

Submission

to the

Reserve Bank of New Zealand – Te
Pūtea Matua

on the

Issues Paper: *Modernising New
Zealand's Retail Payment System*

27 October 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

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

Sam Schuyt
Policy Director & Legal Counsel
sam.schuyt@nzba.org.nz



Introduction

4. NZBA welcomes the opportunity to provide feedback to the Reserve Bank of New Zealand – Te Pūtea Matua (**RBNZ**) on the Issues Paper: *Modernising New Zealand's Retail Payment System (Issues Paper)*. NZBA commends the work that has gone into developing the Issues Paper and supports the objective of ensuring New Zealand has a safe, resilient, efficient and future-ready retail payment system.
5. New Zealand has an opportunity to modernise payments in a way that not only addresses current capability gaps, but also establishes a more resilient, innovative and economically sustainable payments ecosystem for the future. We consider payments modernisation should be viewed as a broader ecosystem transformation, rather than solely an infrastructure programme.
6. Long-term success will depend on coordinated progress across payments, open banking, digital identity, fraud prevention, regulatory settings and emerging forms of digital commerce. Together, these capabilities can improve productivity, competition, customer outcomes, and New Zealand's ability to adapt to future technological change.
7. Our submission addresses the following key points:
 - 7.1. New Zealand should undertake an ecosystem-wide review before major infrastructure, governance or funding decisions are made. This review should identify and prioritise the outcomes sought from payments modernisation, include clearly and explicitly articulated trade-offs, and inform a national payments strategy and implementation roadmap.
 - 7.2. Major proposals and decisions should be supported by a New Zealand-specific cost-benefit analysis that includes shared infrastructure, participant implementation, migration, dual-running and ongoing operating costs.
 - 7.3. Payments modernisation should be coordinated with connected reforms, including open banking, digital identity, anti-money laundering / countering financing of terrorism (**AML/CFT**) requirements, fraud detection and prevention, and payment service provider regulation.
 - 7.4. Funding arrangements must be commercially and economically sustainable across the full infrastructure lifecycle, including resilience, cyber security, fraud prevention, technology refresh and renewal.
 - 7.5. Any transition should be staged and supported by clear coexistence, migration and participant-readiness arrangements.
 - 7.6. Modernisation should be technology-neutral and adaptable, preserving optionality and flexibility for emerging forms of money and settlement options, while establishing interoperability foundations that allow technologies to be



connected as they become proven and gain scale, without requiring a rebuild of core systems.

Strategic leadership and system stewardship

8. NZBA agrees that the current regulatory framework for payments is fragmented and difficult to navigate. We previously submitted on this issue in our response to the Ministry of Business, Innovation and Employment (MBIE) *Payment Services Regulation* discussion document (**MBIE Consultation**).¹
9. The current split of responsibilities and policy development across RBNZ, Treasury, MBIE, the Commerce Commission, the FMA, DIA and industry bodies can make prioritisation, sequencing and decision-making difficult. To address these issues, we submitted in response to the MBIE Consultation that New Zealand should adopt a national payments strategy and clearly articulated reform roadmap.
10. We reiterate here that, before decisions are made about any specific technical reforms, an ecosystem-wide review of the payments system should be undertaken to determine a data-driven baseline and develop a strategy and roadmap based off that review. Before particular governance, funding or infrastructure options / technical reforms are selected, the review should identify and prioritise the customer, business and economy-wide outcomes New Zealand is seeking, and make explicit the trade-offs between resilience, safety, efficiency, competition, innovation, inclusion and global interoperability. Existing capability should be reviewed to ensure the baseline, or counterfactual, is not dismissed.
11. Payments modernisation should not be assessed in isolation. The future effectiveness of New Zealand's payments ecosystem will depend on how payment infrastructure, open banking, digital identity, AML/CFT obligations, fraud and scam prevention, payment-services regulation and emerging forms of digital money evolve together. Decisions made in one area will materially affect outcomes in others
12. The review should therefore assess these interdependencies and provide a basis for coordinated policy, investment and implementation decisions across the broader ecosystem.

