
Response to CoFR Issues Paper on Access to Basic Transaction Accounts

Payments NZ Limited submission

June 2025

1. Introduction and summary

Payments NZ Limited (Payments NZ) submits this response to the Council of Financial Regulators (CoFR) Kaunihera Kaiwhakarite Ahumoni, Financial Inclusion Community of Practice's Issues Paper: Access to Basic Transaction Accounts. Payments NZ notes this paper builds upon recommendation 14 from the Commerce Commission's Market Study into Personal Banking Services, to which we provided a submission in April 2024 with a primary focus on switching¹.

We support the issues paper's primary objective of financial inclusion and reducing barriers to enhance market incentives, thereby improving access to basic transaction accounts for underserved communities in Aotearoa New Zealand. Achieving material improvements to accessing basic transaction accounts will require a coordinated effort across the financial ecosystem, in particular, by regulators, industry and financial institutions.

We recognise the importance of improving accessibility and inclusion across the payments ecosystem, including with respect to accessing basic transactional accounts. This aligns with our vision for world class payments in Aotearoa, and advancing our objective to foster payment systems that are interoperable, innovative, safe, open, and efficient.

Payments NZ is progressing several initiatives in our API Centre, our Payments Direction programme and in our Clearing Systems that specifically consider accessibility and inclusion, and focus on addressing associated barriers and opportunities. Two further initiatives through our Tō Mātou Haerenga strategy and our most recent Digital Identity sprint (refer to section 2 for details) also consider specific equity and accessibility objectives. We are working with the industry, and will engage with regulators, to develop an integrated future roadmap for modernising payment capabilities in Aotearoa.

Through all of our work programmes, it is evident there is broad industry support for accessibility and inclusion to be prioritised in the development and design of the payments system. Diversity, accessibility, and inclusion are seen as critical components in modernising the payments system and ensuring its alignment with the needs and service of all hapori (communities), businesses and people in Aotearoa.

However, it is our view that the actions of any one stakeholder group alone are unlikely to be sufficient to materially improve access to basic transaction accounts for underserved communities in Aotearoa. It is in this context that our submission:

- highlights our relevant work that contributes to improving access,
- provides our view on how the public and private sector can work together towards achieving improved access to basic transactional accounts, and
- provides short-form answers to the issues paper's consultation questions.

¹ <https://www.paymentsnz.co.nz/resources/articles/submission-on-market-study-on-personal-banking-services-draft-report-of-commerce-commission/>

Summary

Key messages from our submission are summarised below:

- We support the widespread introduction of basic transaction accounts, but note that there are a number of issues relating to the identification and operation of such accounts in the payments ecosystem in Aotearoa which require further consideration.
- Digital Identity technologies are becoming increasingly available, and the Government's efforts to modernise the issuance of key identification documents such as passports and driver licenses are an important factor in customer onboarding. Leveraging emerging Digital Identity capability from the public and private sector is an important consideration for the onboarding of basic transaction account customers.
- Our recent consultation paper, *Consultation on payments for the next generation*, highlights foundational modernisation components such as the removal of data constraints within core clearing systems, and the provision of utility services to increase participation and deliver efficiencies. The ability to carry richer flows of data through the payments ecosystem could aid in the identification, management and reporting related to the provision of basic transaction accounts. Whilst delivery of specific capabilities is likely in the medium term, work has commenced on foundational components such as a consolidated roadmap, data strategy and Digital Identity use cases in payments.
- Furthermore, industry feedback on the consultation reinforces the sentiment that more must be done to improve inclusivity and remove systemic barriers to customer participation. This includes strong statements of support for initiatives that address accessibility for tāngata whaikaha (people with disabilities) and other underserved communities. Refer to section 2 for more detail.
- We note the introduction of 'tiered' customer due diligence and different account design features governing the operation of basic transaction accounts may have some downstream impacts that require changes to Payments NZ rules, standards and industry services. These include the open banking standards overseen by the API Centre, our clearing system rules, and the industry switching process.

2. Our work to improve accessibility and inclusion

While not specifically targeting improved access to basic transactional accounts, Payments NZ has a range of activities underway to improve accessibility and inclusion. These activities include:

Tō Mātou Haerenga strategy: We are committed to te ao Māori and upholding Te Tiriti o Waitangi by ensuring the representation and rangatiratanga of Māori in the payments network. Our core strategic outcome is to enable financial wellbeing and equity of Māori whānau, hapū and iwi.

