

Submission

to the

Ministry of Business, Innovation and
Employment

on the

Discussion Document: *Payment
services regulation*

3 July 2026



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 sixteen 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.
 - Kiwibank Limited
 - Rabobank New Zealand Limited
 - SBS Bank
 - TSB Bank Limited
 - Westpac New Zealand Limited

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Introduction

4. NZBA welcomes the opportunity to provide feedback to the Ministry of Business, Innovation and Employment (**MBIE**) on the Discussion Document: *Payment services regulation* (**Discussion Document**). NZBA commends the work that has gone into developing the Discussion Document.
5. We agree that there is a wide range of payments-related products and services available to consumers that may look similar, but that can be subject to different rules, protections and requirements. We also agree that understanding and application of these different rules and protections are not always clear or fit for purpose.
6. Accordingly, we support MBIE's intent to look into opportunities to improve and coordinate payment services regulation.
7. In our view, a more effective regulatory approach would be principled, activity based, and aligned across all regulators as well as with overseas regimes, ensuring support for safe innovation across both retail and wholesale contexts without imposing disproportionate or duplicative requirements.
8. This submission is set out at a relatively high level, reflecting the contents of the submission document, and focuses on the following points:
 - 8.1. The need for an independent, ecosystem-wide review of New Zealand's payments system, to inform a Government-led, co-designed national payments strategy with industry input. This national strategy could, in turn, inform and address:
 - 8.1.1. The importance of careful sequencing with other, related reforms, to avoid regulatory overlap and re-working, and to enable quality, meaningful consultation and safe implementation.
 - 8.1.2. The need to ensure any future payment services regulation enables efficiency and avoids duplication (including overlap in the roles and responsibilities of regulators).
 - 8.1.3. Clear visibility of system ownership and accountability, consistent baseline protections, end-to-end accountability, fraud and scam prevention, and commercial sustainability.
 - 8.2. The need to examine barriers to access beyond commercial arrangements.
 - 8.3. Ensuring full coverage of the payments ecosystem, while maintaining competitive neutrality and proportionality.
9. We look forward to continuing to engage with MBIE and other regulators as more detailed proposals are advanced.



Key submission points

Need for national payments strategy

10. NZBA submits that, given the breadth and variety of proposed and ongoing reforms relating to payment services, there is a need for New Zealand to create a national payments strategy and clearly articulated reform roadmap. In our view, the development of this overarching national plan should be led by Government, but co-created in consultation with industry.
11. The following section – *Sequencing regulatory reform* – highlights the number of ongoing workstreams in the payments space. The issue is not solely the large quantity of reforms concurrently underway; it is the lack of prioritisation and sequencing. A national strategy of stated goals and timeframes would assist in the prioritisation and sequencing of the various reforms against an agreed view of the outcomes New Zealand is trying to achieve.

Sequencing regulatory reform

12. It is important that regulatory reform in the payments space is sequenced appropriately to avoid re-work and to enable quality, meaningful consultation and safe implementation.
13. There are a number of ongoing workstreams relating to payment services regulation. In addition to this Discussion Document.
 - 13.1. The Reserve Bank of New Zealand (**RBNZ**):
 - 13.1.1. has publicly announced its intent to lead work on payments modernisation.
 - 13.1.2. has responsibilities in relation to financial markets infrastructure and is considering designating the High Value Clearing System as a financial market infrastructure. We understand RBNZ may also be considering whether it would be appropriate to designate Settlement Before Interchange.
 - 13.1.3. is currently consulting on proposed minimum cash standards.
 - 13.2. MBIE continues to lead work on open banking through regulations under the Customer and Product Data Act 2025, which governs interactions between designated banks and fintechs, with flow on effects on how customers can make payments.
 - 13.3. The Commerce Commission:



