

Submission

Payment services regulation

for Ministry of Business, Innovation and
Employment | Hīkina Whakatutuki

3 July 2026

paymentsnz[®]



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Executive summary

1. Payments NZ welcomes the opportunity to comment on the discussion document on Payment services regulation by the Ministry of Business, Innovation and Employment - Hīkina Whakatutuki (“MBIE”).
2. We understand the objective of the discussion document is to better understand whether the current settings in Aotearoa New Zealand remain clear and fit for purpose. Our overriding position is that the current framework is both fragmented and incomplete – creating complexity without a consistent baseline regulatory regime for payment service providers (“PSPs”).
3. The payment services framework in Aotearoa has evolved through a combination of legislation, industry rules, technical standards and market practice. While this has enabled innovation and system development, the framework is now increasingly difficult to navigate and does not fully reflect how modern payment services operate.
4. Aotearoa is also unusual internationally in not having a baseline licensing regime for PSPs. This reinforces the need for a clear and coherent framework that aligns with global practice while remaining proportionate to the market in Aotearoa. Comparable jurisdictions, including the United Kingdom, the European Union and Australia, have moved, or are moving, towards clearer authorisation, registration, safeguarding, supervision or licensing frameworks for PSPs¹.
5. Payments NZ supports regulatory reform efforts that improves clarity, consistency

¹ The UK has a payment services regime under the Payment Services Regulations 2017, with the Financial Conduct Authority identifying regulated payment services including payment initiation, account information, issuing payment instruments and money remittance. The EU’s PSD2 framework includes authorisation, safeguarding, supervision and registration settings for payment institutions. Australia is currently progressing PSP licensing reforms to make its framework clearer, fit-for-purpose and proportionate to risk. See FCA, [Payment Services Regulations 2017 and Electronic Money Regulations 2011](#); European Banking Authority, [Payment Services Directive 2](#); European Banking Authority, [Register of payment and electronic money institutions under PSD2](#); Australian Treasury, [Payments licensing reforms](#).

and system outcomes.

6. We submit that:

- **The current framework is fragmented and incomplete:** PSPs face overlapping requirements in some areas, while important gaps remain in others.
- **A proportionate PSP licensing regime should be introduced:** A licensing regime would establish a clearer framework for trust, accountability, governance and security.
- **PSP licensing could simplify participation in payment system infrastructure:** A licensing regime could provide a common regulatory baseline that infrastructure operators can rely on, supporting broader and more efficient participation in payment systems.
- **Reform should not be additive:** New regulation should not simply be layered onto an already complex framework. Reform should simplify, align and streamline existing settings wherever possible.
- **A system-wide approach is required:** Payment services do not operate in isolation. Customer-facing services rely on underlying arrangements for access, messaging, clearing, settlement, rules, standards and technical interoperability.
- **Public regulation and industry rules must remain distinct:** Public regulation should set baseline obligations and protections. Industry rules and standards should continue to manage operational detail, system participation and technical interoperability where industry governance is best placed to do so.
- **Future rules should be activity-based, risk-based and proportionate:**

Regulation should be based on what a provider does and the risks it creates, not simply what type of organisation it is.

7. Payments NZ considers PSP licensing is a key part of the solution, but not the full solution. It would help to address a significant gap in the current framework, but it must be designed as part of a more coherent and coordinated regulatory reform approach.
8. The success of any future reform will depend on whether government has a clear view of:
 - the problem it is trying to solve;
 - the outcomes it wants to achieve;
 - how MBIE's work fits with related reforms;
 - the respective roles of MBIE, the Reserve Bank of New Zealand – Te Pūtea Matua (the Reserve Bank), the Financial Markets Authority – Te Mana Tātai Hokohoko (the FMA), The Commerce Commission – Te Komihana Tauhokohoko, and industry governance;
 - how any new framework will support trust, resilience, innovation and system integrity over time.
9. If the government chooses to explore any change, Payments NZ encourages MBIE to undertake further targeted consultation before any decisions are made. Given the potential breadth of reform in this space, and the connection between PSP regulation, open banking, Exchange Settlement Account System (ESAS) access, payments modernisation and financial market infrastructure oversight, it is reasonable that detailed proposals be tested with industry and affected parties before final policy decisions are made.
10. Payments NZ would welcome the opportunity to discuss the matters raised in this submission further.

