

Consultation on Modernising New Zealand's Retail Payment System

For the Reserve Bank of
New Zealand – Te Pūtea Matua

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payments**nz**[®]



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Executive summary

1. Payments NZ welcomes Te Pūtea Matua Reserve Bank of New Zealand's (the Reserve Bank) consultation on Modernising New Zealand's Retail Payment System (the Issues Paper).
2. Payments NZ supports the general direction of reform and agrees that Aotearoa New Zealand would benefit from clearer and more enduring national-level strategic direction, clearer accountability and investment in modern payment capabilities. Effective national-level strategic direction should align public-interest outcomes, market-led solution design and industry delivery capability.
3. Aotearoa starts from a strong foundation. Existing arrangements provide reliability, resilience, settlement certainty, common rules and standards, low-cost processing and strong levels of trust. Industry has also demonstrated its ability to coordinate and implement significant system-wide change. Modernisation should therefore build on what works while adding the capabilities Aotearoa will need in future.
4. We do not agree with the Issues Paper's diagnosis that current payment system capability gaps are explained solely by weak competition and limited incentives to innovate. Aotearoa has lacked an agreed national strategy to define outcomes and priorities, supported by a roadmap to sequence capability development and delivery. Historic Reserve Bank priorities have focused on safety, stability and risk management rather than modernisation. These factors have had a direct bearing on the capabilities developed to date and must form part of any assessment of why the current gaps exist and how they should be addressed.
5. Payments NZ therefore supports an outcomes-led approach to modernisation. Aotearoa should first define the outcomes the payment system must deliver, and the capabilities required to achieve those outcomes. Decisions about governance, regulation, infrastructure and institutional arrangements should then be made according to how effectively they can deliver those outcomes.
6. We favour an approach that allocates responsibilities according to the job that needs to be done, the capability required and who should be accountable for the outcome. This means aligning clear public-interest outcomes and capability priorities with market-led solution design and proven industry capability to translate that direction into deliverable change. This structure aligns authority, accountability and delivery. Consolidating strategic direction, regulation, governance and infrastructure delivery within a public institution risks creating unnecessary operational concentration, blurred accountability, and reduced contestability and effectiveness.
7. We believe the most effective way forward is an open public-private co-design process, which Payments NZ would be well-placed to support. Public authorities should provide clear public-interest direction, while Payments NZ can contribute industry coordination, operational knowledge and implementation expertise to help translate that direction into a phased, workable transition roadmap.
8. Payments NZ is also reviewing its own role, mandate and governance arrangements. Our independent governance review will test how Payments NZ should evolve to support clear public-interest direction, accountability and effective industry delivery. Its findings should inform the next phase of the Reserve Bank's work.
9. Our overall position and recommendations are set out below, followed by a summary of our responses to the nine consultation questions. Detailed responses and supporting evidence are provided in the sections that follow.

Q1: Performance and capability gaps. We agree that Aotearoa has capability gaps that should be addressed, with domestic real time payments a key priority. The Issues Paper's factual baseline and causal diagnosis require further testing. The absence of a capability does not, by itself, establish its cause or predetermine the appropriate response.

Q2: Strategic leadership. We agree that Aotearoa needs stronger and more enduring national-level strategic direction, supported by a clear national payments strategy. National outcomes and priorities should be clear, with authority, accountability, funding and delivery responsibilities allocated according to the function being performed and the capability required.

Q3: Benefits of modernisation. Modernisation can deliver substantial benefits for consumers, businesses and the wider economy, including improved productivity, competition, innovation, inclusion, safety, resilience, interoperability and future adaptability. These benefits depend on capability, adoption, governance and implementation and should be assessed relative to whole-of-system costs and risks.

Q4: What is working well. Aotearoa starts from a strong operational foundation. Modernisation must preserve reliability, resilience, settlement certainty, common rules and standards, low-cost processing, user trust and proven delivery capability, while adding new capability where the benefits justify the costs and risks.

Q5: Future adaptability. The future system should be technology-neutral, modular and capable of accommodating new participants, settlement approaches, business models and forms of money. Real time and tokenised payment capabilities should be considered together so that decisions made through modernisation support emerging forms of digital commerce and avoid future redesign or duplicated systems.

Q6: Reform principles. We support clearer national-level strategic direction, coherent regulation and governance aligned with public-interest outcomes. The reform framework should also provide for defined roles and decision rights, proportionality, financial sustainability, broad participation, transparent accountability, evidence-based intervention and preservation of effective delivery capability.

Q7: Trade-offs. Financial stability, safety and public trust are priority requirements. Modernisation will require deliberate choices about speed, access, resilience, settlement, funding, migration and implementation. Payment-system design choices should be assessed separately from institutional and market-structure choices so that decisions in one area do not predetermine the other.

Q8: Future options. The options process should remain open and should not predetermine institutional, governance, ownership, operating or settlement models. It should include evolutionary and structural governance reforms, different public-private delivery models and gross, net and hybrid settlement approaches.

Q9: Assessment criteria. Options should be assessed consistently against the evidenced problem they are intended to address, the counterfactual, public-interest outcomes, whole-of-system costs and benefits, distribution and incentives, deliverability, transition risk, governance quality, concentration and contestability, adaptability and proportionality.

10. Payments NZ recommends that the Reserve Bank:

- **Establishes a clear national payments strategy** that defines national outcomes and priorities for modernisation, supported by clear and enduring national-level strategic direction.
- **Defines required capabilities before determining institutional or technology solutions**, progressing domestic real time payments as a priority while considering tokenisation and programmability alongside that work to support future digital commerce.
- **Tests the Issues Paper's diagnosis against an accurate current-state baseline**, distinguishing observable capability gaps from their causes and considering all factors that have had a direct bearing on the capabilities developed. This will help ensure that future action addresses the constraints supported by the evidence rather than predetermined institutional conclusions.
- **Allocates authority, accountability, funding and delivery responsibility by function**, aligning clear public-interest direction, market-led solution design and accountable industry delivery.

- **Uses proven industry coordination and delivery capability**, through an open public-private co-design process that Payments NZ is well-placed to support, to develop a phased transition roadmap that delivers measurable benefits.
- **Assesses future options transparently against whole-of-system impacts**, including infrastructure costs, integration burdens, distributional effects, adoption, deliverability, concentration risk and transition complexity, measured against a forward-looking counterfactual.
- **Keeps institutional, architectural and settlement choices open**, allowing ownership and operating models, alongside gross, net and hybrid settlement approaches, to be evaluated against the outcomes sought and the associated liquidity, cost, resilience, risk and implementation requirements.