API Centre: The API Centre's activities facilitate the secure access of third parties to industry developed open banking APIs, enabling them to offer innovative services to customers. Additionally, the API Centre prioritises customer safety, empowers consumer and business choice, and promotes financial inclusion and wellbeing. Recently we published Ngā Tohu Ārahi our data handling guidelines, which are based on Māori Data Sovereignty and Governance principles and frameworks. These guidelines take a whole of data lifecycle approach to customer data and we believe over time this area of mātauranga (knowledge) could provide the foundations of data handling and usage across the industry. We recommend CoFR think about the opportunity to also consider MDS² and MDG³ frameworks as foundational components as it progresses its work. There is also an important role for purpose-driven organisations in harnessing the capabilities of open banking and developing solutions that address specific accessibility needs.

Clearing Systems: Payments NZ manages the clearing systems that enable secure and efficient movement of money between financial institutions – these are BECS⁴, CECS⁵ and HVCS⁶. The responsible Management Committees incorporate accessibility and inclusion considerations into their discussions about the payment clearing systems. One key focus is the CECS Management Committee's work on POS⁷ payment accessibility, particularly for the blind and low vision community. The CECS Management Committee is currently working to develop recommendations for enhancing payment accessibility across the POS network in Aotearoa, which can also benefit the wider disability community.

Next Generation Payments: Our *Consultation on payments for the next generation* addresses a vision for strategic modernisation of the payments ecosystem, founded on five guiding principles:

- Improving financial inclusion
- Helping all individuals in Aotearoa to achieve their financial goals
- Building a more productive Aotearoa
- Supporting competition and innovation to give everyone more choice in payments
- Improving financial resilience for consumers and businesses in Aotearoa.

² Māori Data Sovereignty

³ Māori Data Governance

⁴ Bulk Electronic Clearing System

⁵ Consumer Electronic Clearing System

⁶ High Value Clearing System

⁷ Point of Sale

We recently undertook public consultation on a possible design for next generation payments infrastructure. Feedback from this reinforces the sentiment that more must be done to improve inclusivity and remove systemic barriers to customer participation. This includes strong statements of support for initiatives that address accessibility for tāngata whaikaha and other underserved communities, including for the provision of features such as spend control and better infrastructure for enabling different forms of delegation (for example authority to act on behalf of, additional notifications and/or dual controls). These capabilities are important when an individual is reliant on the support of other people when managing their finances. The Westpac report on Disability and Inclusion in Banking notes that 'There is a tension here; in some ways, it needs to be easier for others to support disabled people with banking (to better uphold their autonomy), yet there is a heightened risk around the role others should be able to play and needing to have measures in place to mitigate this.'⁸

Digital Identity: Payments NZ is currently undertaking a Digital Identity opportunity assessment. It aims to advance realising the value that digital identity can provide in the payments space, and in the context of the wider business activities of financial institutions who participate in our Clearing Systems and other payment service providers. We are currently finalising a white paper on Digital Identity in the digital economy of Aotearoa, and identifying potential high impact digital identity use cases and applications to test and develop further with our stakeholders. Several of the use cases currently identified relate to barriers identified in the CoFR paper. The outcomes of this work could contribute to future industry discussions on innovative solutions to the verification process and design elements of future basic transaction accounts.

3. Directional approach to improve access to basic transaction accounts

Problem definition and obtaining commitment

We support the exploration of introduction of basic transaction accounts. We anticipate that the issues paper and feedback process will confirm the problem definition and find that there is a collective appetite to commit to addressing this problem. Obtaining this commitment is a key first step to aligning the necessary resources and commitments.

Hybrid approach and regulatory barriers

As noted in our answers to Q2 and Q12 below, we support the hybrid approach. We believe that the barriers to accessing basic transactional accounts are complex and that no single stakeholder group (i.e. regulators, financial institutions acting either jointly or individually, non-government organisations (NGOs), charities or industry activities) will be able to independently achieve the removal of barriers. Accordingly, we believe the hybrid option is the only viable approach to address the problem. We believe that it is worth giving early consideration to how the public and private sectors can organise themselves to work towards the common goal of access to basic transaction accounts.

⁸ <https://www.westpac.co.nz/personal/life-money/navigating-trying-times/disability-and-inclusion-in-banking-report/>

We believe the hybrid approach will only work if it begins first of all with CoFR leadership in place to address current regulatory barriers. The issues paper, rightly, considers the two key areas where there are regulatory barriers, being AML/CFT and competition law.