About Payments NZ

11. Payments NZ plays a central system governance role in the payments ecosystem of Aotearoa.
12. We govern core clearing system arrangements, rules and standards, and coordinate industry change to support payment systems that are safe, efficient, open, innovative and interoperable.
13. The systems we govern support the movement of significant value across the economy and play an important part in the financial infrastructure of Aotearoa.
14. Payments NZ has a strong interest in ensuring that regulatory settings are clear, coherent and capable of supporting a payments ecosystem that is trusted, open, resilient and able to evolve over time.
15. As part of our system governance role, Payments NZ has a mandate to promote access to payment systems and, in accordance with our access rules, encourage participation by a wider range of providers, including PSPs. Expanding participation can support innovation, competition and better outcomes for users, provided it is achieved in a way that maintains system integrity and trust.
16. A proportionate PSP licensing regime could provide a baseline we can rely on when making access decisions. This would improve efficiency, increase trust and support broader participation in payment systems.
17. For Payments NZ, our interest is not limited to individual payment services. We are focused on how regulatory settings affect the integrity, efficiency, interoperability, access and evolution of the wider payments system.

Parameters of our submission

18. This submission focuses on the parts of MBIE's discussion document that relate most directly to Payments NZ's system governance role and the potential development of a PSP licensing regime.
19. For the purposes of this submission, Payments NZ's system governance role refers to our responsibility for setting and maintaining the rules and standards and coordination mechanisms that enable payment systems to operate safely, efficiently and interoperably, including the governance of core clearing system arrangements.
20. In particular, our submission focuses on:
 - the need for a coherent framework for PSPs;
 - the relationship between front-end payment services and back-end payment system infrastructure;
 - the distinction between public regulation and industry rules and standards;
 - how any new regime could support access, trust, interoperability and system resilience;
 - the need to avoid piecemeal or additive reform that increases complexity without improving outcomes.
21. Interoperability is delivered in practice through common rules, standards and coordinated system arrangements, which enable different participants and services to operate together safely and consistently across the ecosystem.
22. This includes oversight of clearing system rules and standards, and their interaction with payment instruments and participation arrangements, which together underpin how payment services connect and operate in practice.
23. Payments NZ has not provided a substantive view on matters that sit outside our system governance role, including stored value services and stablecoins, except

where those matters may intersect with payment system infrastructure, interoperability or future system development.

24. Our views, set out in this submission, are focused on PSP licensing, payment system access, interoperability and system coherence.

Context: How the current system has evolved

25. In Aotearoa, the payments system has evolved through a combination of industry-led governance, regulatory frameworks, technical standards and market development.
26. Payments NZ and industry participants have delivered significant system improvements over time, including changes that have strengthened interoperability, largely eliminated settlement risk in the payment system, supported innovation, and improved the foundations for future payment system development. These improvements have been progressed through coordinated industry planning and delivery, focused on building shared infrastructure, improving interoperability across participants, and addressing known points of fragmentation within the system.
27. In the absence of a comprehensive government-led payment system strategy or clear system direction, industry coordination through Payments NZ has provided an important organising mechanism and, in practice, has successfully played a pivotal role in setting and delivering payment system strategy in Aotearoa (for example, delivering the settlement before interchange infrastructure, extending payment system operations to every day, and launching open banking).
28. However, as the payments landscape becomes more complex, clearer government objectives and stronger coordination across agencies could help support the next phase of reform. That clarity is particularly important because overly prescriptive, disjointed or duplicative regulation would create uncertainty, increase cost and

slow progress.

