

Interoperability - the unsung hero behind payments

By Steve Wiggins, Payments NZ Chief Executive

Most people only notice payments when something goes wrong. A transfer that takes too long. A card that will not tap. A direct debit that fails on payday. In those moments, people do not talk about interoperability – they talk about trust.

They ask a simple question: can I rely on this payments system?

Interoperability is the quiet hero behind customer trust. It rarely makes headlines, but it ensures markets work and payments go through.

When payment systems connect smoothly across banks, schemes, infrastructure providers, merchants, fintechs, and public agencies, the economy flows. When they do not, the impacts are immediate – consumers face friction, businesses lose time and sales, and innovation slows.

At Payments NZ, our purpose is grounded in the economic wellbeing of Aotearoa New Zealand. We help enable a payments ecosystem that is safe, efficient, open, innovative and fit for the future – by doing the often invisible work that keeps the system connected.

Our paper sets out why interoperability matters, how fragmentation raises cost and risk, and why “boring infrastructure” is some of the highest value work our sector can do.



Payments only work when everything connects

Making a payment is not a single action. It is a chain.

Behind the scenes, invisible processes check identity, message formats, clearing rules, settlement, fraud controls, disputes, and resilience. Multiple institutions and technology providers then coordinate in real time.

All customers will see is a tap, a click, or a notification. While in the background, systems must agree on what happened, when it happened, and what to do next.

Interoperability is the discipline of making that agreement possible and safe at scale.

That means:

- Common, well-adopted standards
- Clear, workable rules
- Stable, reusable interfaces
- Predictable change processes
- Shared accountability

The better interoperability is, the less visible it becomes. And that is the point.

Why fragmentation hurts consumers and businesses

Fragmentation often arrives disguised as choice. Choice can be good – but only when it does not multiply complexity and risk.

When an ecosystem fragments, the costs show up clearly.

At a national level, fragmentation drives duplication, lowers resilience, and slows productivity.

For consumers

Inconsistent experiences

Unclear protections

More fraud and error risk

Uneven access to new capabilities

For businesses

More integrations to build and maintain

Harder reconciliation

Slower innovation

Reduced reliability

What fragmentation looks like in the real world

Fragmentation shows up when systems that should work together do not – creating inconsistent outcomes, duplicated effort, and avoidable risk across the payments lifecycle.

In practice, this can look like:

- Customers getting different outcomes for similar payments (timing, finality, protections)
- Businesses managing multiple integrations, rules, and reconciliation processes
- Innovation slowed by inconsistent standards and bespoke connectivity
- Incidents taking longer to resolve due to unclear responsibilities

This is why clear, consistent rules and standards matter. A level playing field reduces friction, lowers barriers to entry, and allows innovation to scale without adding complexity.

Interoperability does not make headlines, but it makes markets work

Interoperability turns a collection of products into a functioning market ecosystem.

It allows competition on service, price, and innovation – not on who can build the biggest closed system. It also strengthens resilience, because consistency reduces ambiguity, and ambiguity is where risk grows.

The strongest payments systems are built through coordinated improvements in standards, governance, security, and resilience.

Quiet work. Big outcomes.

The long-term value of 'boring infrastructure' work

It is tempting to prioritise what is visible – new features and experiences. These matter, but they are not enough.

Infrastructure work creates compounding value by:

- Reducing total cost
- Improving security and resilience
- Making future change easier

