



# 2023

Report

# Empowering Aotearoa New Zealand's payments future

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# Message from our Chair

Tēnā koutou,

When I first joined Payments NZ in 2014, the world of payments looked quite different. For one thing, we still had an entire Paper Clearing System dedicated to governing the rules and standards around the use of cheques.

Fast forward seven years and cheques had been completely phased out. In future, the very concept of pledging payments via a handwritten note to a payee will be alien to generations of New Zealanders who grow up in a world of immediate payments.

Progress is inevitable in every sector, especially as technology and digital enablement continue to transform the economy and way we go about our lives.

Interest in payments has grown exponentially over the years I've been involved, and that upward trajectory will only continue. For me, the one constant in this sea of change has been the need for clear vision and the ability to make informed decisions that keep the industry moving forward. That is the primary role of those who make up our Payments NZ Board, including myself.

At times, payments system modernisation has had a reputation for being slow. There is good reason behind the need for caution and planning though. We have responsibility for keeping the engine room of Aotearoa New Zealand's economy moving. Without good payment systems, including robust governance frameworks, the transfer of value around the economy can't happen as seamlessly and securely as consumers are now used to.

Most of our work programmes are significant industry change projects, where the work must be conducted without any noticeable disruptions to New Zealanders. This carries its own challenges and opportunities. We walk a fine line as we balance the delivery of innovation and speed in payments that consumers desire, while keeping our core payments infrastructure and systems interoperable, safe, efficient, and open.

I'm proud of what we have delivered this year and am confident in the direction we're headed for the future. For that, I want to acknowledge the dedication of Steve and the team who make this possible.

I would also like to thank the industry for your support, especially our Participants, API Centre Standards Users and Members, not just in 2023 but over recent years. The time and expertise you generously contribute through participating in our working groups, governance committees, forums and other activities enable us to continue doing what we do, every day.

He rau ringa e oti ai – many hands make light work.

Ngā mihi,



Jim Quinn  
Independent Director and Board Chair



# Message from our Chief Executive

Tēnā koutou,

*Whāia te iti kahurangi, ki te tūohu koe, me he maunga teitei. Seek the treasure you value most dearly, if you bow your head, let it be to a lofty mountain.*

I shared the whakataukī above at our conference last year to frame the aspiration for our industry. I wanted us to set our sights on delivering world class payments for Aotearoa New Zealand, both today and tomorrow.

In 2023, our team at Payments NZ made strong progress. We closed out some hefty and important chapters of work, while also crystallising our thinking and planning around what the future will look like.

Two significant projects were delivered. The first enabled New Zealanders to send money where it needs to go 365 days of the year, while the second set the scene for data-rich transactions with the introduction of ISO 20022 messaging in our High Value Clearing System.

These two initiatives collectively made the payments system even more interoperable, innovative, safe, open, and efficient.

Strategically, they pave the way for the establishment of our next generation payments system – our maunga teitei, our lofty mountain aspiration – which has the potential to deliver ongoing social and economic benefits for New Zealanders in the decades to come. We look forward to sharing more details in the next 12 months about this work and the many positive outcomes it can deliver for people and businesses.

2024 will also be a big year for the API Centre. From May, the largest banks in Aotearoa will make APIs available that align to the centre's standards, while work will also continue streamlining partnering between API Providers and Third Parties. This will provide a boost for open banking and more choice for consumers.

Our engagement with a range of regulators and government stakeholders has been both broad and deep in recent months, and we look forward to continuing our conversations about their public policy objectives and the future of payments into next year.

We will also be working with the industry on combatting frauds and scams, including taking an active role in developing aggregated fraud reporting and information sharing. You will hear more about that work as we make progress.

In recent times we've been reflecting on who we are and where we're heading as part of work on both our company and te ao Māori strategies. The next step in 2024, realigning the shape of our governance to our aspiration and strategy, will ensure we're appropriately structured for continued success.