29. Payments NZ submits that a key challenge ahead is striking the right balance between public policy settings and industry-led delivery.
30. Industry has made meaningful progress, and the next phase would benefit from clear government objectives, better sequencing and strong coordination between us all: government, regulators, and industry.

Section 1: The payment services landscape

Question for everyone:

1. Do you agree with our description of payment services? If not, what would you change?

31. Payments NZ broadly agrees with MBIE's description of payment services, but considers the description is incomplete.
32. The discussion document usefully distinguishes between front-end payment services and back-end infrastructure. That distinction can help provide regulatory clarity. However, it should not be treated as a hard separation.
33. In practice, payment services operate across interconnected layers. These layers form a payment value chain, where each stage – from customer initiation, to access, messaging, clearing and settlement – relies on the others to function effectively. Customer-facing payment services often depend on underlying arrangements for access, messaging, clearing, settlement, rules, standards, governance and technical interoperability.
34. Payments NZ considers MBIE's description should better recognise:
 - payment instruments;
 - payment schemes;

- overlay services;
- the connection between front-end payment services and back-end infrastructure.

35. These refinements should not be treated as an expansion of the regulatory perimeter, or as suggesting that all elements of the front-end environment should fall within the scope of any future PSP licensing regime. Rather, they are important for conceptual clarity, because PSP activities often depend on wider system arrangements that sit beneath the visible customer-facing service.
36. The most important gap is the treatment of payment instruments. Many front-end payment services depend on payment instruments and the rules, standards and clearing arrangements that support them. If these elements are not considered, there is a risk that regulation focuses too narrowly on the visible customer-facing layer and misses the system arrangements that enable payment services to function in practice. This could create fragmentation across the payment value chain, where changes in one layer are not aligned with the underlying system design.
37. Open banking is a useful example. A payment initiation service may be experienced by a customer through a front-end interface, but the payment is enabled through standardised access arrangements, including APIs and shared standards, and is then processed, cleared and settled through back-end payment system infrastructure. This illustrates how coordination across the payment value chain enables new services while relying on underlying system arrangements.
38. Payment schemes and overlay services may also become more relevant over time as payment systems evolve. While these may not be central to all current payment arrangements in Aotearoa, they are important concepts for future-proofing the regulatory framework.

39. Payments NZ broadly agrees with the discussion document's description of tokenised deposits.

Description of front-end payment services

40. The discussion paper focuses on front-end payment services, leaving the Reserve Bank to lead on back-end infrastructure. While this division can support regulatory clarity, it does not reflect how payment services operate in practice.

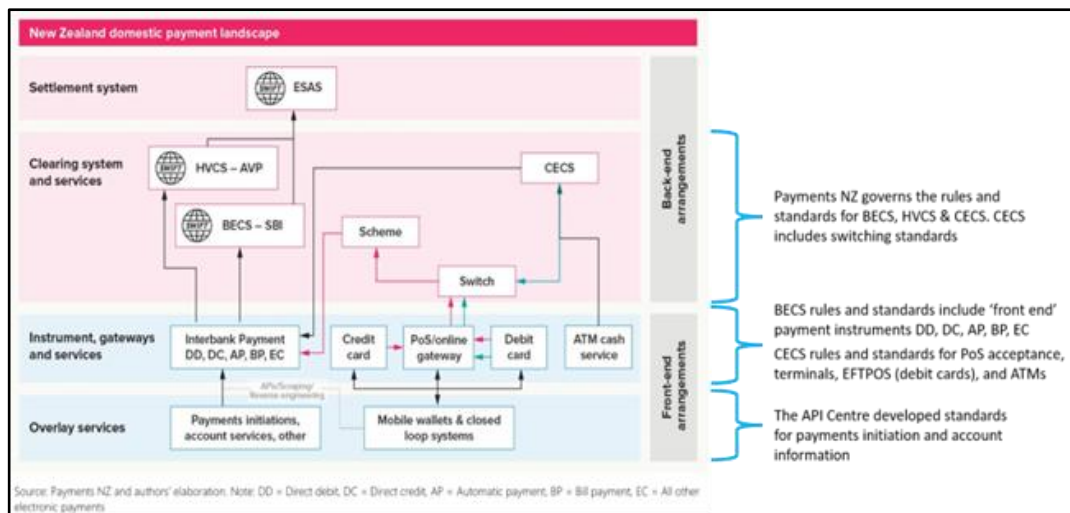
41. Payment services operate across a connected value chain, where front-end services rely on underlying back-end infrastructure to enable access, messaging, clearing and settlement. A clear description of this relationship is important to avoid gaps or misalignment between regulatory settings.