Scope of work

13. The review should examine the governance, regulatory architecture, ownership, funding models and future infrastructure requirements of the ecosystem. This would align with international approaches, such as Australia's "Payments System Review: From System to Ecosystem", the United Kingdom's Future of Payments Review, and Singapore's Payments Roadmap review. This should include New Zealand-specific cost-benefit analysis regarding scale, volumes and delivery capacity data, and should

¹ NZBA's submission is [available here](#).



assess shared infrastructure costs alongside participant implementation, dual-running and ongoing operating costs.

14. Beginning with an overall review of the payments ecosystem would help enable New Zealand to develop a clear national payments strategy and implementation roadmap that reflects New Zealand's scale, delivery capacity and risk appetite. It would:
 - 14.1. provide a coherent system-level assessment before decisions are made about particular technologies, payment rails or institutional arrangements;
 - 14.2. provide a clear view of the international developments that New Zealand will need to consider in developing its strategy and roadmap;
 - 14.3. identify the outcomes New Zealand is seeking, and provide a foundation for the development of the national strategy and reform roadmap, including priority use cases, the appropriate role of each existing and potential rail, the sequencing of reforms;
 - 14.4. establish clear system stewardship arrangements, including a single end-to-end roadmap owner with responsibility for coordinating delivery, sequencing reforms and monitoring outcomes; and
 - 14.5. identify an appropriate transition pathway to the future-state ecosystem.
15. The review should also consider alternative governance and accountability arrangements for the future payments ecosystem. This should include the respective roles of government, regulators, Payments NZ, participants, infrastructure operators and any potential future delivery entity. Regardless of the final institutional model, accountability should be clear for outcomes, strategy, funding, delivery and ongoing operation, while preserving the independent statutory responsibilities of regulators and leveraging industry expertise in delivery.

National strategy

16. Informed by the ecosystem review, a subsequent national strategy should establish clear roles, decision rights and accountability across agencies, including a single end-to-end roadmap owner responsible for coordinating delivery and monitoring system-wide outcomes. The roadmap owner should be supported by an appropriately empowered governance framework capable of managing dependencies, coordinating priorities across agencies and industry participants, resolving cross-system issues, and monitoring progress against agreed outcomes. The framework should provide transparent decision-making and escalation mechanisms where trade-offs arise between safety, resilience, competition, innovation, cost and implementation feasibility.
17. The review and national strategy should support greater coordination of the currently fragmented regulatory framework, and reduce gaps, overlap and conflicting



requirements. In particular, reforms to the payments system should be carefully sequenced with connected regulatory developments relating to open banking, cash, merchant surcharging, interchange, AML/CFT, digital identity, financial market infrastructure regulation, and payment service provider regulation. They should also consider the broader regulatory change landscape, including the implementation of the Deposit Takers Act 2023.

18. This would help minimise unnecessary and repeated adjustments to existing systems, support safe implementation and – importantly – allow for a holistic view of the cumulative regulatory burden on participants. These initiatives are increasingly interdependent and should be considered through a common strategic lens so that policy, technology and investment decisions are efficient and mutually reinforcing.
19. The review and national strategy should also consider risks to technology programmes that are currently underway at banks. These technology programmes will also deliver significant benefits for customers. New Zealand’s payments strategy should seek to minimise risk and disruption to these programmes which are, in themselves, critical for ongoing cyber security and resilience.

Payments modernisation roadmap

20. The roadmap could then set out priority use cases, sequencing, transition arrangements, funding principles, agency responsibilities and the decision points requiring government direction. This would provide the coherent stewardship and accountability needed to deliver a safe, resilient, efficient and future-ready payment system.
21. Governance arrangements should clearly allocate responsibility for ownership, access, standards, investment, resilience, fraud controls, liability, cost allocation and transition. Participants that introduce or control risk should be responsible for managing that risk, and providers with the same level of risk should have the same level of regulatory oversight and licensing requirements to help ensure consumers and the economy are sufficiently protected. Existing participants should not be expected to absorb all costs and risks associated with wider access or new capability where they lack direct visibility or control.
22. The funding model should be commercially sustainable and provide sufficient and predictable revenue to support resilience, cyber security, fraud prevention and ongoing technology upgrades. Open access should not, in all cases, mean free access. The parties required to invest in and maintain payment infrastructure should be able to recover those costs from participants (factoring in those participants’ sizes, client bases and other relevant factors), while regulatory and operational requirements as between providers and participants should remain proportionate and scalable. Funding arrangements should also support the full infrastructure lifecycle, including design, implementation, operation, and eventual renewal.