11. Payments NZ would welcome the opportunity to discuss the contents of this submission further.

About Payments NZ

12. Payments NZ Limited is the governance organisation at the centre of the payments system, working to deliver world-class payments for Aotearoa New Zealand. We work with banks, financial institutions, technology providers and regulators to ensure safe, interoperable, innovative, open and efficient payment systems.
13. Payments support our economy and everyday life. They enable people to receive wages, pay bills, run businesses and participate in the economy. Our role is to help ensure money and payment data move safely, efficiently and reliably across Aotearoa and internationally, through arrangements that support trust, interoperability, resilience, innovation and competition.
14. Our focus is on leading, governing and connecting the wider ecosystem to support the design, delivery and ongoing evolution of payments systems. We take an intergenerational view, working closely with industry and regulators to ensure our systems continue to serve the people and businesses of Aotearoa – today and into the future.
15. Alongside the Reserve Bank's settlement infrastructure and SWIFT's financial messaging network, Payments NZ helps provide the foundations that allow the payments ecosystem in Aotearoa to function as a connected system. Through common rules, standards and industry coordination, we reduce complexity, support interoperability, manage shared risks and help enable system-wide change.
16. As technology, customer expectations and participation continue to evolve, we bring together industry, regulators and stakeholders to support a payment system that remains trusted, resilient and capable of adapting to future needs. Our work helps ensure our payments system remains safe, interoperable, efficient and able to evolve in the interests of consumers, businesses and the wider economy.

Payments NZ governance review

17. Payments NZ has an independent review underway of its role, mandate and governance to ensure it remains well placed to serve our country's payment system needs into the future. Payments NZ appointed PwC New Zealand in September 2026¹ via a competitive procurement process to conduct the review.
18. The independent review requires an objective assessment across six key areas: role and mandate, governance and ownership, participation and representation, decision-making and accountability, system outcomes, and ecosystem engagement.

¹ Payments NZ: [Payments NZ launches independent governance review](#) (18 September 2026)

19. PwC is expected to present its findings and recommendations to the Payments NZ Board by the end of 2026. We expect that the review's findings will provide useful input into the Reserve Bank's consideration of future governance and oversight arrangements for the retail payments system.

Performance and capability gaps

Question 1: Do you agree with the description of the performance and capability gaps?

Observation, diagnosis and remedy

20. The Issues Paper identifies observable capability gaps and links these primarily to weak competition and limited incentives to innovate. We think that diagnosis requires further testing before decisions are made about the appropriate response. While the capability gaps are directly observable, the diagnosis and institutional implications require testing against the factual baseline and other credible alternative explanations.
21. Other system-level factors have also had a direct bearing on why Aotearoa has capability gaps. Aotearoa has lacked an agreed national strategy to define outcomes and priorities, supported by a roadmap to sequence capability development and delivery, while historic public policy priorities have directed industry effort towards resilience, pipeline risk management and operational stability rather than modernisation. Collective action challenges in the absence of a national strategy have also affected investment in capabilities whose costs are concentrated among a few organisations while benefits are distributed across the wider ecosystem.
22. The Issues Paper's diagnosis matters because the proposed policy response should reflect and follow the identified causes. If the causes of the capability gaps are not accurately understood, reform may target the symptoms, rather than the underlying cause, potentially overlooking industry delivery and capability that could be mobilised. Policy decisions should follow the diagnosis that best fits the evidence, rather than being inferred from the absence of payment system capabilities.
23. We agree that industry incentives are not always consistently aligned with public-interest outcomes. This is not a criticism of industry. It reflects the absence of clear public-interest direction and an enduring national payments strategy that consistently defines public-interest outcomes, capability priorities, sequencing and investment responsibilities. We strongly support developing such a national strategy through constructive partnership between public authorities, industry and wider stakeholders to ensure the best outcomes for Aotearoa. That national strategy should combine clear public-policy direction with accountable industry governance and delivery.

Establishing an accurate baseline

24. Payments NZ considers that parts of the baseline need further refinement. An accurate baseline is essential to diagnosing capability gaps and identifying the most effective response.

Accurate baseline for payment systems access and architecture

25. The clearing systems did not develop around banks' internal systems, as stated in the Issues Paper. Clearing system architecture reflects access to the Reserve Bank's real time gross settlement infrastructure, the requirements for settlement in central bank money and conformity with international standards.
26. Payments NZ's access criteria are publicly available. Financial institutions who are able to demonstrate that they meet the relevant prudential, operational risk management and technical requirements (including having an

Exchange Settlement Account System (ESAS) account) are able to join the clearing systems. ESAS eligibility has previously been a constraint on direct participation in Bulk Electronic Clearing System (BECS) and High Value Clearing System (HVCS) because direct clearing participation depends on access to central bank settlement. The recent, and welcomed, widening of ESAS eligibility by the Reserve Bank has reduced that constraint and Payments NZ has since seen an increased interest from financial institutions seeking to become Participants in clearing systems.

27. Payments NZ's access rules are risk-based, objective and fair and have been developed against recognised principles for financial market infrastructures, and the Reserve Bank has previously confirmed that it has no objections to these. Requirements to meet common standards, operational obligations and proportionate risk controls should not automatically be characterised as barriers created to protect incumbents as implied in the Issues Paper.

Accurate baseline for performance and outcomes

28. Settlement Before Interchange (SBI) is not accurately characterised in the Issues Paper as operating on a best-efforts basis. Its rules establish clear settlement cycles within which transactions must be interchanged, with electronic credits posted as cleared funds in order to provide payment certainty.
29. The Issues Paper inaccurately assesses SBI365 as having delivered limited resilience benefits. Resilience is a core feature of SBI365. Seven-day settlement strengthens availability and reduces weekend and public-holiday pipeline accumulation risk, delivering significant customer benefits and a material improvement in system resilience.
30. The Issues Paper's assessment of open banking not adding resilience benefits does not reflect the intended purpose of open banking. Open banking is designed to enable third party access, competition and innovation at the service layer, rather than to operate as resilience enhancing payments infrastructure. In addition, the Issues Paper would benefit from further clarification on how open banking is currently used for merchant-related payments. Open banking payments initiation can provide merchants with immediate confirmation and real time certainty that a payment will settle, allowing a merchant's goods or services to be released to the customer in real time. Open banking merchant related payment services are already operating in the market on this basis.
31. EFTPOS remains a widely used domestic payment method and continues to provide low-cost value to merchants and customers. It is not a conventional standalone scheme owned by a single commercial provider. Rather, it was deployed as an industry-led capability with Electronic Transaction Services Limited (ETSL), later Paymark, and Eftpos NZ providing switching infrastructure. Through the Consumer Electronic Clearing System (CECS) governance arrangements, EFTPOS has been maintained and operated over many years, supporting a payment method that remains highly valued by merchants and consumers.

Functionality in comparable jurisdictions

32. Payments NZ agrees that the payments system in Aotearoa lacks some capabilities available in comparable jurisdictions, including:
 - real time domestic payments
 - cross-border interlinking
 - aliasing
 - domestic QR standards; and
 - domestic account-to-account payments using ISO 20022 capability.
33. While international comparisons are useful, they do not remove the need to consider our scale, market structure and existing arrangements.

34. Each capability should be assessed on its own merits. The assessment should identify the problem to be solved, expected user benefits, likely adoption, whole-of-system costs, risks, transition requirements and strategic fit in supporting sovereignty and the economy. We have set out additional feedback below on real-time domestic payments, cross-border interlinking and wider payments ecosystem capabilities.

Real time domestic payments

35. We support developing domestic real time capability. We continue to hold the view that real time domestic payments should be treated as one of the key priorities for further development.²
36. In addition, Aotearoa has a unique opportunity to consider real time payments and tokenised deposits together when designing future payments capability. Combining immediate movement of value with programmable payment capabilities could unlock substantial economic benefits, support new forms of innovative payments and strengthen our competitive position.
37. Real time payments will take time to design, implement and achieve broad adoption. Considering tokenisation alongside that work now would reduce the risk of Aotearoa delivering real time capability at a time when leading global payment developments will be rolling out tokenised payment capabilities. This approach preserves future flexibility and reduces the risk of costly redesign or duplicated investment.