42. Payments NZ references the Reserve Bank's 2022 paper *New Zealand's Payment Landscape: A Primer*² as a useful baseline for understanding how payment services connect across front-end and back-end components. However, this distinction should be understood as a conceptual aid, rather than as a reflection of how services operate in practice.

43. In practice, Payments NZ's rules and standards span both front-end and back-end elements of the payment value chain. This reflects how payment instruments, clearing and settlement arrangements and participation rules work together to support end-to-end service delivery.

44. The diagram below adapts the Reserve Bank's payments primer and highlights how Payments NZ's rules and standards apply across both front-end and back-end arrangements.

² Reserve Bank of New Zealand – Te Pūtea Matua: [New Zealand's Payment Landscape: A Primer](#) (Nov 2022)



45. This diagram illustrates how payment services operate as a connected system, where front-end services, payment instruments and back-end infrastructure are interdependent. It also highlights that Payments NZ's rules and standards span both front-end and back-end arrangements, reflecting our system governance role across the full payment value chain.
46. In relation to the back end, Payments NZ governs core clearing systems and services, including the bulk electronic clearing system, high value clearing system and consumer electronic clearing system.
47. In relation to the front-end, Payments NZ's rules and standards also apply to payment instruments and customer-facing services that connect into those clearing systems. This includes, for example, direct debits, automatic payments, bill payments, debit card transactions, EFTPOS, ATM services and related switching standards.
48. The discussion document does not make reference to payment instruments. This limits the clarity of the front-end description, as payment instruments provide the primary means through which customers initiate and receive payments.
49. Excluding payment instruments risks creating gaps in how payment services are understood, as these instruments connect customer-facing services to underlying

system infrastructure. Many front-end payment services depend directly on these arrangements to function effectively.

50. Payments NZ considers that a complete description of payment services should recognise how payment instruments and rules and standards connect front-end services and back-end infrastructure across the payment value chain.
51. Payments NZ's approach to system development has been informed by ongoing industry-led work on payments modernisation, including the development of shared standards, infrastructure enhancements and coordinated system improvements. This reflects a forward-looking view of the payments ecosystem, where greater interoperability, broader participation and more efficient system design support innovation and resilience across the full payment value chain.
52. We submit that front-end and back-end are connected parts of one payment service value chain. Any future reform needs to recognise those connections, so it does not create gaps, duplication or unintended consequences.

Section 2: The rules that apply today

Question for everyone:

Questions 2-4: Clarity and fit of current rules and protections

53. The current framework is difficult to navigate because it is both crowded and incomplete.
54. There is a patchwork of legislation, regulatory obligations, industry rules, technical standards and adjacent regimes. At the same time, there is no complete baseline regulatory regime for PSPs.
55. This leaves Aotearoa in an unusual position compared with many comparable jurisdictions, where PSPs are generally subject to clearer authorisation, safeguarding, conduct or supervisory frameworks. The absence of an equivalent

baseline regime in Aotearoa creates uncertainty for providers, may make the domestic framework harder for international participants to understand, and may allow risk to be introduced³.