Lastly, we very much look forward to returning with our biennial conference, The Point 2024, on 19 and 20 November in Auckland. Next year it will be bigger and better than ever.

I would like to thank the many industry stakeholders and representatives that have contributed to our large work programme this year, and to my team.

I hope you'll find this year in review an interesting read.

Ngā mihi nui,

Steve Wiggins  
Payments NZ Chief Executive

# Whāia te iti kahurangi, ki te tūohu koe, me he maunga teitei

Seek the treasure  
you value most dearly,  
if you bow your head,  
let it be to a lofty  
mountain

## What we do and how we govern

Payments NZ is a governance organisation at the heart of Aotearoa New Zealand's payments system. Our organisation was created in 2010 with bank shareholders and the support of Te Pūtea Matua, the Reserve Bank of New Zealand (RBNZ).

We work with the industry to set and deliver our work programme – a mix of strategic and operational projects and initiatives. Through these programmes, we put in place the building blocks for payments innovation that will serve generations to come.

We are made up of an internal team of staff, and a range of stakeholders:

**Our shareholders** are ANZ, ASB, BNZ, Citibank, HSBC, Kiwibank, TSB Bank and Westpac.

**Our Board** has 11 directors made up of an independent chair, two other independent directors and a director appointed from each shareholder organisation.

**Our Participants** are financial institutions that have joined one or more of our three payment clearing systems so they can exchange payments directly with other Participants efficiently and securely.

**Our Members** are organisations from the payments ecosystem that have joined our membership programme to be actively involved in the ongoing development and strategic direction of the payments system in Aotearoa. We offer two levels of membership to interested organisations.

**Our API Standards Users** are organisations that have joined the API Centre to use our industry API standards and form bilateral agreements with other registered Standards users, and to have direct input into the design and development of our standards and open banking trust framework.

### Clearing systems

Through Management Committees comprised of Participants, we govern three core payment clearing systems that ensure the smooth transfer of value as money moves around the economy:

**Bulk Electronic Clearing System (BECS)**  
direct debits, automatic payments, bill payments and direct credits.

**Consumer Electronic Clearing System (CECS)**  
EFTPOS payments and settlement of ATMs.

**High Value Clearing System (HVCS)** property settlements and other large payments that cannot be reversed.

### API Centre

The API Centre is the industry standards implementation body for open banking in Aotearoa. The API Council governs the work of the API Centre and is made up of 6 API Providers, 6 Third Party representatives and 3 independents including the chair.

As well as registered Standards Users the API Centre also a large number of community contributors who sign up to use its sandbox and provide feedback on standards development.

## Our vision

# World class payments for Aotearoa New Zealand

## Our role

Our role is focussed on kaitiakitanga - **leading, governing** and **connecting** the payments ecosystem, bringing people together to design and deploy the payments system of the future.

We take an **inter-generational view** on core system components and act as a **change agent** by working closely with our industry stakeholders and regulators to ensure our payment systems serve the people and businesses of Aotearoa, today and tomorrow.

## Our four key role pillars are:

Leading the industry into the future.

Enabling the trusted transfer of value.

Being the go-to knowledge centre and authority on payments.

Driving a collaborative, innovative, open and safe payments network.

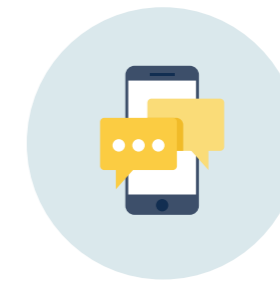
# 2023 highlights



We safely facilitated the transfer of \$7 trillion worth of payments in Aotearoa, through our High Value and Settlement Before Interchange (SBI) payment clearing systems.



We introduced seven-day payments processing to ensure payments availability 365 days a year and to support a productive economy.



We introduced Swift's new ISO20022 messaging standard for domestic and cross-border transactions.



We reviewed and updated our rules, standards, and procedures to keep our payment systems safe, open, innovative, and interoperable.



