

# Submission

to the

## Council of Financial Regulators

on the

### Issues Paper: *Access to Basic Transaction Accounts*

18 June 2025



## About NZBA

1. The New Zealand Banking Association – Te Rangapū Pēke (**NZBA**) is the voice of the banking industry. We work with our member banks on non-competitive issues to tell the industry's story and develop and promote policy outcomes that deliver for New Zealanders.
2. The following seventeen registered banks in New Zealand are members of NZBA:
  - ANZ Bank New Zealand Limited
  - ASB Bank Limited
  - Bank of China (NZ) Limited
  - Bank of New Zealand
  - China Construction Bank (New Zealand) Limited
  - Citibank N.A.
  - The Co-operative Bank Limited
  - Heartland Bank Limited
  - The Hongkong and Shanghai Banking Corporation Limited
  - Industrial and Commercial Bank of China (New Zealand) Limited
  - JPMorgan Chase Bank N.A.
  - KB Kookmin Bank Auckland Branch
  - Kiwibank Limited
  - Rabobank New Zealand Limited
  - SBS Bank
  - TSB Bank Limited
  - Westpac New Zealand Limited

## Contact details

3. If you would like to discuss any aspect of this submission, please contact:

Antony Buick-Constable  
Deputy Chief Executive & General Counsel  
[antony.buick-constable@nzba.org.nz](mailto:antony.buick-constable@nzba.org.nz)

Sam Schuyt  
Policy Director & Legal Counsel  
[sam.schuyt@nzba.org.nz](mailto:sam.schuyt@nzba.org.nz)



## Introduction

4. NZBA welcomes the opportunity to provide feedback to the Council of Financial Regulators (**CoFR**) on the Issues Paper: *Access to Basic Transaction Accounts (Issues Paper)*. NZBA commends the work that has gone into developing the Issues Paper.
5. We support, in principle, the policy objective of enhancing financial inclusion and look forward to continuing to engage with the Reserve Bank of New Zealand (**RBNZ**) and CoFR on this important work. We acknowledge that access to transaction accounts is an important issue and we support effective and proportionate measures to improve access to transaction accounts in Aotearoa New Zealand.
6. Existing research by RBNZ and others has provided a view of some of the barriers to accessing transaction accounts. We consider that the most significant issues preventing access relate to legislative and regulatory requirements around onboarding and customer verification.
7. Positive actions are already being taken to reduce these barriers, such as through the Statutes Amendment Bill (**Bill**) which looks to remove the requirement for banks to verify a person's address as part of standard customer due diligence. This Bill is currently progressing through Parliament and we expect it will likely address one of the most significant barriers to accessing a transaction account.
8. We have responded to Questions 1 – 8 of the Issues Paper below.

## Do you agree this Issues Paper identifies the key problems associated with access to transaction accounts in Aotearoa New Zealand?

9. As noted above, we acknowledge that access to transaction accounts is an important issue and we support effective and proportionate measures to improve access to transaction accounts in Aotearoa New Zealand.
10. We consider the Issues Paper correctly identifies key themes around onboarding and 'know your customer' (**KYC**) regulatory requirements. As noted at paragraph 7, there are actions underway to help ease these barriers. In our view it would also be helpful as this work progresses to build on the existing research to develop a more detailed view of the number of people in New Zealand facing barriers to accessing transaction accounts, the way that number is split across different barriers, and the underlying causes of those barriers.
11. The Issues Paper considers a range of financial inclusion issues which are in fact quite diverse, and can require different solutions to address. For example, customers in vulnerable circumstances, customers with poor credit histories and 'high risk' customers (such as not-for-profits and trusts) face different barriers which may require different solutions.



12. We note the estimate provided by the World Bank has a wide margin of error. Additionally, it is four years old, and there have been a wide range of initiatives that may have improved access to transaction accounts during that time. It would be helpful to have a more robust estimate of the number of people in New Zealand who are unbanked.
13. This would provide a useful baseline to build a better understanding of how many unbanked people face particular types of barriers. This includes understanding:
  - 13.1. How many people face barriers during the onboarding process, and how many face barriers before reaching the onboarding process.
  - 13.2. The underlying causes of the barriers faced during the onboarding process, and how many people face each type of barrier and each type of underlying cause.
14. Additionally, we note that:
  - 14.1. The Issues Paper does not show that the current “product settings or features” of transaction accounts pose barriers to access, or that changes to those product settings or features would help to remove barriers to access.
  - 14.2. While we acknowledge the correlating data presented in the Issues Paper from other countries that have introduced basic bank accounts, the work has not yet been done – as the Issues Paper states – to understand how the research fits in with the challenges specific to New Zealand. For example, New Zealand already has free transaction accounts and does not face the same AML/CFT challenges as countries like Mexico, where 51% of people are unbanked.