56. This creates the worst of both worlds: complexity without comprehensive coverage.

57. The current framework is fragmented at a whole-of-system level. The PSP landscape is one clear example of that fragmentation. Providers may face overlapping requirements in some areas, while important gaps remain in others.

58. Examples include:

- inconsistent approaches to the protection of customer funds;
- uncertainty regarding how obligations and liability apply across intermediary service models and multi-party payment chains;
- uneven security obligations outside specific regimes such as open banking;
- uncertainty about how dispute resolution applies across multi-party payment chains;
- unclear treatment of providers that do not hold customer funds;
- duplication between access requirements, accreditation requirements and supervision settings.

59. Examples of these gaps can already be seen in practice. Open banking participants are subject to accreditation and detailed security requirements, while broadly comparable PSPs operating outside the open banking framework are not likely to be subject to equivalent security requirements. There can also be uncertainty regarding how obligations and liability apply across intermediary service models and multi-party payment chains. In addition, PSPs that do not hold customer funds may not fit neatly within existing frameworks, despite performing important payment-related functions.

³ See footnote [1].

60. As payment service delivery chains become more complex and involve a wider range of direct and indirect participants, there is increasing importance in ensuring obligations, accountability and risk controls apply consistently across those chains. A PSP licensing regime could support this by providing a common regulatory baseline across participating entities and greater clarity over how responsibilities are allocated in practice.
61. Payments NZ supports a clearer and more cohesive baseline for PSPs. A proportionate licensing regime could help address important gaps, create more consistent expectations and reduce duplication across access, supervision and compliance processes.
62. International practice supports this direction, but it should not be copied wholesale. Aotearoa should design a framework that draws on global experience while remaining proportionate to the size, structure and risk profile of the domestic market. However, PSP licensing should not simply be added on top of the current patchwork. Reform should simplify, align and streamline the wider framework.

Distinction between public regulation and industry rules

63. Public regulation and industry rules perform different functions and should not be conflated.
64. Public regulation should set the baseline outcomes, obligations and protections that government considers necessary.
65. Industry rules and standards should continue to manage detailed operational arrangements, system participation, technical interoperability and practical system governance where industry expertise is required.
66. Rules, standards and interoperability are core system design tools that enable payment services to function consistently and at scale. These arrangements have supported interoperability, operational reliability and coordinated industry

change, while enabling different providers to connect securely and reliably.

67. Regulatory design should recognise this role. Moving detailed operational or technical matters into regulation could reduce flexibility, duplicate existing governance, and create risks to interoperability. This would interfere with the practical operation of payment systems. Instead, regulation should set clear outcomes and boundaries, while allowing industry rules and standards to provide the detailed mechanisms that support delivery, while ensuring interoperability, safety and efficiency.

68. When setting regulatory requirements, this must be supported by:

- a clear policy case;
- evidence of the problem being addressed;
- careful consideration of unintended consequences;
- a clear understanding of how regulation would interact with existing industry governance.

69. We submit that future reform (if any) should concentrate on public policy settings while preserving the flexibility and expertise of industry rules and standards.

Section 3: What may not be working well today

Section 3.1: What may be getting in the way of better, cheaper payment services

70. The absence of a PSP licensing regime creates practical barriers and duplication.

71. Payments NZ already has access rules⁴ for financial institutions (including PSPs) wishing to participate in clearing systems. The rules are designed to ensure an applicant does not introduce significant risk or undermine the integrity or reputation of the clearing system.