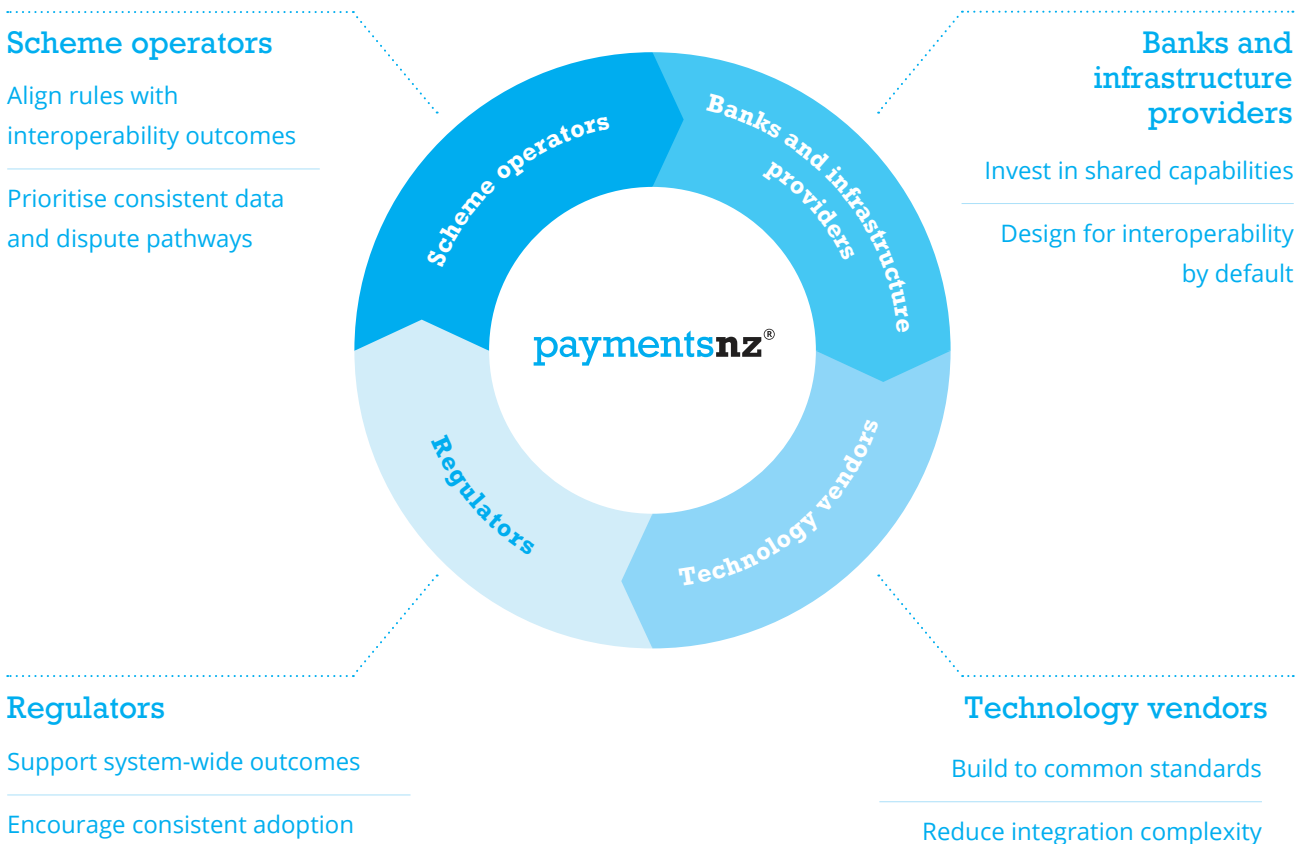
Interoperability is an investment in optionality. It allows systems to evolve without breaking what people rely on.



What this means for Aotearoa

Interoperability is a shared outcome. No single organisation can deliver it alone.

It requires coordinated action across the ecosystem:



Payments NZ – Interoperability as an economic responsibility

Around \$8 trillion of payments move through the clearing systems Payments NZ governs each year.

This is not just operational infrastructure – it is core to how the economy functions. It enables wages and bills to be paid, commerce to happen, and participation in society.

When the system is trusted and connected, it supports growth and wellbeing. When it is fragmented, it creates friction across the economy.

The role of Payments NZ is to help the ecosystem work as a whole – through coordination, clear rules, and a focus on outcomes that matter nationally: reliability, safety, efficiency, and future readiness.

Reputation matters. When trust in payments deteriorates, the impact spreads quickly. Interoperability is one of the most practical ways to protect trust at scale.

Three practical shifts for the next phase

If we want payments that are safer, more resilient, and easier to evolve, we need to shift how we think about interoperability.

1 Treat interoperability as a product

Clear outcomes

A defined roadmap

Adoption measures

Transparent governance

2 Measure fragmentation like a risk

Track:

Integration cost and time

Incident rates and resolution

Customer friction and disputes

Consistency of adoption

3 Choose coordination over duplication

When multiple parties build similar capabilities, ask: "Are we increasing innovation – or multiplying complexity?"

Shared foundations do not reduce competition – they enable it. Collaborate on the core. Compete on customer outcomes.

Closing thought – the quiet hero we can choose to strengthen

Interoperability will never be the loudest story in payments. It is not glamorous, and it often requires short-term compromise for long-term value.

But it is the difference between an ecosystem that merely exists and one that actively supports the prosperity of Aotearoa.

Interoperability is our unsung hero.
If we do this well, most people will never notice.

And that is how we will know it is working.