We set our te ao Māori strategy, Tō Mātou Haerenga.

The strategy sets out our commitment to ensuring representation and the rangatiratanga of Māori in the payments network.




We worked with industry to progress the early design of next generation real-time payments capabilities. These lay the foundation for a modernised payments ecosystem serving New Zealanders for many years to come.



We expanded our open banking ecosystem. The API Centre now has 24 Standards Users made up of 7 API Providers (banks) and 17 Third Parties or fintechs, and over 260 Community Contributors.



We set a minimum implementation timeline for open banking with the country's four biggest banks set to be live with the API Centre's open banking standards in 2024.



Building a payments landscape with greater interoperability, innovation, safety and efficiencies



## Core payments

Our clearing systems team has delivered some significant projects in 2023. Much of that work has focussed on improving systems, processes and the underlying technology and platforms that transact payments.

All New Zealanders have benefited from the delivery of this work as outlined in our project spotlight on seven-day payments processing, on the following pages.

In March, Aotearoa became the first country in the world to start processing domestic and cross-border transactions with Swift's new ISO 20022 messaging standard – a universal language and structure for financial institutions to exchange data worldwide.

**This change is a major payments milestone that affects all payments going through our High Value Clearing System (HVCS), and all cross-border transactions in Aotearoa.**

We led 14 financial institutions in Aotearoa and their multiple representatives through the roll-out, with strong collaboration among the participating communities and organisations.

Another key priority for us this year has been ensuring our core banking and industry stakeholders understand their obligations under our rules, which keep the payments engine running smoothly. We hosted a series of webinars for our Participants explaining our rules and standards, what they do and our governance role.

A photograph of two young women dancing at night at an outdoor event. The woman on the left is wearing a light blue button-down shirt and orange-rimmed glasses. The woman on the right is wearing a white sleeveless top and has her hair in a braid. They are both smiling and looking upwards. In the background, there are blurred lights and other people, suggesting a festival or concert setting.

A milestone  
in delivering  
payments  
everyday for  
Aotearoa

## Project spotlight

# Seven-day payments

On 26 May 2023, seven-day payments processing was introduced to Aotearoa, making it easier than ever for New Zealanders to pay and get paid. The change means electronic bank payment processing now occurs every day of the year, including weekends and public holidays, for our SBI retail payments system.

This complex project was led by Payments NZ and was one of the most significant changes to the payments system since the introduction of the five-day working week.

It required huge effort from across the industry, including thousands of hours of work and many millions of dollars in investment from 10 of Payment NZ's Participant banks. The RBNZ was also a key partner.

One of the biggest challenges for a change of this scale was the enormity of the task. Introducing change into a payments system which transacts \$1.5 trillion annually wasn't as simple as pushing some buttons or updating IT software.

On a practical level, banks needed to review, upgrade and test all of their systems and IT infrastructure before the change could be rolled out.

Payments NZ put significant effort into coordinating action across the industry to ensure the change was synchronised, with as few disruptions to customers as possible.

Media coverage at the time compared the complexity of the project to upgrading systems for Y2K.

The successful delivery of seven-day payments processing provides the foundations for Payments NZ to scope, design and deliver future payment innovation.



# Open banking leadership

In 2023, the Payments NZ API Centre continued to take a leadership role in the evolution of open banking in Aotearoa.

We took a significant step by releasing an implementation plan that set deadlines for banks to be ready with some of our API standards from May next year.

We also issued a new white paper, *Looking Ahead - Open Banking in Aotearoa New Zealand*, on the outlook for open banking in this country.

The report noted the continuing industry, regulatory and public interest in the way consumers are able to use their data to access new products and insights.

It also looked at the way authorities in other countries have overseen the sector, and outlined why right-sized regulation in Aotearoa could help drive the industry forward.

