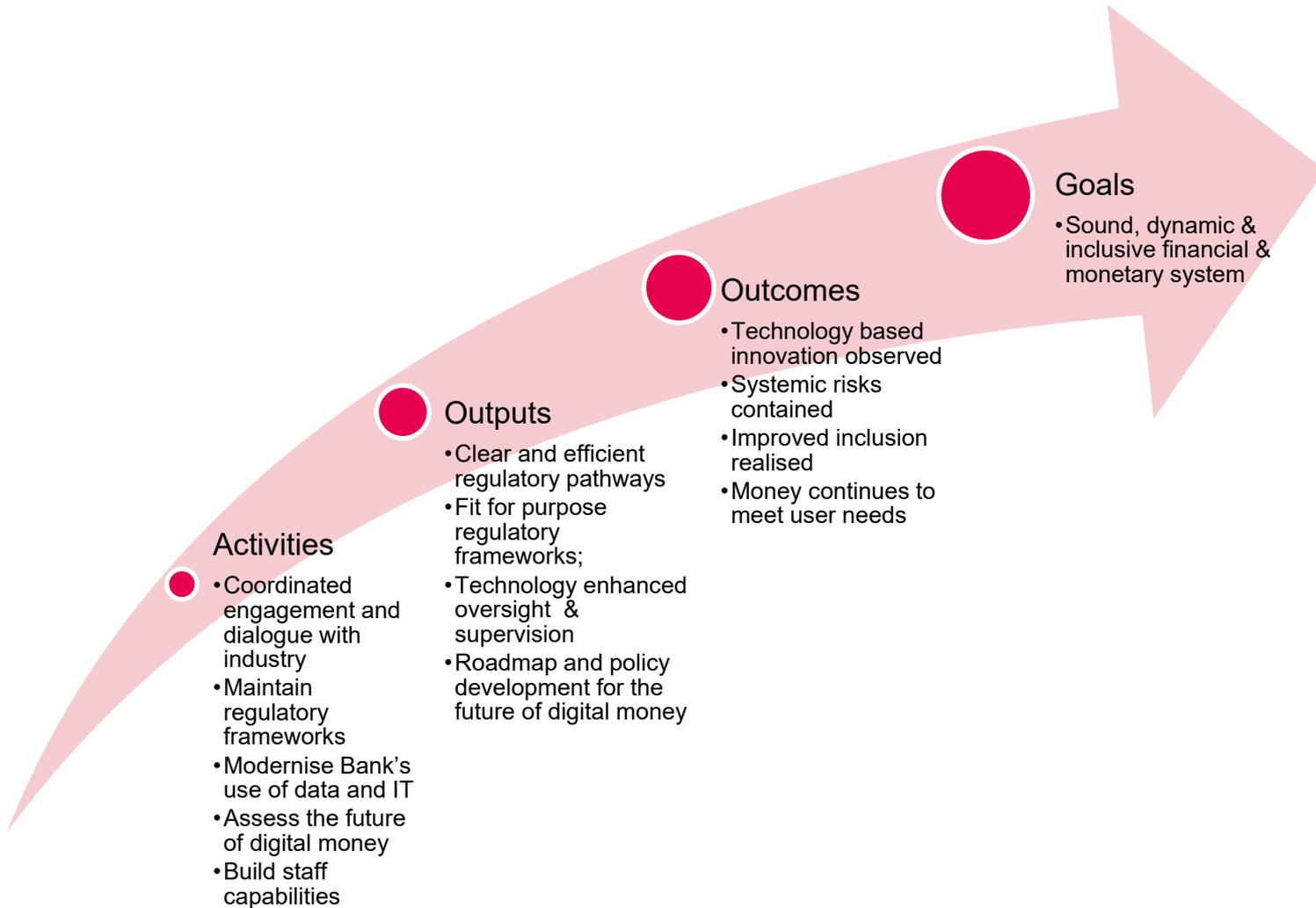


New opportunities and risks: FinTech and open banking



Reserve Bank's approach to FinTech





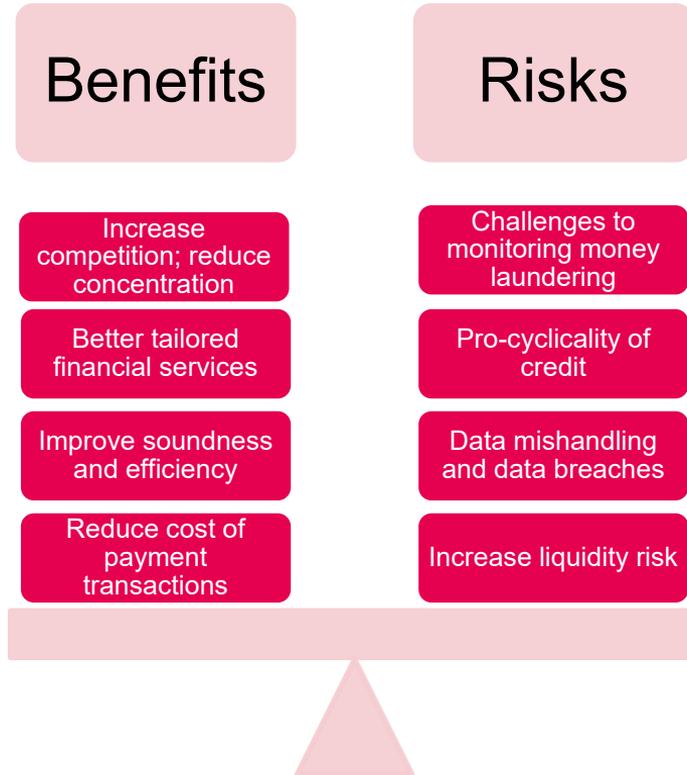
Coordinated approach to engage the FinTech industry



- Coordinate with other financial sector regulators (through the Council of Financial Regulators) to provide an efficient and effective regulatory experience for FinTechs.
- When engaging with FinTechs the Bank has:
 - A high appetite to engage in dialogue, but
 - A low risk appetite to lower minimum standards to provide differential treatment for FinTechs.
- As a principle, the Bank is looking to remove any unnecessary barriers to innovation but is not in the business of providing endorsements to industry.



An open mind on open banking





Questions