Cross-border interlinking of domestic real time payment systems

38. Domestic real time payments and cross-border interlinking of domestic real time payment systems are separate propositions. We are cautious about the net benefits of real time payment system cross-border interlinking and do not yet consider the evidence sufficiently developed to conclude that it is the preferred approach for improving cross-border payment outcomes. A clearer understanding of the outcomes sought, whether those outcomes could be achieved through alternative approaches, target jurisdictions to interlink with, and supporting evidence is needed before a robust assessment can be made. This should include greater clarity on the obligations and practical implications of our free trade commitments relating to payment-system interlinking, including the New Zealand-India Free Trade Agreement.
39. Interlinking domestic real time payment systems is one way to improve cross-border payments. Other approaches are developing rapidly and may achieve the same outcomes more effectively. Tokenised deposits, for example, are being tested as a way to coordinate payments across institutions, jurisdictions and currencies while retaining commercial bank money and existing settlement arrangements. BIS Innovation Hub's Project Agorá has tested tokenised deposits across multiple institutions and currencies, while SWIFT has demonstrated live domestic and cross border tokenised deposit transactions using a shared orchestration layer. These developments show why the policy process should first define the outcomes sought and then allow industry to assess the most effective way to deliver against those outcomes.
40. Cross-border payments should be assessed against current performance and improvements already under way. HVCS is a high-performing system that facilitates cross-border payments. Currently, 48.6% of cross-border payments meet the G20 target of completion within one hour (from the originating account to the destination account). A principal constraint on further speed improvement is the alignment of HVCS operating hours with overseas financial markets. Payments NZ is exploring expanded operating hours, which would also require changes to the ESAS end-of-day and start-of-day times. The case for interlinking domestic real time systems should therefore be assessed separately from domestic real time capability, recognising that progress is concurrently being made in HVCS towards international G20 targets.

² Refer [Next generation payments](#) | [Payments NZ](#) 

Payments ecosystem capabilities

41. Capabilities such as aliasing, fraud protections, data standards and interoperable outcomes should be enabled across both existing and future account-to-account payment arrangements where appropriate, rather than being exclusive to a single new real time platform. This rail-agnostic approach will help new capability scale and become widely available to customers and businesses.
42. Existing industry work and investment should be used where it remains relevant. Industry has already undertaken substantial analysis, design work and investment relating to many of the capability gaps identified in the Issues Paper. This work should form part of the evidence base for modernisation rather than be recreated from first principles. For example, Payments NZ undertook proxy identifier work which provides a substantial base of problem definition, use cases, operating requirements and governance considerations that can be refreshed for current needs.

Industry evidence and delivery capability

43. Through its work with participants and industry stakeholders on the Payments Modernisation Plan and NextGen, Payments NZ identified many of the same capability gaps. This evidence, analysis and design work should inform the definition and prioritisation of future capabilities rather than be set aside or duplicated.
44. Delivery of SBI365, open banking standards and enduring payment consent, together with migration to ISO 20022, demonstrates that Payments NZ and the payments industry can coordinate and implement significant system-wide change when outcomes, responsibilities and implementation pathways are clear. These initiatives provide practical experience and proven capability that will support the delivery of the next phase of modernisation.

Functionality looking ahead

45. Payments NZ supports the Issues Paper's focus on fraud, scams and future readiness. Modernisation should strengthen safeguards across the payment journey and payment methods, building on initiatives such as Confirmation of Payee and broader safety-by-design measures.
46. Aotearoa should also prepare for tokenisation, new forms of digital money, agentic payments and other emerging payment models. Real time capability, rich data and interoperability between different forms of digital money will provide important foundations as viable use cases develop. Modernisation should address current gaps while preserving the flexibility to accommodate these emerging capabilities.

Institutional choices and next steps

47. Capability gaps *alone* should not determine where responsibility for strategic direction, regulation, governance, standards, and infrastructure operation and delivery should sit. Decisions about who does what should follow the evidence. They should reflect the cause of each gap, the capability needed to address it and the accountability and risk controls required.
48. Payments NZ believes the most effective approach to modernisation is strong alignment between public-policy and accountable industry governance and delivery. This requires national priorities to be defined and delivery responsibility to remain with industry as it has the capability, expertise and implementation experience to deliver complex system-wide change. Industry should then be held accountable for delivering the agreed priorities and outcomes.

49. Payments NZ can support the next phase by convening participants and wider stakeholders and utilising our rules and access frameworks, technical expertise and implementation experience. Drawing on existing work and proven delivery capability would avoid duplication, improve cost efficiency and support evidence-led decision making.
50. Payments NZ looks forward to supporting the Reserve Bank to turn agreed capability priorities into deliverable system change.

Strategic leadership and governance

Question 2: Do you agree with the description of the strategic leadership gap and misaligned incentives?

51. As discussed in response to Question 1, we do not consider that the current evidence establishes a single structural cause for the capability gaps identified in the Issues Paper. However, it is evident that Aotearoa lacks a clear and enduring strategic framework for the payments system at a national level. As was reflected in our submission to the Ministry of Business, Innovation and Employment | Hikina Whakatutuki³, the payment systems 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, there is no clear mechanism for establishing national priorities, coordinating investment or mobilising system-wide change against public-interest outcomes.
52. The absence of a clear and enduring national-level strategic framework has practical consequences. Payments NZ and industry have successfully provided industry leadership to coordinate and deliver significant system-wide change over many years. The next phase of modernisation will require decisions involving nationally significant payments infrastructure, long-term investment horizons and coordinated implementation across multiple organisations. National-level strategic direction provides a mechanism for establishing national priorities, aligning incentives, coordinating investment and translating public-interest objectives into programmes of work that industry can deliver.
53. Payments NZ supports regulatory reform that improves clarity, consistency and system outcomes. Central to this is a clear and enduring national-level strategic direction focused on public-interest outcomes. The Reserve Bank, and indeed the public sector, must resolve the question of how a clear, long-term strategic direction for the national payments system is to be set.
54. Payments NZ's preferred approach combines **clear public-interest direction with accountable industry delivery**. The aim is to give certainty about how system-wide change is prioritised, funded and delivered by industry, while aligning authority, responsibility and accountability across the public and private sectors to the same national goals.
55. Clearer national-level strategic direction does not require consolidation of industry delivery capacity and capabilities into the public sector. Where collective action is required, industry capabilities make it best placed to coordinate standards development, deliver implementation and manage operational change. Consolidating these functions within a single public institution would create concentration risk, blur accountability and reduce contestability. Setting national direction should remain distinct from accountability for delivering the agreed

³ Payments NZ: Submission on Payment services regulation (page 3)

outcomes. This approach is consistent with the United Kingdom's public-private model for delivering its payments vision.⁴

56. Public authorities should determine the outcomes to be achieved and the public-interest objectives to be served. Industry should remain accountable for designing, implementing and operating the capabilities required to achieve those objectives. In our view, the demarcation for the public and private sectors when it comes to the payment system is: **the public sector should set the 'what' and the 'why', and industry should design and deliver the 'how'.**
57. Payments NZ's independent governance review will consider the governance arrangements needed to support its future role within an evolving payments system, having regard to a range of considerations including changing public-interest expectations and the future direction of the national payments system.

