

AlteredCapital

28 March 2025

Payments NZ (PNZ)
Level 6, 40 Mercer Street
Wellington, 6011

Submitted online at paymentsnz.co.nz/our-work/next-generation-payments/

Dear PNZ next generation payments team,

Response to invitation for submissions on payments for the next generation

Thank you for your invitation to provide feedback on the modern payments infrastructure proposal.

Altered Capital (Altered) agrees with PNZ's intent to develop long-term enabling infrastructure, grounded in digital capability and interoperability, and focused on serving society, the economy, and end users of the future. However, with lessons drawn from international peers, we believe substantial governance and funding changes are required to deliver on that intent meaningfully and in a timely fashion.

This submission is based on the collective experience and knowledge of the Altered team.

About Altered

Altered is a New Zealand headquartered venture capital and private equity firm founded in 2022. Altered's story began as a spin-out from a global venture fund which, most directly relevant to PNZ, was the seed investor in the UK challenger [Starling Bank](#) (Starling) in 2015.

Today, Starling serves over four million customers and made a profit-before-tax in the most recent financial year of £301m. Altered represents interests in Starling today totalling over 38% of the company's shareholding through two Board Directors (Marcus Traill, Altered Founding Partner, and Lazaro Campos, ex-CEO of SWIFT and Altered appointee) and one Board Observer (McGregor Fea, Altered Managing Partner). Additionally, Craig Mawdsley, Altered Founding Partner, served on the Board of Starling from 2015 to 2018.



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The ability for fintech challengers like Starling to take on the incumbents and win in the UK and Europe has been substantially driven by the supportive payments and regulatory frameworks, specifically designed for competition to thrive. It's well known that the New Zealand banking sector suffers from a lack of innovation, which is largely a consequence of the misaligned incentives that exist today. As a result, the value proposition for New Zealand consumers is greatly reduced and lagging other developed nations. Altered's interest in New Zealand's payments infrastructure therefore arises through first-hand experience of the superior payments systems in the UK, and also through our interests domestically such as [Emerge](#), a portfolio company in banking and payments in New Zealand.

Why PNZ's structure and capability is so important, and how we compare to the UK

In the UK, the regulatory landscape for payment services providers is supported by an independent and centralised payment scheme infrastructure provider, with an express purpose to power payments, champion innovation and give the UK choice in how it pays. This has resulted in substantial competition in payments across fintech types through centralised quality infrastructure with independently developed and quantifiable access controls removing reliance on the incumbent banks that the fintechs are seeking to compete with.

In contrast, PNZ is an incumbent bank owned and governed payment scheme rules moderator without requisite infrastructure resource, governance, or incentives to develop competition. Limitations on access to schemes or settlements without reliance on the incumbent banks materially reduces each fintech's ability to compete and innovate.

By way of examples of immediate competition-linked issues, PNZ's systems lack transparency for non-members, it is not suitably funded or centralised for ease of onboarding, applications expect the applicant to have a credit rating or liquidity facility agreement (irrelevant for e-money or payments) and a licence (for which none exist in e-money or payments), there is no embedded ability to appeal to an independent regulator in the event of frustrating behaviour from the incumbents, and PNZ has limited control over infrastructure developed within the payment network if incumbents choose to avoid them (e.g. as they did with GetVerified).

By improving its infrastructure, opening access, and fixing its ownership and governance conflicts, PNZ will not only foster competition domestically, but will allow New Zealand fintechs to generate globally relevant innovations in payments and become more easily understandable and investable by global participants.



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Immediate-term partial solution: designation of the Interbank Payment Network under the Retail Payment Systems Act.

In the immediate term, we recommend that PNZ supports the Commerce Commission's [recommendation to designate the Interbank Payment Network](#) (IPN) under the Retail Payment Systems Act (RPSA).

Designation under the RPSA is a necessary step to ensure the IPN operates in the interests of all New Zealanders. Challenger fintechs seeking direct access to the network should not be forced to rely on co-operation from the very institutions they aim to compete with.

Designation would empower the Commerce Commission with the necessary tools to foster competition and fairness in the payments system, specifically by enabling:

1. The setting of standards, including pricing and disclosure requirements;
2. The implementation of rules, such as governance structures for the network; and
3. The enforcement of compliance, including the ability to administer fines.

Designating the full IPN is essential to ensuring an open and competitive financial ecosystem in New Zealand. We urge you to act in the best interests of consumers, businesses, and fintech innovators by supporting the recommendation to designate the IPN under the RPSA.

Closing remarks

Thank you again for welcoming submissions. Altered has lived experience that opening access to payment schemes and settlements delivers increased competition and innovation, driving better outcomes for consumers. The level of success for Starling and its peers in the UK would not have been possible under the current New Zealand regulatory system.

If you require any additional information or would like to discuss our submission further, please do not hesitate to contact us.

Sincerely,



McGregor Fea

Managing Partner



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