

Individual: Peter Mair – Public Response

<https://paymentsnz.atlassian.net/jira/servicedesk/projects/NG/queues/custom/41/NG-51>

ex RBA / ex campbell committee 1979-81

submission to the 2025 'next generation' policy debate.

In 2024 I made submissions to your commerce commission which were 'cc' to the RBNZ.

I saw no evidence of any notice taken of the issues I raised – you could refresh your familiarity with those submissions.

That aside, the corruption of competition and efficiency in retail payments globally flows directly from the failure of regulators to require banks to pay interest – at least the cash rate – on deposits in everyday transaction accounts.

Not only does that mal-practice – not paying interest to these depositors – compromise absolutely the efficiency and competitiveness of retail banking and payments systems – it is an astonishing affront to the proper public policy applying to 'seigniorage'.

Back in the 1850s the private issue of banknotes by banks was made subject to '% levies' taxing the private seigniorage then taken by banks – this ahead of the national currency issue being made an exclusive right of central banks.

The wheel has now gone full circle – tangible currency is no longer used as it was (especially high denomination notes) and de facto the currency of the realm is now digital deposits with commercial banks.

So, the 1850's response – taking the seigniorage to the public purse could be repeated - or, preferably, banks would be required to pay daily interest at the cash-rate into depositors accounts and, instead of cross-subsidising under-priced banking services from interest-free deposits, substituting explicit prices to be paid by customers for the services they choose to use.

National retail payments systems need a properly explicit user-pays pricing regime to have any prospect of competitively fair and efficient.

Peter Mair 20/03/2025