

28 March 2025

Cecilia Tarrant
Acting Chair
Payments NZ Board

Dear Cecilia

Response to Payments NZ consultation on payments for the next generation

1. This process provides us the opportunity to articulate our perspectives on the necessity for both current and next generation payments to meet the evolving needs of all New Zealanders.
2. We support the initiative to develop a more accessible, centralised infrastructure with faster, safer and more data-rich payments. We expect this to enhance competition and efficiency in the retail payment system. Our feedback primarily relates to how Payments NZ and banks will deliver this and realise the benefits.

We support this work alongside other regulators

3. Regulatory oversight is crucial in ensuring the successful implementation of the new infrastructure. We have been working alongside the Reserve Bank of New Zealand (**RBNZ**) and the Ministry of Business, Innovation and Employment (**MBIE**) in considering a national payments strategy. To date we have focused on assessing the outcomes, issues and opportunities across payments.
4. We support Payments NZ's positioning on regulatory oversight, governance, and management. As regulators, we will play an active role in driving progress and ensuring compliance with best practices. We will continue to work across government to ensure alignment on moving the New Zealand payments landscape forward with industry for the benefit of New Zealanders.

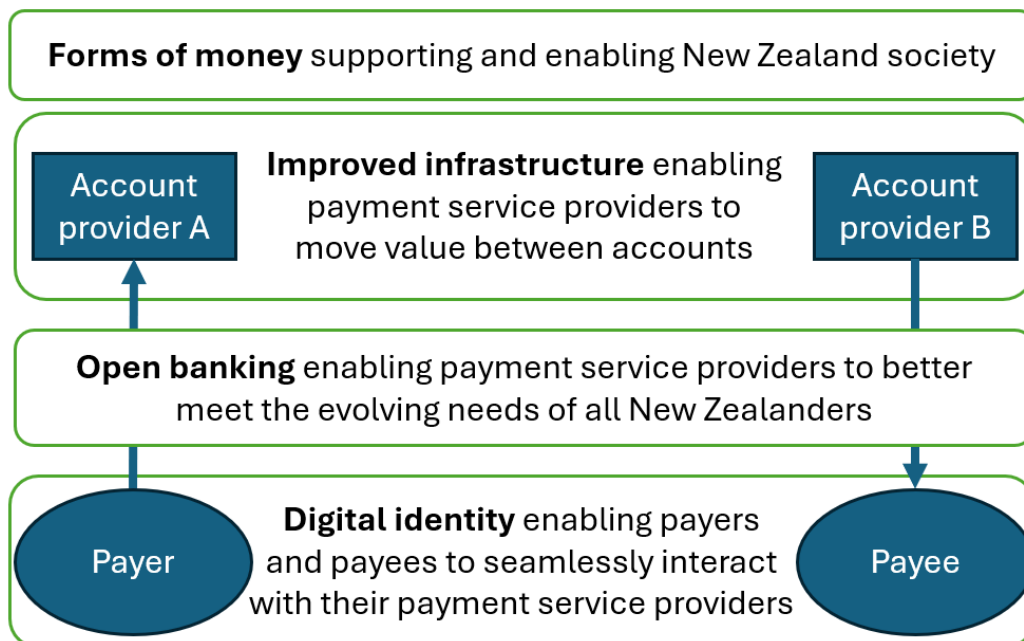
Frame of the future

5. Modernising the interbank payment infrastructure is crucial for improving the efficiency and competitiveness of New Zealand's payment system. This need has been recognised for some time, with capabilities identified in the 2020 Payments Modernisation Plan.

We see a clear need for the next generation of payments infrastructure

6. We support Payments NZ's vision. The proposed infrastructure will support faster, more accurate payments, better fraud detection, and enhanced data capabilities, benefiting businesses and consumers alike.
7. We agree that New Zealand's existing payment infrastructure is missing a range of features and functionality that modern centralised infrastructure can deliver, such as real-time payments, comprehensive fraud detection, and the ability to include detailed information with the payment. These limitations hinder the payment system's ability to meet the evolving needs of users and expose it to increased risks of fraud and scams and increases the potential for New Zealand to fall behind international standards.
8. We see improved payments infrastructure fitting in with three other complimentary layers to deliver reliable and efficient payments that better meet the evolving needs of all New Zealanders. New forms of money, open banking and digital identity form the other layers and are shown in **Figure 1**.

Figure 1 The four layers of modern payment infrastructure



9. Each of these layers complements each other. For example, new payment providers and providers using open banking will be able to better meet payer and payee needs if there is improved infrastructure. Likewise, improved interactions with payment service providers using digital identity will support existing and new ways to pay.

Navigating beyond

10. We expect the Payments NZ Board to ensure that the delivery of the next generation of payments is timely. Through the Confirmation of Payee work, industry has shown that collaborative delivery can occur quickly.

11. Industry is best placed to prepare and execute an action plan for the delivery of the next generation of payments in Aotearoa New Zealand. This needs to be supported by all direct and indirect participants engaging and promptly addressing challenges with implementation as they arise.

Key considerations for delivery

12. The next generation of payments in Aotearoa New Zealand must:
 - 12.1 Be focussed on the end user and ensure the end user can benefit from innovation promptly.
 - 12.2 Be easily integrated with other domestic and international initiatives. This includes initiatives for, but not limited to, promoting open banking, advancing digital identity, tackling fraud and scams (including confirmation of payee) and harmonising across G20 countries.
 - 12.3 Have an inclusive and transparent process for access and integration, enabling a range of benefits to be delivered to the end user.

Changes needed from Payments NZ that can happen now

13. We strongly encourage the Payments NZ board to publicly disclose its next steps for:
 - 13.1 The governance review of Payments NZ.
 - 13.2 Improving transparency of decision-making, processes and market information. Examples of possible improvements include:
 - 13.2.1 a transparent public process to access the clearing systems to assist new entrants to the acquiring market;
 - 13.2.2 the process for reviewing the access criteria for BECs and CECs in light of any changes to ESAS access; and
 - 13.2.3 publishing aggregate payment information on the payment system including BECs, CECs and fraud statistics.
14. We consider these matters need addressing not only for future delivery but now as a publicly accountable organisation.

Where we can help – facilitating conversations

15. We may be able to facilitate tactical conversations to support this work. We have heard that there is a need for coordination between industry players and government bodies. This will enable industry to troubleshoot, deliver on the strategy and consider, where appropriate, the integration of international standards and approaches.

16. These conversations could enable government bodies and industry players to get on the same page. In the first instance we think there is an opportunity for regular engagement with Bank CEOs to ensure effective resourcing and prioritisation. If the Minister accepts the Commission's recommendation to designate the 'interbank payment network', this will provide the Commission with additional scope to facilitate these conversations.¹ We are also open to a discussion with the Payments NZ Board on how else we can help.

In summary

17. We strongly support the development of a next generation payments infrastructure for New Zealand. We look forward to engaging with the Payments NZ Board and Bank CEOs to further understand how delivery of the next generation payments infrastructure will be delivered and discuss what regulatory support may be required.

Yours sincerely

A handwritten signature in black ink, appearing to be 'ML' followed by a period.

Matthew Lewer
Head of Payments, Market Regulation
Commerce Commission

¹ See Commerce Commission "Recommendation to the Minister to designate the interbank payment network" (20 August 2024). Available at <https://comcom.govt.nz/regulated-industries/retail-payment-system#projecttab>