⁴ Refer Access Rules and Access Procedures at <https://www.paymentsnz.co.nz/join-us/participation/>

72. Where an applicant is already subject to regulatory supervision, Payments NZ may be able to place reliance on aspects of that oversight.
73. A PSP licensing regime could therefore provide a clearer and more consistent baseline that supports more efficient access processes. Today, payment system operators may need to undertake separate assessments of governance, operational capability, financial standing, risk management and other matters as part of their participation processes. To the extent those matters are assessed and supervised through a PSP licensing regime, operators may be able to place reliance on that oversight rather than repeatedly assessing the same risks through separate frameworks.
74. This could become increasingly valuable as payment systems evolve over time towards more modular participation models and broader access arrangements. A common regulatory baseline could support greater consistency across payment infrastructures, reduce unnecessary duplication for applicants and streamline participation processes without weakening risk management or system integrity.
75. A licensing regime could also reduce duplicated assessments between Payments NZ and other relevant frameworks, while preserving the integrity of access criteria for system participation.
76. This becomes increasingly important as payment systems evolve toward more modular arrangements, with different layers, services and overlays accessed by a wider range of providers.
77. A well-designed PSP licensing regime could support access to payment system arrangements by providing greater assurance around governance, security, operational capability, accountability and, perhaps most importantly, ongoing supervision.
78. Payments NZ submits that PSP licensing could support access, reduce duplication

and strengthen confidence, provided it is proportionate and well connected to existing system governance arrangements.

Consumer and business protections

79. Payments NZ supports clearer and more consistent baseline protections where PSP activities create risks for customers, businesses or the wider system. This includes considering:

- how customer funds are protected;
- how liability is allocated;
- how disputes are resolved;
- how customers understand the protections available to them, and also the risks they may be exposed to;
- how obligations apply across multi-party payment chains.

80. The current reliance on general law, trust arrangements, contract terms and adjacent regulatory regimes may create uncertainty for customers and providers. This can result in different protections applying to similar payment activities depending on how a provider is structured, whether it holds customer funds, or where it sits within the payment chain. Similar customer outcomes may therefore be supported by different regulatory settings, creating complexity and uncertainty for both providers and customers.

81. This is particularly relevant where PSP models differ significantly in:

- whether they hold customer funds;
- how long they hold funds;
- whether they interact directly with end users;
- whether they provide intermediary services;
- whether they support other providers in the payment chain.

82. A future framework should recognise those differences and apply requirements

proportionately.

83. Providers undertaking similar activities and presenting similar risks should face similar requirements. Lower-risk models should not be subject to unnecessary or ill-fitting obligations. Clearer consumer protection settings would support trust, but they need to be proportionate to the activity and risk profile of each provider.

If nothing changes

84. If no changes are made, the current framework is likely to remain difficult to navigate, uneven in application and poorly aligned to how modern payment services operate.

85. This could mean:

- continued uncertainty about which rules apply to different PSP models;
- ongoing duplication between industry access requirements and regulatory processes;
- uneven protections for users across different payment service models;
- continued reliance on fragmented or ad hoc arrangements;
- increased risk as payment service chains become more complex;
- slower progress towards more open, interoperable and innovative payment services.

86. Payments NZ is focused on reducing friction, mitigating risk and supporting a safe, efficient, open, innovative and interoperable payments ecosystem.

87. We encourage government to take the same whole-of-system view when progressing any future reform. While doing nothing would preserve avoidable complexity, reform would reduce fragmentation, not entrench it.

Section 4: Options for future rules for payment services

Section 4.1: Possible objectives

Question for everyone:

Questions 14–15: Objectives and priorities

88. Payments NZ broadly supports the proposed objectives, but considers they should be strengthened in three areas:

- regulatory cohesion across the wider payments framework;
- clear delineation between public regulation and industry rules;
- clearer responsibility across multi-party payment service chains.

89. The success of future reform will depend on whether government has a clear view of the outcomes it wants to achieve and how those outcomes fit with existing payment system governance, regulatory frameworks and industry standards.

90. The objectives should also make clear that trust is not only about user understanding and redress. Trust is shaped by governance, security, accountability, operational resilience, clear responsibilities and baseline protections.