**"We want to build an innovative and trusted open banking ecosystem that gives consumers and businesses more choice in how they make and receive payments.**

**The work we're doing through the API Centre enables the industry to deliver API-based services for New Zealanders that are interoperable, innovative, safe, and efficient."**

Phil Cass, API Centre Manager



## What is the API Centre?

The API Centre leads open banking in Aotearoa by enabling the systems and infrastructure that allow easier, better and more secure sharing of consumer financial data. The centre's open banking standards and rules ensure that customer trust and the security of their financial data are key to the development of products and services.



## Project spotlight

# Open banking implementation plan

In May this year, the API Centre made a milestone announcement when it set an implementation timeline for the five largest banks in Aotearoa to be ready to partner using the centre's standards.

ANZ, ASB, BNZ and Westpac must be ready by May 2024 with the v2.1 Payment Initiation API standard, with the v2.1 Account Information API standard to follow by November 2024. BNZ had already met the first deadline at the time the plan was announced. Kiwibank is also included in the plan and has an implementation timeline to be live with both standards by May and November 2026.

The API Centre is always looking at ways to more easily enable the use of API Standards. One of the initiatives has been to introduce a proof of concept framework to enable potential Third Parties to partner with API Providers with certain limitations to live prove a product before becoming a Third Party. The API Centre has also tried to make it easier for Third Parties and API Providers to partner through the implementation of a centralised due diligence framework.

One of the important goals of the API Centre is enabling easier partnerships between banks and third parties that use our open banking standards. Setting this implementation timeline will have a significant impact in terms of having more open banking products and services available to New Zealanders.

The centre's API standards have been built to global best practice and prioritise the safety and security of customer data. The standards make it easier for Third Parties to bring products and services to market.

An implementation timeline enables those interested in partnering with banks, such as Third Party fintechns and payments service providers, to plan ahead with confidence. It also means banks are able to dedicate necessary internal resources to meet the timeline, in the knowledge that other banks are on the same pathway.

Our announcement was widely covered in business media at the time, reflecting the interest in the development of open banking.

This move is another step towards having more open banking-enabled services in market, which will ultimately benefit all New Zealanders through increased choice in payments.

## What is open banking?

Using open banking, customers can grant secure access to their banking information so that organisations can provide valuable new services. These services include things like innovative payment options and valuable financial insights about spending behaviour. It's a powerful tool for enabling economic prosperity and financial wellbeing.

# Connecting the payments industry

# 1,602

1,602 people attended events hosted by Payments NZ

# 313

313 people registered for four webinars

# 200

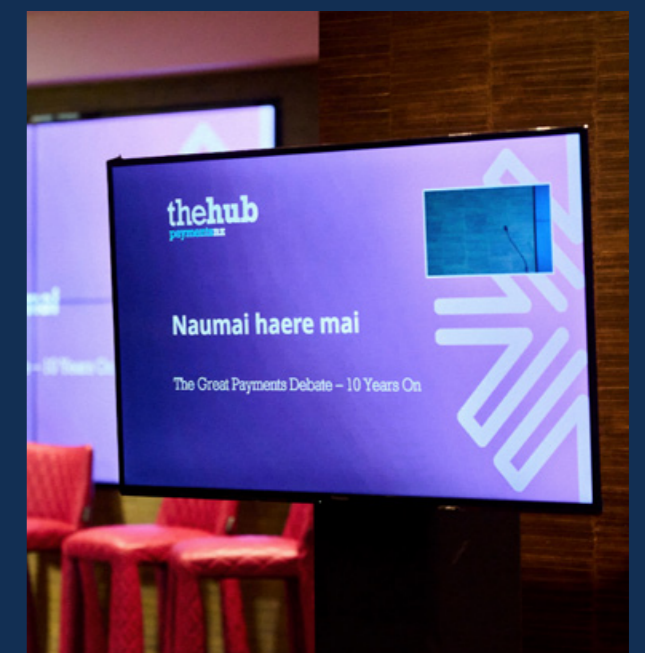
We've been mentioned more than 200 times in the media



We hosted four The Link events for Women in Payments, three Strategic Forums for our Members and Participants and held an in-person The Hub in Auckland

# 503

The API Centre's Techweek webinars drew more than 500 people



# The next generation of payments



With several large initiatives delivered this year, we're now increasing our focus on what the payments ecosystem of tomorrow could look like.