AML/CFT

We agree with the paper's assessment that problems associated with access to transaction accounts can stem from AML/CFT regulation and the way customer due diligence (CDD) requirements are implemented. We believe that the development and promulgation of AML/CFT guidance that clarifies and defines 'lighter' CDD for basic transactional accounts would alleviate some of the key barriers and pave the way for the market to develop new basic products with simplified customer onboarding.

Competition Law

The issues paper discusses competition law as hindering industry collaboration. The paper's initial position is that the public benefits of improving access to basic bank accounts could outweigh the potential impacts on competition. The availability of industry seeking authorisation from the Commerce Commission was mentioned in the paper as an avenue for industry to take action to address any competition law risk.

We see public benefits from improved access to basic transactional accounts products to financially excluded New Zealanders and industry collaboration would support this work. However, authorisation from the Commerce Commission as a means of achieving a public policy objective may not be the most effective way to do this. We would support a simpler way to obtain competition law certainty and a safe harbour, rather than industry seeking authorisation from the Commerce Commission.

4. Payments NZ's Submission

CoFR Questions

1. Do you agree this Issues Paper identifies the key problems associated with access to transaction accounts in Aotearoa New Zealand?

Payments NZ agrees with the overall findings presented in the paper and welcomes initiatives that contribute to the removal of systemic barriers to participation. We also note that the opportunity can and should leverage Government and industry efforts in enabling capabilities such as open banking and Digital Identity. As such, a whole of ecosystem approach is recommended with input from regulators, government agencies, NGOs, charities, banks, deposit takers, fintechs, open banking providers, payment service providers and retailers. This initiative must be centred around the voices and interests of those who are currently excluded from obtaining transaction accounts.

2. Do you agree that efforts should be taken by banks and regulators to improve access to transaction accounts in Aotearoa New Zealand?

Payments NZ agrees that regulators and financial institutions should work together on this issue. In particular:

- Banks, other stakeholders and regulators should jointly agree the problem definition and commit to addressing that problem.
- Regulatory guidance on simplified AML requirements (Customer Due Diligence) is essential for the provision of basic transaction accounts.
- Regulatory leadership should proactively address and resolve any competition law risks in relation to industry collaborations on providing basic transaction accounts.
- A hybrid approach, with public and private sector stakeholders, should be taken to ensure enabling infrastructure, system capabilities and standards are in place. (Refer Q6 and Q7 for specifics).

3. Do you agree with our objective to improve access to transaction accounts through promoting the widespread availability of basic transaction accounts?

Payments NZ supports the widespread availability of basic transaction accounts and recognises the importance of clear and consistent communication for those communities who are currently underserved or disadvantaged.

4. Do you agree that all New Zealanders should have the right to access a basic transaction account?

One of the core objectives of Payments NZ's strategy is enabling improved financial wellbeing and inclusion, which is the defining characteristic of the Basic Transaction Account initiative. Delivering these products in the Aotearoa ecosystem directly supports this objective. Furthermore, depending on the design features of such products, their introduction will also contribute to some of our other strategic objectives of:

- improving the financial resilience of consumers and businesses;
- supporting innovation and choice;
- enhancing productivity;
- enabling more people in Aotearoa to achieve their financial goals.

5. Do you agree with the definition of a basic transaction account used in this Issues Paper?

Payments NZ agrees with the broad definition articulated in the issues paper, but believes it could be strengthened and repurposed for Aotearoa, in particular:

- it requires an Aotearoa lens that acknowledges our diverse culture and Te Ao Māori.
- there should be an acknowledgement that it is a foundational step to financial inclusion and the dismantling of systemic barriers.

6. What features do you think a basic transaction account should have?

Payments NZ supports the establishment of fit-for-purpose controls in the design of Basic Transaction Accounts. These controls should meet the real needs of underserved communities, whilst also meeting the regulatory objectives of AML/CFT legislation and the risk considerations that arise for deposit takers.

Any design must also be cognisant of the broader payments ecosystem in Aotearoa, and take into account:

- provision of transactional accounts and/or controls via open banking;
- the use of credentials issued under the DISTF⁹;
- implications for the bank switching process;
- meeting web content accessibility guidelines;
- the risk that a one-size-fits-all model may not address the systemic barriers for all, and that this should be thoroughly tested during design and implementation.