**Do you agree that efforts should be taken by banks and regulators to improve access to transaction accounts in Aotearoa New Zealand?**

15. NZBA is supportive of this objective, provided any approach is flexible, proportionate and appropriate within the specific context of New Zealand. We agree that access to banking is fundamental to meaningful participation in modern society.
16. A lot of good work has already been carried out to progress this objective. The Statutes Amendment Bill, for example, looks to remove the requirement for banks to verify a person’s address as part of standard customer due diligence. The Bill is currently progressing through Parliament, and we expect it will likely remove one of the most significant barriers to accessing a transaction account.
17. Banks already offer basic fee-free transaction accounts, and we do not consider an additional, restricted functionality product would be the most effective solution to the issue.



## **Do you agree with the definition of a basic transaction account used in this Issues Paper?**

18. There is no universal definition of a “basic transaction account”. Terms similar to “basic transaction account” are used to describe a variety of different products, with different features, across different jurisdictions.
19. As set out in more detail at paragraphs 24-26 below, we do not believe there is a need for a separate product labelled a “basic transaction account” in New Zealand.
20. We reiterate that onboarding / KYC requirements are in our view a key issue to be focused on. We submit that there needs to be flexibility for individual banks to decide what measures are the most appropriate to implement, and how they should be implemented.

## **Do you agree with our objective to improve access to transaction accounts through promoting the widespread availability of *basic transaction accounts*?**

21. We agree with the objective to improve access to transaction accounts.
22. However, it appears that CoFR is proposing a single solution built from two separate elements: changes to onboarding / KYC processes *and* the establishment of basic bank accounts with limited functionality.
23. NZBA submits that CoFR should more clearly separate the two issues – onboarding and the product offering – and further consider how each separately restricts access to transaction accounts. We would be happy to collaborate with RBNZ in progressing this work.
24. We support efforts to better understand barriers in the onboarding process and to develop efficient and effective solutions as required. However, as noted above, we do not consider that a new ‘basic’ transaction account product needs to be created to effectively address the issue of access to banking.
25. There are two key features proposed for a ‘basic’ transaction account product that would distinguish them from current offerings, being:
  - 25.1. No ability to go into overdraft
  - 25.2. Balance caps and transaction limits.
26. The Issues Paper does not demonstrate how these restrictions would improve access to banking. Other barriers (for example, language barriers and branch access) are not related to a lack of suitable identification and would not be addressed by this proposal. We also note that banks do have mitigating processes to avoid an account going into unarranged overdraft.



### **Do you agree that all New Zealanders should have the right to access a basic transaction account?**

27. We agree that all New Zealanders should have the ability to access banking services, given how fundamental a bank account is to participation in modern society. We note that in some cases this objective must be balanced with other considerations, such as the safety of frontline staff and money-laundering and financing of terrorism risks.

### **What features do you think a basic transaction account should have?**

28. As noted above, New Zealand banks already offer transaction accounts that are free to establish and access, have options for delayed identity verification and alternative forms of ID in appropriate circumstances, and are accessible across a range of channels (such as internet banking, mobile apps and branches).
29. Given the existing products already available, we do not believe a separate, restricted basic bank account product needs to be created in order to improve access to banking in Aotearoa New Zealand. Additionally, it is unlikely to meet the needs of customers.

### **Which of the following approaches do you think would be most effective in Aotearoa New Zealand to make basic transaction accounts widely available?**

30. As set out in paragraphs 10-13, we consider that further work on what is required to improve access to banking would provide insight into which approach would be most effective.
31. However, we consider at this stage that some support from regulators and supervisors will be needed to review regulatory requirements that create barriers to access,. We would welcome further discussion with RBNZ and other CoFR members around this.
- 31.1. For example, removing the requirement to provide proof of address for low-risk prospects (as is currently being considered) would likely make a significant difference to accessing banking for many New Zealanders.

### **Do you have any suggestions on how to improve access to basic transaction accounts that are not outlined in the Issues Paper?**

32. As noted above, we consider that a significant barrier for unbanked New Zealanders is the legislative customer due diligence requirement to provide proof of identity and proof of address. This view is supported by relevant research such as RBNZ's *First Steps to Financial Inclusion* and Westpac NZ's *Access to Banking in Aotearoa* reports.
33. Significant work is currently underway on these two issues, including:
- 33.1. **Proof of ID:** ID exceptions processes can assist where a customer faces difficulty in obtaining an ID for a legitimate reason. For example, older and



younger customers may have no separate need for an ID. Banks have exceptions processes in place that allow them to accept a wider variety of documents as proof of identity, or delay verification of identity, where appropriate. Amendments to the Identity Verification Code of Practice (or separate guidance) to provide more information on acceptable alternative identity options and / or to ensure currency with domestic and international changes to ID forms should also be considered to provide greater confidence in the parameters of the exceptions process. AML supervisors could also consider sharing examples of good practice.

- 33.2. **Proof of address:** Obtaining proof of address can be challenging for some people, e.g. recent migrants, who RBNZ's research indicates are one of the most likely groups to experience difficulties when opening an account. Changes to address verification requirements for standard customer due diligence through the Statutes Amendment Bill will hopefully address barriers for those who cannot provide address verification. This could lead to significant improvements in account accessibility, and we encourage CoFR to support the progress of the Bill.