We started this journey several years ago, releasing a Payments Modernisation Plan in 2020 that set out the payments building blocks of the future.

Industry feedback at the time identified real-time capability as an important cornerstone due to its ability to be used as a platform for innovation.

This year, we've taken that idea forward through the creation of an Industry Strategic Investment Case (ISIC), which presents modernisation options.

The ISIC enables our industry to consider how a next generation, real-time, data rich payments ecosystem can deliver benefits for customers, stakeholders and wider economy.

It also presents an initial foundational design, which is due to be completed in the coming months.

In 2024 we expect to release a high-level roadmap of how this proposed ecosystem is best rolled out, the functionality that needs to be included, and what it could mean for businesses and consumers.

This is a significant programme of work and will help deliver world class payments to generations of New Zealanders.

## What does a next generation payments system look like?

Next generation platforms have extensibility at their core, which means they can support current payments system needs, with scope for future upgrades.

These platforms can be progressively rolled out, and are characterised by a small centralised core, with a wide range of features, functionalities and schemes layered on top.

## How might we deliver this next generation ecosystem?

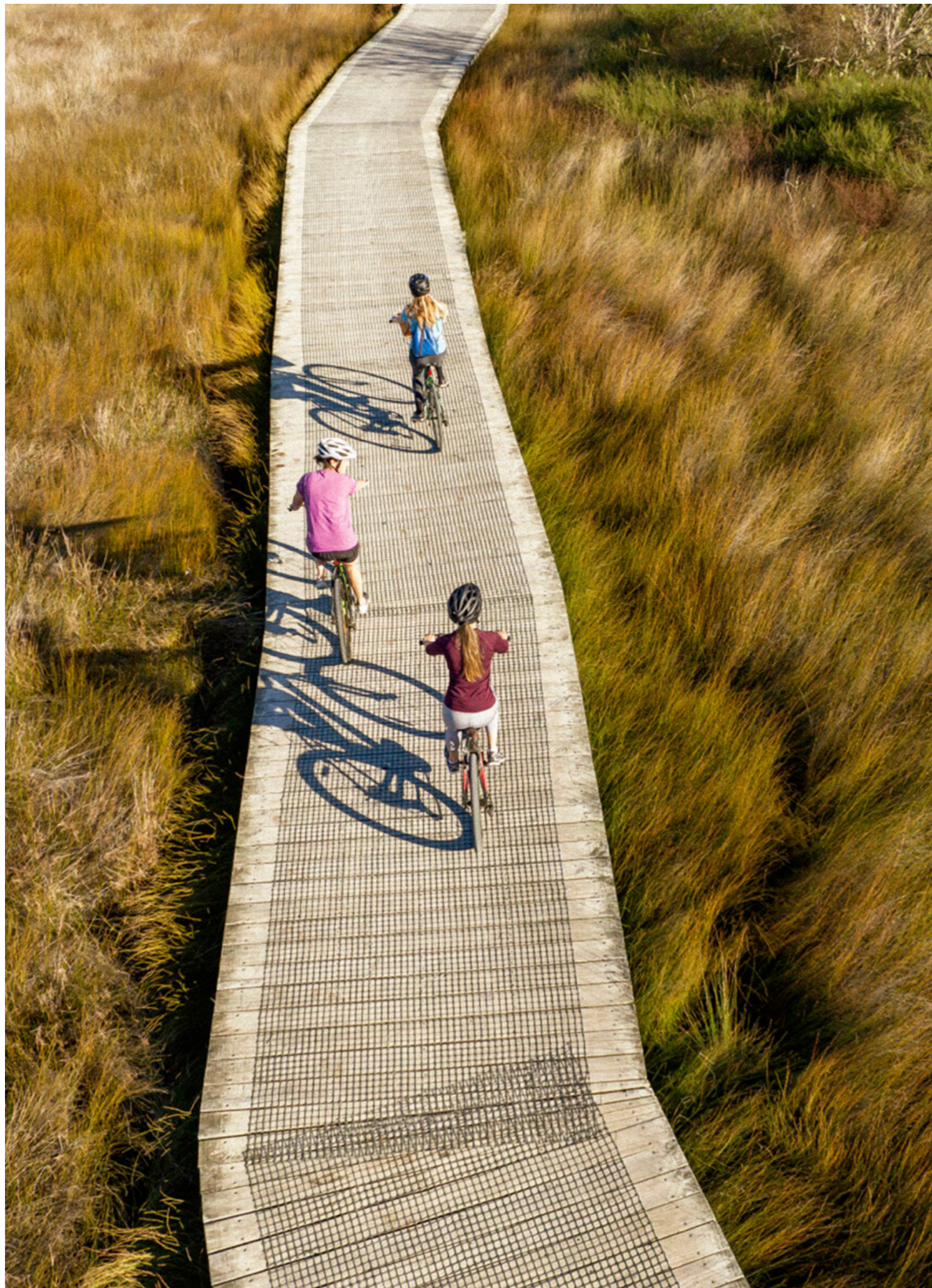
We've worked closely with our stakeholders and international experts to understand what sort of next generation payment ecosystem could work best for Aotearoa.