Modernisation

Question 3: What benefits can modernisation deliver, and are any key benefits missing?

Benefits should be assessed through outcomes

58. Payments NZ agrees that the potential benefits of modernisation are substantial. Modernisation has the potential to deliver material benefits for consumers, businesses and the wider economy, including improved productivity, stronger competition and innovation, greater safety and resilience, enhanced interoperability, and increased adaptability to future technologies and forms of money.
59. The categories identified in the Issues Paper are directionally right, although some would benefit from further refinement and distinction. Modernisation should ultimately be assessed through the outcomes it delivers rather than through infrastructure change alone. Benefits will arise from the combination of capability, adoption, governance, sustainable business models, and effective rules and standards.
60. Payments NZ believes the Issues Paper framework is incomplete and should be expanded to distinguish more clearly between productivity, competition, innovation, inclusion, safety, resilience, domestic and international interoperability, and future adaptability. These benefits are examined below.

Productivity and economic value

61. The Issues Paper's indicative estimates support the direction of the benefit case, although realised benefits will depend on capability scope, adoption, delivery timeframes, implementation costs and the counterfactual against which success is measured. The scale and design of any solution should be proportionate so that implementation complexity, transition burden and ongoing costs do not erode the benefits being pursued. This is particularly important where benefits accrue broadly across the economy while costs and implementation obligations are concentrated more narrowly.
62. The largest benefits are likely to arise from improved economic efficiency. Faster availability of funds, better cash-flow visibility, richer payment data and greater automation can reduce manual processing, simplify reconciliation, support straight-through processing and improve working-capital management. These gains can improve productivity across businesses, government agencies and the wider economy.

⁴ [The National Payments Vision | Bank of England – the UK's central bank](#)

Competition, innovation and inclusion

63. Modernisation can further strengthen competition and innovation through broader participation, improved interoperability and richer data capabilities. These outcomes can lower barriers to entry, support new business models and increase choice for consumers and businesses. Competition effects are among the primary benefits often attributed to modernisation and should be assessed explicitly rather than treated as an implied outcome.
64. Inclusion and accessibility should also be recognised as benefits in their own right. A modernised payment system should improve access, usability and participation for consumers, businesses and communities with diverse needs.

Safety, trust and resilience

65. Safety should be considered more broadly than the Issues Paper's focus on fraud and scam reduction alone. While fraud and scam prevention remain important benefits, safety also includes certainty of payment fate, prevention of error and misdirection, operational resilience, system availability and the integrity of the underlying arrangements. These outcomes support trust, adoption and confidence in the payment system and should be treated as core measures of success.
66. Modernisation should build on the strengths set out in response to Question 4. Those strengths form part of the adoption base for new capabilities and should be protected through the transition.

Interoperability and future readiness

67. Domestic and international interoperability should be treated as distinct benefit categories. Improved connectivity between payment systems, participants and markets can reduce friction, improve user experience, support innovation and strengthen the ability of Aotearoa to connect with international payment ecosystems. Future interoperability should also recognise that payment systems may increasingly need to support interaction between different forms of digital money, tokenised deposits, programmable payment arrangements, agentic payments and other emerging payment models, as well as interoperability between existing and any new future payment system infrastructures.
68. Future adaptability is a material benefit in its own right. A future-ready payment system should be able to support different forms of digital money, payment methods and settlement approaches working alongside each other. A modern payment system should be capable of efficiently responding to, and supporting, tokenisation, programmable payments, new forms of money, agentic commerce and evolving customer expectations without repeated structural redesign.
69. The future system will increasingly need interoperable data, digital identity, programmability and internationally aligned standards.
70. Real time payments capability and tokenised payment capability should be considered as complementary components of a modern payment system rather than as separate or competing initiatives. Real time value transfer is becoming a baseline capability in many jurisdictions. Tokenised deposits and programmability have the potential to unlock significant value through programmable payments, funds locking, automated business processes, simultaneous exchange of funds and assets, and new forms of commercial interaction that are difficult to support through conventional payment models. Aotearoa has an opportunity to consider these developments together and design a payment system that meets current needs while positioning itself for the next generation of digital commerce and payments innovation. This would reduce the risk of delivering real time capability in the future only to find payments capability enabled by tokenised deposits and digital money is widely available around the world, leaving the newly implemented payment system comparatively less modern. Aotearoa has an opportunity to make foundational decisions once to enable capabilities that align to where the future of commerce is heading.

71. Benefits depend on scaled adoption. Benefits associated with payment systems require economies of scale and therefore the scale of adoption will be a critical assumption within the business case. A technically capable system that is not trusted, affordable, well-governed or widely used will realise only a fraction of the outcomes attributed to it. Adoption assumptions should therefore be explicit in the business case and supported by credible use cases, governance arrangements and viable implementation pathways. The business case should define what scaled adoption means for Aotearoa and how it will be measured.
72. Different capabilities will deliver different benefits and may justify different levels of investment and priority. Real time payments, fraud protections, proxy services, interoperability, richer data and cross-border enhancements address different needs and involve different costs and risks. Shared capabilities such as fraud protections and proxy services should be considered across existing and future account-to-account payment arrangements so their benefits are scaled and not confined to a single new channel that will begin from a very low base.

Evidence, costs and evaluation

73. Benefits should be assessed net of whole-of-system costs, including infrastructure build costs, organisational integration costs, ESAS upgrade costs, payment instrument and volume migration costs, costs in relation to the coexistence of more payment rails, compliance costs, operating costs, change management and project costs, and the costs of any potential financial market infrastructure prudential levy. The assessment should identify who incurs those costs, who receives the benefits and whether incentives support the investment required. This is particularly important where benefits accrue broadly while costs and delivery risks are concentrated among those required to build, integrate and operate new capability. Where benefits accrue broadly but costs and delivery risks are concentrated, funding arrangements should consider that distribution rather than assume that the organisations required to deliver the capability can automatically justify the investment independently. This is particularly relevant for smaller financial institutions and payment service providers, where disproportionate regulatory or participation costs could undermine the objective of broader participation.
74. We recommend using “financially sustainable” rather than “low cost” as an objective. Existing account-to-account payments and EFTPOS already provide very low-cost options. Costs and financial sustainability must be considered together. A model that requires ongoing investment, resilience and innovation without supporting financially viable products and services that deliver material benefits to users will not be sustainable. Financial sustainability is a key outcome of the United Kingdom’s current modernisation strategy.
75. The national business case should establish clear baselines, measurable benefit indicators and transparent evaluation criteria. Benefits should be evidenced against a forward-looking counterfactual that reflects reforms, market developments and improvements likely to occur before modernisation benefits are realised, rather than current arrangements alone. Costs should be measured across the full transition and operating life of the investment. Post-implementation evaluation should test whether the expected benefits, adoption and distributional outcomes were realised and support course correction where required.
76. Payments NZ’s NextGen work and the 2022 study commissioned by Payments NZ examined many of these benefit categories, including the potential benefits of real time payments, relevant use cases, adoption conditions and implementation considerations. This work provides a substantial evidence base for developing the national business case.
77. Payments NZ is ready to work with the Reserve Bank and wider stakeholders to develop a national business case that delivers enduring benefits as payment technologies, customer expectations and forms of digital money continue to evolve.