91. Payments NZ considers the following should be prioritised:

- a. **A coherent PSP framework:** a licensing regime should establish clear, proportionate baseline requirements for PSPs and reduce unnecessary fragmentation, overlap and ambiguity.
- b. **Clear separation between public regulation and industry rules:** public regulation should not unnecessarily displace operational matters better addressed through industry standards and governance.

- c. **Better sequencing and agency coordination:** any reform should be aligned with related work, including open banking, ESAS access, payment system modernisation and financial market infrastructure oversight.

92. While Payments NZ regards MBIE's objectives as directionally right, there needs to be a stronger focus on regulatory cohesion, system integrity and clear allocation of responsibilities.

Questions 16–19: What should be covered and how

93. Payments NZ supports an activity-based approach.

94. Regulation should be based on what a provider does, not what type of organisation it is.

95. Providers undertaking similar activities and presenting similar risks should meet similar requirements.

96. This approach is consistent with the direction of international payment services frameworks, which commonly focus on the activities being performed, the risks those activities create, and the protections required for users and the wider system⁵.

97. A graduated licensing regime may be appropriate to ensure lower-risk providers are not subject to unnecessary burden, while higher-risk activities are subject to stronger requirements.

98. Payments NZ also supports further consideration of safeguarding requirements for customer funds. A safeguarding regime could create greater certainty for customers and PSPs, but it would need to be carefully designed to avoid unnecessary complexity and to ensure it works in practice.

⁵ See footnote [1].

99. Any safeguarding approach should consider:

- whether and how customer funds are held;
- the duration for which funds are held;
- whether funds are held in trust, segregated accounts or other structures;
- how the depositor compensation scheme may apply;
- how requirements would operate for providers that do not hold funds;
- how requirements would align with international approaches while remaining proportionate to Aotearoa.

100. Payments NZ submits that any future regulatory requirements should be activity-based, risk-based and proportionate. Similar risks should attract similar requirements.

Question 20: Future approach

101. Payments NZ considers that the most effective future approach is not to adopt a single option in isolation, but to combine elements of Option C and Option F into a coherent and proportionate framework.

102. This combined approach would bring together clear baseline regulatory settings for PSPs, including a proportionate licensing regime, with the continued use of industry rules and standards to support operational delivery, technical interoperability and system coordination.

103. This reflects the view that payment services operate across a connected value chain, and that regulatory settings should support that system-wide structure rather than focus solely on individual components. It would provide greater clarity, reduce duplication and support more consistent outcomes across different service models.

104. In practice, this approach would:

- establish a clear and proportionate baseline licensing regime for PSPs;
- align existing regulatory requirements into a more coherent framework;
- retain industry rules and standards for operational, technical and participation arrangements;
- support interoperability by reinforcing shared system design principles;
- reduce duplication in regulatory supervision and system access requirements.

105. In essence, the most effective future model is a coordinated framework that combines clear baseline regulation and proportionate PSP licensing, with industry-led system governance and standards.

106. There are many ways that government could approach progress in this space. For Payments NZ, the most effective and responsible way to progress this work is through a structured, coordinated and deliberate programme of policy development and consultation. This should begin with a system-level stocktake of the payment services landscape in Aotearoa, including the different service layers, the participants and the regulatory touchpoints.

107. While ultimately a matter for government, Payments NZ strongly cautions against any piecemeal reform process. Attempts to accelerate reform without sufficient system-level design and consultation increases the risk of unintended consequences, including fragmentation, duplication and increased compliance costs.

Questions 21–25: Fit with other reforms and cross-border issues

108. Any future payment services framework should be designed and sequenced with related reforms.

109. This includes:

- regulated open banking;
- expanded ESAS access;

- payment system modernisation;
- financial market infrastructures oversight;
- consumer protection settings;
- any future work relating to digital money or tokenised forms of value.