Note on questions for deposit takers

Payments NZ is not a deposit-taking institution. However, there are a number of issues in these questions that overlap with the objectives and scope of Payments NZ's mahi. These include the API standards that underpin open banking, our role in facilitating rules for clearing systems, our support of the bank switching process, our work in Digital Identity and our role in providing data and insights on payments in Aotearoa. As such we have chosen to answer some of the deposit taker questions.

⁹ Digital Identity Services Trust Framework

7. Could your entity deploy the controls and design features to have a 'ring fenced' basic transaction account, for example, un-bundling transaction services from overdraft products, and limits on the amount of money coming in and out of accounts?

Payments NZ plays a key role in the establishment of rules and standards for clearing systems and APIs. We also provide statistical information on payments and explore capabilities such as Digital Identity. Depending on the nature of design features and controls for basic transaction accounts, there are likely to be considerations that will fall within the responsibilities of Payments NZ. These include:

- Potential changes to Rules and Standards for BECS and CECS and the payments instruments that they support. For instance, it may be necessary to indicate that transactions are being sent to or from Basic Transaction Accounts, and that possible controls such as transaction limits are appropriately recognised and fulfilled.
- The considerations that could be extended to open banking providers. For example, the Third Party organisations registered under the API Centre who could provide services associated with those accounts, such as spending controls and reporting tools.
- Payments NZ also operates the bank switching rules and central co-ordination of this on behalf of the industry. It may be necessary to modify the service to exclude or accommodate Basic Transaction Accounts, depending on how they are implemented.
- Similar considerations exist in relation to the role Payments NZ plays in providing statistical information on payments, which includes information on fraud and scams. Modifications to reporting mechanisms may be required should there be a requirement to report on the provision or utilisation of Basic Transaction Accounts, or fraud and scam impacts related to those accounts.

8. Could your entity measure and report on access to transaction accounts, including the number of applications for a transaction account that are declined and the reason(s) for the decline on an annual basis?

This question is not directly applicable to Payments NZ.

9. What are the most significant costs that your entity could expect in order to provide customers with basic transaction accounts?

This question is not directly applicable to Payments NZ.

10. That are the most significant benefits that your entity could expect in providing customers with basic transaction accounts?

This question is not directly applicable to Payments NZ.

11. Does your entity intend to pilot and/or implement a basic transaction account?

This question is not directly applicable to Payments NZ.

12. Which of the following approaches do you think would be most effective in Aotearoa New Zealand to make basic transaction accounts widely available? Please select one.

- ☐ Regulatory requirements
- ☐ Industry-led
- ☒ Hybrid approach

Payments NZ believes that a hybrid approach is essential for this mahi.

Given many of the barriers to account access appear to relate to customer due diligence requirements, it is essential that the AML regulator is actively involved in policy settings related to these accounts.

Further to this, we believe it is important for Basic Transaction Accounts to be readily explainable and accessible, and as such an industry-agreed definition of product design features and controls is important.

13. Do you have any suggestions on how to improve access to basic transaction accounts that are not outlined in the Issues Paper?

Payments NZ recommends that this work leverages the initiatives associated with Digital Identity, and that the work is undertaken collaboratively with specialist non-government identity providers, community advocates and frontline workers, such as those supporting homeless people, those seeking refuge from abuse and those with specific accessibility needs.

14. Do you think that the deposit-taking sector is well positioned to design and implement basic transaction accounts through an industry-led approach?

Payments NZ believes that the capability to deliver such accounts exists within the industry, with appropriate coordination and facilitation. With our broad expertise in the governance, management and orchestration of payments systems and payments innovation we are open to being involved in and to support collaborative efforts to deliver basic transaction accounts, if there is value and support for our involvement.

15. Do you foresee any regulatory support that may be required for you to design and implement a basic transaction account?

Payments NZ believes that regulatory involvement and support is essential due to:

- the AML considerations – due diligence, transaction limits and reporting to ensure that the accounts can operate appropriately under the AML regime in Aotearoa;
- the need to provide certainty with respect to any competition law risks;
- strong links to Digital Identity initiatives led by the Department of Internal Affairs Te Tari Taiwhenua (GCDO¹⁰, TFA¹¹ and RIS¹² teams);
- strong links to open banking standards and the recently enacted Customer and Product Data Act 2025.

We are pleased to have the opportunity to respond on this consultation. Should you wish to discuss any of the matters raised in our feedback, please do not hesitate to contact myself or one of the team.

Ngā mihi,



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¹⁰ Government Chief Digital Officer

¹¹ Trust Framework Authority

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