What is working well

Question 4: Which parts of the current payment system are functioning well, and what factors contribute to that performance?

- 78. Aotearoa starts from a stronger foundation than the Issues Paper's legacy system narrative suggests. Payments NZ submits that the retail payment system in Aotearoa is resilient, efficient and competitive, and provides a solid foundation for innovation.
- 79. The important focus should be on whether it will remain so as customer expectations, technology and international payment capabilities continue to evolve. Modernisation should therefore be viewed as building on existing strengths rather than replacing existing systems.

Current payment system resilience

- 80. The current system delivers high reliability, resilience, settlement certainty, low-cost processing and strong levels of user trust. Common rules and standards support interoperability and consistent service, while published access criteria provide a clear pathway for eligible financial institutions that align with the ESAS access criteria.
- 81. These outcomes have been sustained through clear operating rules, disciplined risk management, common standards, established governance arrangements and close coordination between participants and broader stakeholders. Consumers, businesses and government agencies rely on these arrangements for critical economic activity. Trust, reliability and certainty are therefore core assets of the system and will be essential to the adoption of new capabilities.

Current payment system efficiency

- 82. HVCS is a high-performing system that supports domestic and cross-border payments. Work is under way to consider expanded operating hours (which may require corresponding changes to ESAS start-of-day and end-of-day times). These changes could further improve cross-border performance and better align operating hours with overseas financial markets without requiring interlinking between domestic real time payment systems.
- 83. SBI provides fast, low-cost and resilient clearing and settlement for bulk electronic payments. SBI processes and settles a batch in an average of approximately 1.5 seconds and operates 365 days a year. In July 2026, it efficiently cleared approximately \$174 billion. Its rules provide certainty of payment fate, and seven-day operation has reduced the length and breadth of pipeline accumulation risks associated with weekends and public holidays.
- 84. Electronic credits serve a broad range of household, business and government payment needs, and current arrangements target end-to-end processing within 60 minutes, from customer initiation through to the posting of cleared, irrevocable and immediately available funds in the recipient's account. That capability should be retained while the role of real time payments and the future relationship between existing and new payment arrangements are determined through the modernisation process. Any consolidation should be considered explicitly as part of transition planning. While real time payments will support many use cases, many others will remain well served by fast, but not real time, irrevocable payments.

Current payment system competitiveness

85. Clearing systems operate within clear and well documented rules and standards. The Payments NZ board and management committees operate under our constitution and rules, which require decisions to be made in the best interests of Payments NZ and its constitutional objectives, rather than in the interests of the organisations appointing individual representatives. These arrangements sit alongside published access criteria, independent directors on the board and Reserve Bank oversight. Together they provide a practical mechanism for coordinating operational requirements, managing risk and implementing system-wide change.
86. CECS provides an established standards and governance base for card-present payments, including EFTPOS. EFTPOS remains a widely used payment method that continues to provide significant value to merchants and consumers. In July 2026, EFTPOS accounted for 65.4% of debit card transactions at point of sale, with transactions broadly divided between proprietary debit cards and scheme debit cards using contact chip and PIN.
87. Access to Payments NZ's clearing systems is open to eligible financial institutions who are able to meet the relevant prudential, operational risk management and technical requirements. Direct participation in BECS and HVCS depends on access to ESAS. The recent widening of ESAS eligibility by the Reserve Bank is enabling a broader range of institutions, including payment service providers, to pursue direct participation. It also demonstrates that specific participation constraints can be addressed through targeted reform without assuming that wholesale structural change is required.

Innovation in the current payment system

88. Open banking payment initiation and enduring payment consent provide payment service providers with access to existing payment capability without requiring direct participation in a clearing system. These arrangements support competition and innovation at the service layer and can provide merchants with immediate confirmation and a high degree of certainty that initiated payments will settle.
89. The API Centre, open banking standards and enduring payment consent demonstrate the value of shared standards, coordinated governance and industry delivery. They also show how policy objectives, common standards and industry implementation can work together. This provides an established base for new providers, services and payment experiences and a practical model for future public-private coordination.

Preserve strengths while adding capability

90. The current system also benefits from proven industry coordination and delivery capability. Industry has delivered seven-day settlement through SBI365, open banking standards, enduring payment consent and migration to ISO 20022. These initiatives required common rules, directional alignment, coordinated implementation, technical change across multiple organisations and sustained operational collaboration.
91. This capability is a national asset for the next phase of modernisation. Once outcomes, priorities and accountabilities are clear, industry has demonstrated that it can coordinate and implement complex system-wide change. Future reform should strengthen public-interest alignment and accountability while retaining the implementation capability that already exists.
92. Modernisation should preserve what works, address genuine gaps and add new capability where the benefits justify the costs and risks. Existing systems should be retained, enhanced, rationalised or retired according to their performance, the outcomes required and the economics and risks of transition. The options and design process should be explicit about whether new capability is intended to coexist with, progressively replace or fully replace existing arrangements.

93. The payment system in Aotearoa starts from a position of strength. Strategic clarity about what genuinely needs to change will help focus investment on the most important capability gaps while preserving the trust, reliability and familiarity on which adoption depends. Modernisation should build on these strengths while adding capability where the benefits justify the costs and risks.

Future adaptability

Question 5: Given emerging technologies, what are the key considerations for ensuring the payment system remains adaptable into the future?

94. Future adaptability depends on keeping options open, building durable payment functions and retaining the ability to implement change. Decisions made through the modernisation process will shape the payments architecture in Aotearoa for decades. Any future model should be able to accommodate new technologies, settlement approaches, forms of money, participants and business models as customer needs and market conditions evolve.
95. At this stage, the primary focus of modernisation should be on the outcomes and capabilities the future system must deliver, rather than on specific technologies, functional design or architectures. This is consistent with the modular approach explored through Payments NZ's NextGen work⁵, which focused on preserving flexibility by allowing capabilities to evolve and be introduced over time rather than locking Aotearoa into a single architecture.

Avoiding new legacy constraints

96. No payment system can predict future customer needs, technologies, business models or forms of money with certainty. A system is adaptable if it can support requirements and use cases that are not yet known. Poor choices now could create new constraints that later require costly infrastructure replacement, regulatory intervention or institutional reform.
97. Modernisation should not solve today's gaps by creating tomorrow's constraints. Emerging technologies should shape the functions the system needs without automatically determining ownership, governance and operational models.
98. New functions, participants and business models should be capable of being introduced without repeated structural redesign or large-scale replacement. Modular architecture, clear interfaces, interoperable data and adaptable governance matter because they preserve those choices.

Capability-led design

99. Real time domestic payments are a priority for Aotearoa and should be progressed. They sit within a wider future-state framework that must also support rich and interoperable data, strong fraud controls, programmability, scalability, robust settlement and enable new participants and services.