- 13.3.1. has responsibilities under the Retail Payment System Act 2022 and is currently consulting on changes to interchange fee caps.
 - 13.3.2. following the market study into personal banking services, continues to take an ongoing interest in competition in the payments space.
 - 13.4. The Financial Markets Authority (**FMA**):
 - 13.4.1. is consulting on whether the regulatory framework for custody of client assets remains fit for purpose, with a view to strengthening safeguards, aligning with international standards, and addressing emerging risks.
 - 13.4.2. has previously consulted on tokenisation in financial markets.
 - 13.5. The Financial Markets (International Money Transfers) Amendment Bill seeks to change the disclosure requirements for some entities who provide international money transfer services.
 - 13.6. The Retail Payment System (Ban on Merchant Surcharges) Amendment Bill seeks to ban merchant surcharging.
 - 13.7. The Ministry of Justice and Department of Internal Affairs continue to work at pace on reforms to the AML/CFT regime, which impacts reporting entities' obligations in relation to the monitoring and reporting of payments.
14. Additionally:
 - 14.1. The banking industry continues to work with Government and other industries to combat fraud and scams. This includes initiatives such as the Anti-Scam Alliance, data sharing framework, Confirmation of Payee, pre-transaction warnings and fraud monitoring of payments.
 - 14.2. Payments New Zealand continues to progress industry initiatives, such as improvements to the switching process.
15. There is a live risk that without coordination and careful sequencing, various aspects of the payments system could be subject to repeated re-working as changes are implemented across each of these workstreams. For example, any changes to back-end systems as a result of the above initiatives could impact the need for, and shape of, front-end consumer protections. A national payments strategy could assist in assessing reform choices against New Zealand's scale, delivery capacity, investment requirements and long-term system outcomes.
16. NZBA submits that clear interfaces and accountability should be established between MBIE, RBNZ, the FMA, the Commerce Commission and other agencies as relevant (including the Department of Internal Affairs from an anti-money laundering and digital



identity perspective, and Inland Revenue from a crypto-asset reporting and digital platform information perspective).

- 16.1. From an accountability perspective, this could include clear system ownership for payments, including which Minister, department or agency is accountable for payments strategy, prioritisation and sequencing, while preserving the distinct roles of prudential, conduct and competition regulators within the payments context.
- 16.2. From an interface perspective, this could include coordinated or cross-regulator initiatives to ensure cohesive development of new requirements and innovations, with oversight from the entity responsible for oversight.
17. We also consider it essential that clear and reasonable timelines are provided for any future developments, to ensure there can be quality, meaningful consultation and safe implementation, including accommodation for work (or re-work) required for participation in multinational schemes.
18. There are a limited number of payments experts in New Zealand, who are currently managing a large amount of very fragmented, uncertain regulatory consultation and change. As a result, there is limited delivery capacity, along with investment constraints, for changes to the payments system. We submit future reform should be sequenced in a way that is realistic for New Zealand's scale, available expertise, implementation capacity and the cumulative impost of regulatory change.
19. Additionally, a clear roadmap of payments-related reforms would enable a comprehensive view of the investment required and support effective prioritisation decisions. Investment in payment-related reforms should be balanced with investment in other innovations.
20. Another important aspect of regulatory development and implementation is the ability for providers to safely innovate. To enable this, NZBA submits that regulatory settings should allow for experimentation (such as pilots and sandboxes), while maintaining trust, security, resilience and financial stability.

Avoiding duplication

21. Given the wide range of legislation and regulators relating to payment services and payment providers, it will be important to avoid duplication and regulatory overlap in any future payment services policy and regulation.
22. Overlapping obligations would increase costs, create uncertainty, and risk inconsistent requirements. A clear and coordinated framework would improve efficiency, support proportionate regulation, and provide greater certainty for participants.



Barriers beyond commercial arrangements

23. The Discussion Document observes that some providers report barriers in the commercial arrangements they need in order to operate and grow.
24. Where non-bank participants struggle to receive the services they need to operate, it is important to understand and, if necessary, address the underlying drivers beyond just commercial arrangements.
25. For example, banks are subject to significant regulatory requirements, which include the need to manage regulatory, prudential, financial crime, operational resilience and customer protection risks created by third-party business models.
26. NZBA considers that the allocation of risk across providers should be assessed as part of MBIE's review of barriers to entry – in particular, we submit that participants who introduce or control risk should be responsible for managing that risk; banks should not be left as the default control point or remediation provider where they lack direct visibility or control of a third-party provider.
27. We submit that in examining barriers to access or entry, MBIE should consider broader issues than commercial arrangements, including regulatory barriers, risk allocation, access dependencies and accountability across the full payment chain. This would help against any access reforms unintentionally shifting unmanaged risk onto banks or customers.