The foundational design we have recommended is modular. This means it can be delivered in stages, building additional capability and functionality over time.

## Will fraud and scam protections be prioritised in a next generation ecosystem?

The early prioritisation of fraud and scam protection capabilities in a next generation ecosystem could provide enduring, effective and efficient mechanisms for ongoing fraud prevention in Aotearoa.

We're working to ensure these important capabilities are at the forefront of our foundational design, including considering whether delivery of next generation fraud and scam prevention can be accelerated.



# Where to next?

2024 is promising to be a transformative period for the wider payments industry, and in particular for Payments NZ.

Now into our second decade as an organisation, we've been asking some fundamental questions about who we are, the outcomes we want to be remembered for, and how we can achieve that.

There are some key pieces of work we've planned for 2024 that will be crucial to achieving our vision of delivering world class payments for Aotearoa. One of the central planks will be a **governance review** looking at whether our organisational structure is appropriate to our changing environment and aspirations as a company and industry.

Building on the development of our refreshed company strategy, some of the aspects the review will look at include our constitution, how our Participants reflect the evolving industry, the role and place of an organisation like Payments NZ in our modern society, and how we can play a part in ensuring the representation and rangatiratanga of Māori in our work and the wider payments network.

Our role may also continue to evolve as the RBNZ continues to assess whether Payments NZ systems should be designated as **financial market infrastructure**.

We will continue our strong focus on refining our design for the **next generation payment ecosystem for Aotearoa**. We look forward to frequent and deep engagement with our Participants and the wider industry about the design and functionality of this system, with a view to seeking a mandate to move to the next stage of development. This project is already a key focus for the industry given its systemic importance to the future of payments and 2024 will be an important year in its gestation.

We'll be undertaking a range of activities to help combat **fraud and scams**, in solidarity with the wider industry. Part of this activity will involve working across the industry to produce aggregated, standardised fraud reporting, based on the Fraud Classifier standard as specified by the US Federal Reserve.

May next year will mark a new era for open banking, with the largest four banks in Aotearoa due to deliver against the **API Centre Implementation Plan** by delivering the first of two payment standards.

Capping off what is shaping up to be a busy year, our biennial conference – **The Point** – returns on 19/20 November in Auckland. Preparations are already underway for this event, as we again bring you the latest and greatest insights from international and domestic payments experts. We look forward to seeing you there.

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