⁵ The NextGen programme outlined a modular ecosystem design for the future of payments in Aotearoa. This design is characterised by a building block approach where a centralised operational platform provides the necessary technical payments services, information management, and access management capabilities. A supporting scheme framework provides the rules and standards for payment instruments and commercial overlay services to enable a wide community of participants to provide products and services that meet customer needs. Read more on our website at: <https://www.paymentsnz.co.nz/our-work/payments-direction/next-generation-payments/public-consultation/> 

100. The preferred settlement model should remain open until gross, net and hybrid approaches have been assessed against liquidity, the projected volume of payments, cost, resilience, operational complexity and risk-management requirements.
101. The future system should define the outcomes it requires and remain open about how they are delivered. Competition and innovation are more likely when participants can develop different solutions within common standards, risk controls and financially sustainable business models.
102. Aotearoa should prepare for a multi-money environment by ensuring the future system can support programmability, structured data and interoperability between different forms of digital money. These are the enabling functions needed to accommodate tokenised payments and automated transaction flows as viable use cases develop. The role of tokenised deposits in payment system modernisation should be explored.

Designing a roadmap beginning from Aotearoa New Zealand's starting point

103. Many jurisdictions modernised because their existing systems constrained competition and resilience, or limited the introduction of new services. The payment system of Aotearoa starts from a different position. It has continually evolved and delivers reliable clearing and settlement, established standards, ISO 20022 implementation experience, open banking, seven-day settlement and proven industry delivery. Capability gaps remain, but existing arrangements continue to perform well.
104. Payments NZ considers that future design should extend what works and preserve strategic options. This should be supported by a shared national vision and a phased roadmap that establishes the current-state baseline, defines priority capabilities and sequences the transition from existing arrangements to the desired future state. International approaches remain useful evidence, but they should be tested against the scale of our country, market structure, existing investment and public-interest outcomes, rather than adopted as ready-made architectures. As a small market, Aotearoa should draw on comparable jurisdictions and adopt proven approaches where they align with national needs.
105. Future adaptability depends as much on delivery as on end-state architecture. Transition planning should address migration sequencing, coexistence, integration and operating costs, participant readiness, operational resilience, stranded investment and the future role of existing infrastructure. New services should be capable of being introduced, tested, scaled and integrated over time.
106. Participants, infrastructure providers, technology firms and investors need sufficient certainty to continue investing while future arrangements are developed. A phased roadmap, transparent sequencing and realistic transition pathways would reduce the risk of delayed investment, duplicated effort and stranded costs, while avoiding signals that discourage investment in existing systems.

Proposed amendments to the Figure 3 policy framework

107. We broadly support the direction of the policy framework in Figure 3 but recommend a series of enhancements given its likely role in guiding future policy decisions.

No	Current wording	Payments NZ proposed wording	Reason
1	System objective: Fast, efficient and low-cost	Fast, efficient and financially sustainable	Financial sustainability provides a better test of value to users while allowing for the investment, operation, resilience and reinvestment needed to sustain the system over time. Our cost structures are already very low cost.
2	System objective: Secure and trustworthy	Safe and trusted	This is clearer, uses plainer language and aligns with the customer-focused safety principle proposed for the design layer.

No	Current wording	Payments NZ proposed wording	Reason
3	System objective: Open and future-focused	Open, competition-enabling and future-focused	Openness does not by itself enable effective competition. Competition-enabling settings should be explicit as an intended system outcome.
4	Leadership principle: Effective leadership with a clear mandate and accountability	Clear public-interest strategic leadership; public-private sector alignment; defined decision rights; and accountable industry delivery	The revised wording distinguishes public-interest direction, allocation of authority and delivery, without assuming that these functions must be consolidated within one institution.
5	Legal and governance principles	System governance principles	The key issue is how the payment system is governed, not its legal status. The revised heading provides a clearer home for regulation, governance, accountability and allocation of responsibilities.
6	Legal and Governance	Coherent and proportionate regulatory framework	The revised wording is more concise and makes proportionality an explicit feature of the regulatory framework. Requirements should reflect the role, risk and public-interest significance of the activity concerned. Clarity and consistency form part of coherence.
7	Legal and Governance principles: Robust and appropriate system governance	Robust, balanced, proportionate and accountable system governance	"Appropriate" provides no clear test. The revised wording identifies the characteristics against which future governance arrangements should be assessed.
8	Platform objectives	Infrastructure and delivery objectives	A platform-focused framing is too narrow. Future arrangements may involve multiple systems, capabilities and delivery mechanisms.
9	Platform objectives: A capable and focused owner and operator with a clear public purpose	Clear accountability for infrastructure, operation and outcomes	The current wording assumes that ownership and operation should sit together and implies an institutional model before options have been assessed. The revised wording sets the required accountability while leaving ownership and operation open.
10	Platform objectives Broad participation model	Broad and proportionate access	Access should support competition and innovation while reflecting participant role and risk. Proportionality allows different pathways for organisations of different scale and circumstances without weakening necessary safeguards.
11	Platform objectives: Utility funding models, calibrated to use cases and incentivising modernisation	Sustainable funding aligned with costs, benefits and incentives	Linking funding directly to use cases is too restrictive, i.e. modernisation should enable use cases we do not know about yet. Funding should recognise whole-of-system costs, where benefits accrue, who carries delivery risk and whether incentives support investment, operation, resilience and reinvestment.
12	Platform design principles	Design principles	Removing "platform" avoids assuming that the future system will be organised around a single platform. The principles should apply across current and future infrastructure, shared capabilities, interfaces and operating arrangements.

No	Current wording	Payments NZ proposed wording	Reason
13	Platform design principles: Finality and irrevocability	Robust settlement, certainty of fate and risk management	Finality and irrevocability are too narrow and may imply a pre-determined line-by-line real time gross settlement approach. The revised wording focuses on the outcomes that matter while allowing gross, net and hybrid approaches to be assessed against liquidity, cost, resilience and risk-management considerations.
14	Platform design principles: Safety via trust framework and governance	Safety and consumer protection by design	The revised wording is more direct and customer-focused. Safety and consumer protection should be embedded in system design rather than treated mainly as products of governance documentation or a trust framework.
15	Platform design principles: Future-focused and efficient by design	Future-focused, scalable, adaptable and efficient by design	The system must accommodate changing volumes, participants, technologies, forms of money and use cases without repeated structural replacement. Scalability and adaptability should therefore be explicit.

108. Together, these changes move Figure 3 away from a platform-led model. The revised framework starts with system outcomes, identifies where accountability sits, supports proportionate access and regulation, provides for sustainable funding and keeps future infrastructure and technology choices open.

Alignment without centralisation

109. Future adaptability requires authority, accountability, funding and delivery responsibilities to be allocated according to the function being performed and the capability required. Public-interest outcomes, governance, infrastructure design and delivery should be aligned, but they do not need to be consolidated within a single public institution.
110. A future-ready framework should align clear public-interest direction with market-led solution design and accountable industry delivery while keeping future technology, infrastructure and operating choices open. This will allow Aotearoa to add new services, respond to new forms of money and technology, and evolve without recreating the constraints modernisation is intended to address.

Reform principles

Question 6: Do you agree with the proposed principles for strategic leadership and reform? Are there any additional principles that should be considered?

111. Payments NZ considers that the proposed principles should provide clearer guidance on how choices should be made between competing governance, regulatory and delivery models. The next phase of reform will require decisions about authority, accountability, funding, delivery capability and how long-term strategic direction for the payment system is established. The principles should therefore help determine how these functions are allocated and aligned.