Options for future rules

28. We support the possible objectives set out by MBIE at paragraph 4.1 of the Discussion Document. We set out additional comments on the objectives below.
29. In our view, a future approach to payment regulation should recognise the full payments ecosystem by ensuring coverage of both retail and wholesale use cases, including tokenised money and institutional settlement activities, rather than focusing predominantly on consumer-facing services. Further, such an approach should be activity-based and technology neutral, with similar activities, accompanied by similar risk, being subject to the same regulation. This could include:
 - 29.1. A common baseline for safeguarding customer funds that work. This could include consideration of segregation or equivalent protections of customer funds; clear disclosure, dispute resolution and conduct obligations; consistent operational resilience and liability / accountability requirements; and, overall, consistency across bank and non-bank providers where economically similar services are offered (which should factor in a need to avoid duplication where existing prudential frameworks already provide strong protection).



- 29.2. A technology-neutral design, to ensure rules work across cards, stablecoin-linked models, tokenised deposits, account-to-account payments, digital wallets etc. We also submit that MBIE should consider agentic commerce as part of this workstream.
- 29.3. Clear responsibility and liability across the full service chain (including intermediaries, outsourcing arrangements, sponsor-bank models, wallets, gateways and other embedded participants). This should include:
 - 29.3.1. Role-based allocation of responsibility, reflecting which participant controls each stage of the transaction;
 - 29.3.2. Avoiding default assumptions that liability sits with banks due to their position in the ecosystem;
 - 29.3.3. Clear expectations for cooperation and information-sharing across providers where issues span multiple parties;
 - 29.3.4. An activity-based framework complemented by a tiered, risk-based approach, where obligations scale according to:
 - whether customer funds or stored value are held;
 - transaction volume and systemic importance;
 - the provider's role in the value chain; and
 - the potential impact on customers and financial stability.

This would allow higher-risk activities to be subject to stronger requirements, while ensuring lower-risk innovation is not unnecessarily constrained.

30. To achieve this objective, NZBA supports, in principle, a licensing regime, provided it forms part of a broader, coordinated regulatory framework that delivers consistent customer protections, maintains competitive neutrality, and aligns with the roadmap for payments modernisation. New Zealand should avoid creating a licensing framework that duplicates existing prudential and conduct regulation or imposes inconsistent obligations across participants performing the same payment activity. Any licensing regime should be activity-based, proportionate, and integrated with existing regulatory frameworks.
31. We agree with the objective to support competition, innovation and new services. However, we further consider it important to maintain competitive neutrality and proportionality, avoiding duplicative requirements for regulated banks and applying consistent obligations based on the particular activity and related risk. In essence, we consider that services exposed to the same risk should be subject to the same regulation, and that providers should not be subject to duplicative requirements. We



consider that any proportionality considerations should apply only to the intensity of supervision and any additional obligations, and not to the existence of core baseline protections.

32. Alongside competition on price, competition on features is also important, and good consumer protection requires investment. Banks provide significant value to customers in the payments ecosystem, including strong protections. Investment is needed to maintain secure, resilient and trusted payments infrastructure. For example, banks have been, and continue to, invest heavily in anti-scam and fraud prevention measures (including the industry-wide initiatives referred to at paragraph 14.1 above). Any future regulatory approach should recognise that such initiatives require sustained investment, and include clear principles for how costs, risks and incentives are allocated across the ecosystem.
33. A race to the cheapest possible price does not necessarily lead to the best outcome for consumers – we support competition and entry in a safe, commercially sustainable way, that avoids undermining resilience, consumer protection or investment in core payments infrastructure. We submit that Government and industry should agree upon funding and investment principles before major policy or infrastructure decisions are confirmed, particularly given New Zealand’s market scale.
34. We support international interoperability and alignment with global standards – this is important for New Zealand participants to connect seamlessly with international counterparts and remain competitive.