110. Payments NZ considers there is a strong need for clarity on:

- where this reform fits within the wider payment system reform agenda;
- which agency is responsible for which part of the framework;
- how MBIE's role interacts with the Reserve Bank, the Commerce Commission and the FMA;
- the intended end state;
- how reforms will be sequenced to avoid duplication or conflict.

111. Alignment with Australia may be useful where it reduces friction for PSPs operating in both markets.

112. Australia is currently progressing payments licensing reforms to modernise its framework for PSPs, with a focus on clarity, proportionality and activity-based regulation. This direction is relevant for Aotearoa, particularly where providers operate across both markets or where alignment could reduce duplication.⁶

113. However, Aotearoa should avoid importing settings that are disproportionate to the size, structure and risk profile of the domestic market.

114. The objective should be domestic coherence, informed by international practice where useful.

115. If the government ultimately pursues reform, Payments NZ submits that it should be coordinated with other related workstreams across government and be appropriately designed to fit our local market context. International alignment

⁶ Australian Treasury, [Payments licensing reforms](#).

should support coherence, not add unnecessary complexity.

Section 5: Next steps

Question for everyone:

Question 26: Other important issues

116. Where reform is considered, we reiterate the need for further, targeted consultation before detailed proposals is progressed. Given the breadth of potential reform and the connection between PSP regulation, system access, open banking, payment modernisation and financial market infrastructure settings, more detailed proposals should first be tested with industry and affected parties.

117. This would help ensure any regime is:

- workable in practice;
- proportionate;
- aligned with existing and future system arrangements;
- clear about agency roles and responsibilities;
- capable of supporting trust, resilience, competition and innovation.

118. Further clarity is needed on the direction of the wider payments regulatory reform programme, including how the various regulatory activities fit together, how they will be sequenced and what overall end state government is seeking to achieve with respect to payment systems.

119. Payments NZ would welcome further engagement with MBIE, the Reserve Bank, the Commerce Commission and the FMA on the matters raised in this submission.

Summary of recommendations

120. Payments NZ recommends that MBIE:

- develops a clearer problem definition and a desired end state for payment

services regulation;

- introduces a proportionate PSP licensing regime to provide a baseline for trust, accountability, improved access to payment systems, and supervision;
- avoids additive reform that layers new requirements onto an already fragmented framework;
- takes a system-wide approach that recognises the connection between front-end services, back-end infrastructure, clearing, settlement, rules and standards;
- maintains a clear distinction between public regulation and industry rules, with operational matters continuing to sit with industry governance;
- uses an activity-based and risk-based approach, so similar activities and risks face similar requirements;
- ensures that consideration of reform is coordinated with related work, including open banking, ESAS access, payment system modernisation and financial market infrastructure oversight;
- ensures potential reform is considered within the wider payments system landscape, with clarity on how it fits within the broader regulatory programme and the overall end state that government is seeking to achieve;
- considers relevant international approaches, including Australia, the United Kingdom and the European Union, while designing a framework proportionate to the market and risk profile of Aotearoa;
- undertakes further targeted consultation on detailed proposals before progressing any next steps;
- avoids rushed or truncated reform that risks unintended consequences.
- adopts a coordinated model that combines regulation with industry-led rules and standards;
- clarifies roles and responsibilities across MBIE, the Reserve Bank, the FMA and industry governance in the full context of the wider payments system landscape.

121. We would welcome MBIE sharing our submission with the Reserve Bank and the

FMA.

122. Should MBIE wish to canvas the matters raised, Payments NZ welcomes the opportunity to speak further to our submission.

Closing statement

123. Payments NZ supports all work that improves clarity, trust, competition and resilience in payment services.

124. A proportionate PSP licensing regime could make a meaningful contribution to those outcomes. However, change needs to be carefully designed. It should not simply add another layer to an already fragmented framework. It should improve cohesion, support system integrity, preserve the role of industry governance, and enable payment services to evolve in a safe, open and interoperable way.

125. Payments NZ would welcome the opportunity to further discuss the matters raised in this submission.

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