112. Payments NZ recommends the Reserve Bank consider the following additional principles:

Effective leadership with a clear mandate and accountability

- **Defined roles, responsibilities and decision rights.** The framework should clearly identify responsibility and authority for strategy, regulation, governance, standards, infrastructure, investment, implementation, delivery and operational management.
- **Sustainable funding.** Funding arrangements should support the investment, operation, resilience and ongoing development of payment system capabilities. Funding responsibility should be aligned with authority, delivery responsibility, incentives and expected benefits.
- **Preservation of delivery capability.** Reforms should recognise and, wherever practicable, preserve proven implementation and delivery capability that supports modernisation outcomes.
- **Managed transition.** Transition arrangements should preserve proven implementation and delivery capability, maintain clear accountability for outcomes, support continuity of service, and ensure interoperability between existing and new systems, rather than creating separate and independent payment rails. Reform should be phased, realistic and proportionate to the scale of the problem or opportunity.

A clear, consistent, and coherent regulatory framework

- **Proportionality.** Regulation, access and participation obligations should reflect role, scale, risk and public-interest significance.
- **Evidence-based and targeted intervention.** Significant governance, regulatory or institutional changes should be supported by a clear diagnosis, evidence of need and assessment against credible alternatives. Public intervention should be proportionate to the problem being addressed.
- **Coherent regulatory framework.** Payments regulation, access and participation obligations should reflect role, scale, risk and public-interest significance. Payments regulation currently sits across multiple statutes and institutions. Regulatory coherence should be pursued through clear roles, mandates and accountability rather than structural consolidation for its own sake.

Trade-offs

Question 7: What are the key trade-offs for the future payment system?

113. The trade-offs should remain visible as options are developed and assessed. Every major choice should identify the outcomes being prioritised, the benefits gained, the costs and risks incurred, the capabilities created and the effect on future flexibility.
114. Institutional and market structure trade-offs concern how authority, accountability, funding and delivery responsibilities are allocated. Payment system design trade-offs concern how competing objectives are balanced through architecture, access arrangements, operating models and risk controls. Keeping them separate will allow institutional and technical choices to be assessed independently.
115. Established international payment-system principles and research should provide the starting point. Aotearoa should draw on this work rather than develop a bespoke trade-off framework, then apply it to our scale, existing capabilities, market structure and public-interest objectives. The trade-offs should remain explicit, evidence-based and capable of being revisited as implementation progresses. The initial trade-offs identified below provide a starting point for that assessment.

Payment-system design trade-offs

116. **Safety and resilience versus efficiency and accessibility.** Stronger controls and resilience measures can increase cost and operational complexity. Lower access barriers can support competition and innovation but may require safeguards matched to participant role and risk. Competition and reliability interact through access settings, participation requirements and the resilience obligations applied to different participants. The future model should proportionally calibrate access, resilience and risk controls, rather than maximise either openness or control.
117. **Speed and convenience versus fraud prevention and consumer protection.** Faster and more certain payments can improve customer experience, cash flow and economic efficiency. They also reduce the time available to identify and stop fraud, scams and errors, although real time detection and prevention capabilities can mitigate this tension. Faster payments should include speed-aligned prevention and intervention capabilities, and clarity around post-transaction liability and recovery arrangements as part of the design.
118. **Immediate capability versus affordability and transition risk.** Faster delivery can bring forward benefits but increase implementation cost, migration complexity and operational risk. A phased approach is likely to reduce implementation risk, support learning and begin delivering benefits earlier than a single large-scale implementation event. Sequencing should reflect the value and urgency of the capability, participant readiness, dependencies and the practical transition pathway.
119. **Coexistence versus migration.** Introducing new capability alongside existing systems can preserve customer choice, reduce transition risk, increase national-level resilience, and allow value to be delivered incrementally. Full migration may simplify the long-term architecture but can increase implementation complexity, disruption and stranded-investment risk. The intended relationship between new and existing arrangements should therefore be explicit in the options assessment.
120. **Settlement risk versus liquidity, cost and operational resilience.** Gross, net and hybrid settlement models manage risk in different ways. Line-by-line gross settlement removes inter-institution settlement exposure. Net and hybrid models can provide liquidity and processing efficiencies supported by appropriate risk controls. Disruption risk can also be managed through participation requirements, financial safeguards, operational standards and resilience obligations, so centralised settlement should not be treated as the only available control. The settlement model choice affects infrastructure capacity, liquidity and capital requirements, access, cost and operational dependencies and should remain open until those trade-offs have been assessed. We do not support decisions being made on adopting an RTGS settlement model for real time payments until there is clarity on the outcomes and a detailed assessment of options has been completed.

Institutional and market structure trade-offs

121. **Concentrated authority versus distributed expertise and contestability.** Stronger public-interest leadership may require clearer authority, accountability and decision rights. It does not automatically follow that strategy, regulation, governance, standards, infrastructure operation and delivery should be consolidated within one institution. Concentrating functions can simplify coordination but may also create operational concentration risk, reduce contestability, dilute specialised expertise and weaken delivery capacity. Distributed arrangements preserve expertise, resilience and delivery capability, provided decision rights, accountability and coordination are clear.

122. **Direct control versus alignment and accountable delivery.** The balance should be determined function by function across strategy, regulation, governance, standards, infrastructure and delivery. An aligned public-private model can retain specialist expertise, operational capability and contestability while holding delivery bodies accountable for results. Payments NZ considers that clear public-interest direction, public-private alignment and accountable industry delivery provide the strongest basis for Aotearoa. Public agencies should set public-interest outcomes and regulatory expectations. Delivery responsibility should remain with organisations that have the capability, incentives and accountability to deliver those outcomes effectively. This is consistent with the approach adopted by the United Kingdom⁶ and Australia⁷.
123. **Uniform access versus proportionate participation requirements.** Common requirements provide consistency and simplify oversight but may not reflect differences in participant role, scale and risk. We support prioritising methods that support broad access and participation with proportionate and right-sized safeguards that ensure the appropriate integrity and confidence. They may include layered access and participation options, and targeted access pathways to different modules of the payments ecosystem.
124. **Public funding versus participant or user funding.** Funding choices determine who pays for infrastructure, integration, migration, operation and reinvestment. They also shape incentives and accountability. The model should reflect where benefits accrue, who carries delivery risk and who has authority to require the investment. It must also preserve a sustainable funding base for resilience, innovation and ongoing reinvestment, while supporting the development of financially sustainable and innovative products and services that provide benefits to businesses and consumers and the wider economy.

Options

Question 8: Do you agree with the system-level and platform-level questions identified for considering future options? Are any important questions missing?

125. We broadly agree with the system-level and platform-level questions identified by the Reserve Bank. They appropriately cover leadership, regulation, infrastructure control, ownership and operation, governance, participation, funding and capability. The central purpose of the options phase should be to define the outcomes Aotearoa wants to achieve, the capabilities needed to support them and the problems reform is intended to solve. It should then determine how public-interest outcomes, decision rights, accountability, funding and proven delivery capability are best aligned. Institutional arrangements should follow from that analysis rather than precede it.
126. We have concerns that parts of the Issues Paper appear to favour particular institutional conclusions before the diagnosis, capability requirements and options assessment have been completed.

⁶ UK's HM Treasury, [Strategy for Future Retail Payments Infrastructure](#), 7 November 2025: "...based on collaboration between the public and private sectors..." and "...balances the strategic direction that the public sector provides, with the deep industry knowledge and delivery capacity of the UK's payments ecosystem."

⁷ Australian Government Treasury, [A Strategic Plan for Australia's Payments System](#), June 2023: the Plan was developed "in collaboration with regulators, industry, consumer and business representatives" and is intended to provide "certainty and clarity" to support industry investment and innovation.

Options that should remain available

127. Evolution of existing payment system governance arrangements should remain within the option set alongside more structural alternatives. The option set should include strengthened public-interest direction and oversight with accountable industry delivery; new or reconfigured entities for specific functions; alternative ownership or operating arrangements where the evidence demonstrates a clear need; and phased combinations of these approaches.

Settlement architecture should remain open

128. Future adaptability should not be conflated with a particular settlement architecture. Real time customer outcomes, certainty of payment fate, cross-border interoperability and support for future capabilities may be achievable through gross, net or hybrid settlement models. The desired outcomes should be defined first, with settlement options assessed against liquidity, operational resilience, risk management, cost, scalability and implementation complexity.
129. Line-by-line real time gross settlement provides immediate settlement finality and removes inter-institution settlement exposure. It also introduces different liquidity, throughput, operational and infrastructure considerations. Modern deferred-net and hybrid models can deliver real time customer outcomes while managing settlement risk differently.
130. Gross, net and hybrid approaches should remain available until they have been assessed against the outcomes sought and the associated cost, liquidity, resilience and risk-management trade-offs.

Transition and participation

131. The quality of the end-state design alone will not determine success. Migration sequencing, implementation costs, operational resilience during transition, participant readiness, coexistence arrangements and stranded investment will materially affect whether the benefits from modernisation can be realised.
132. The options phase should be transparent and draw on public authorities, industry participants, non-bank providers, merchants, consumer representatives and other stakeholders. Effective reform requires operational, technical and implementation knowledge from across the ecosystem.
133. The options phase should produce a genuinely comparable set of institutional, governance, ownership, operating and settlement models. Each should be capable of being tested against evidence and the same criteria.

Conditions for structural reform

134. Any structurally different model should preserve proven delivery capability, align authority with accountability, establish sustainable funding arrangements and assess concentration risk using the same evidential standard applied to current arrangements.

Assessment criteria

Question 9: Do you have feedback on the criteria that should be used to assess future options?

135. Future options should be assessed through a transparent and consistent framework. Once the desired outcomes have been defined, the objective should be to identify the arrangements most likely to deliver them, rather than selecting arrangements because they align with a predetermined model or international precedent.
136. Assessment should begin with a clear understanding of the problem being addressed. Capability gaps are observable. Their causes and appropriate remedies require testing against the evidence and credible alternatives.
137. The common framework should test problem fit, public-interest outcomes, whole-of-system impacts, governance quality and the credibility of the delivery pathway.
138. Payments NZ's recommended evaluation criteria are set out below.

Recommended evaluation criteria

- **Problem fit.** Does the option address the evidenced cause of the problem?
 - **Counterfactual.** What is likely to occur under existing arrangements, including reforms, market developments and improvements likely to occur before modernisation benefits are realised, and what additional value would the option create?
 - **Public-interest outcomes.** How effectively does the option support safety, resilience, efficiency, competition, innovation, inclusion, trust and future adaptability?
 - **Whole-of-system costs and benefits.** What are the infrastructure, integration, migration, compliance, operating and transition costs, and how do they compare with expected benefits?
 - **Distribution and incentives.** Who bears the costs, who receives the benefits and are incentives aligned with the outcomes sought?
 - **Deliverability.** Can the option be implemented within realistic capability, sequencing and time constraints?
 - **Transition risk.** What operational, implementation and migration risks arise during transition?
 - **Governance quality.** Are mandate, accountability, decision rights, representation and oversight clear and coherent?
 - **Concentration risk and contestability.** Does the option create unnecessary concentration of authority, operational capability, infrastructure dependency or decision-making power, and how would this affect resilience and accountability?
 - **Durability and adaptability.** Can the model evolve as technologies, participants, business models and public-interest priorities change?
 - **Proportionality.** Is the degree of intervention justified by the evidence, the scale of the problem and the expected benefits?
139. Deliverability and transition risk should carry particular weight in assessment. An option that cannot be implemented credibly, affordably and within realistic timeframes is unlikely to achieve its intended outcomes regardless of its theoretical merits.

140. It is essential to define outcomes and test the diagnosis. Every option should be assessed against evidence, whole-of-system value, risk, adaptability and deliverability.

Co-design

141. Modernisation will require decisions that draw on public-interest objectives, industry expertise and the perspectives of those who use and participate in the payments ecosystem. No single organisation holds all the information, capability or perspective needed to design the future system. A co-design approach would bring these perspectives together while maintaining clear roles and accountability for decision-making and delivery.
142. Payments NZ submits that the best outcomes will be achieved through an open public-private co-design process centred on an outcomes-led approach to modernisation. Public authorities should provide clear public-interest direction, while industry should bring the operational knowledge and implementation expertise needed to translate that direction into a workable roadmap. The process should involve industry participants, non-bank providers, merchants, consumer representatives and other affected stakeholders. Payments NZ is well placed to support this work.
143. We propose that the co-design process should:
- Agree the evidence base and problem definitions.
 - Define national outcomes, priorities and measurable success criteria.
 - Identify required capabilities and sequence them into a roadmap.
 - Develop a broad institutional and technology option set.
 - Assess options transparently using agreed criteria.
 - Confirm mandate, decision rights, accountabilities and funding.
 - Design a phased implementation and transition plan.
 - Publish decisions, rationale, milestones and outcome reporting.
144. Payments NZ can contribute:
- Industry coordination and the ability to convene stakeholders from across banks, non-banks, technology providers, merchants and other ecosystem stakeholders.
 - Operational knowledge of the clearing systems, rules, standards and participant requirements.
 - Evidence from NextGen research, engagement and capability analysis.
 - Data and analysis to validate the current-state baseline and test reform options.
 - Implementation expertise covering standards, migration, testing, operational readiness and ongoing governance.
145. Payments NZ would welcome the opportunity to work with the Reserve Bank and other stakeholders through this process.

Conclusion

146. Payments NZ supports the modernisation of the retail payment system in Aotearoa. We support clearer and more enduring national-level strategic direction, clearer accountability, governance reform and investment in new payment capabilities.
147. Modernisation should be grounded in an accurate understanding of the current system. Capability gaps should not predetermine either the diagnosis or the institutional remedy. The existing system provides high levels of trust and resilience and has demonstrated an ability to deliver significant industry-led change and innovation. Reform should build on these strengths while addressing genuine capability gaps and improving outcomes for Aotearoa.
148. Our central recommendation is to define outcomes first, identify the capabilities required to address them, and align clear public-interest direction with accountable industry delivery. This approach combines clear public-interest direction, market-led solution design and proven industry capability to deliver system-wide change.
149. Payments NZ looks forward to working with the Reserve Bank and wider stakeholders to support the next phase of modernisation.

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