23. Long-term sustainability should be considered alongside short-term affordability and transaction pricing. EFTPOS provides a useful example: limited commercial incentives to invest in and evolve the system contributed to its decline as customer expectations shifted, and global scheme capabilities expanded. India's Unified Payments Interface provides a further example: after years of free access, options for introducing merchant fees on higher-value transactions are being explored, underscoring the need for a sustainable long-term funding model. For completeness, we note that while international examples can provide useful lessons, each jurisdiction is responding to different market structures, policy objectives and payments challenges. New Zealand should therefore clearly define the problem to be solved and assess the costs and benefits of reform in that context, rather than assuming that overseas solutions can be directly applied. This is particularly relevant given the increasing focus on real-time payments in international policy settings, including commitments reflected in New Zealand's free trade agreements.

Engagement

24. We submit that industry participants will need to play a substantive role in developing the national payments strategy and roadmap. Payments NZ, banks and other payment providers have detailed knowledge of existing infrastructure, customer needs, operational dependencies, delivery constraints and the practical implications of reform. Early and ongoing industry involvement would help ensure that the strategy reflects these factors, leverages work and research that has already been progressed, identifies workable transition pathways and sequences change alongside existing technology and regulatory programmes.
25. RBNZ should therefore establish a structured co-design process that involves industry in defining desired outcomes, assessing options and costs, prioritising use cases, and developing implementation timelines.

System performance and capability gaps

26. NZBA supports the need for capability uplift. However, it is essential that in developing timelines and requirements for any technology upgrades, RBNZ takes broader considerations and impacts into account and conducts robust cost-benefit analysis of proposed changes.
27. For example, in relation to the consideration of real-time payments capability, we submit that the following factors must be taken into account as part of the assessment process:
- 27.1. **Clear minimum standards:** including availability targets, disaster recovery, incident communications, and regular testing. In a 24/7, 'always-on' environment, even small outages can quickly spread across the payments system; when services return, replay surges (e.g. clients resending files, channel retries, and operational reprocessing) can overload other



components and trigger a second incident, with no scheduled down-time to reset the system.

- 27.2. **A staged and modular pathway:** Delivery should be staged so that no-regret improvements to existing rails can proceed while new capability is developed against validated use cases. Delivery should be sequenced so that benefits are realised progressively, rather than only once the programme is complete.
- 27.3. **Clear use cases:** RBNZ will need to ensure that clear use cases / value propositions are defined for real-time payments capability. This should include considering cross-border use cases (as expanded on below). RBNZ should then give due consideration to whether existing technology and capability can address and support that use.
- 27.4. **Defining real-time:** “Real-time” can refer to the customer experience, the clearing of payment message, or final interbank settlement. Not every use case necessarily needs all three, and requirements should be matched to the use case rather than applied uniformly.
- 27.5. **Technology neutrality and adaptability:** Further to paragraph 27.3, the future system should be designed around the prioritised outcomes rather than a preferred technology, platform or provider. The design should preserve optionality for emerging forms of money and settlement, including tokenised deposits, central bank or other digital money, distributed-ledger arrangements, developments in open banking and API technology, and synchronisation between conventional and tokenised platforms. These technologies remain at different stages of maturity. The immediate objective should therefore be to establish legal, data, identity, security, risk and interoperability foundations that allow proven options to be connected later without requiring the core system to be rebuilt.
- 27.6. **Co-existence, interoperability and migration:** Relatedly, if new payments infrastructure is considered for real-time capability, this must include analysis of how new and existing payment systems will operate efficiently and interoperably alongside each other. Delivery planning should recognise the broader implementation capacity of participants and the cumulative impact of concurrent regulatory and technology change programmes. There will need to be a clear roadmap for how different payment channels will interact and be used over time. Without this, there is a risk that multiple payment rails operate in parallel without effective interoperability, risking increasing costs, complexity and inefficiencies across the payments system. Retirement or material migration decisions should be subject to defined capability, adoption, resilience and readiness criteria.



- 27.7. Australia's BECS transition provides a useful cautionary example. A June 2030 end date was announced before the future account-to-account architecture, feature coverage and migration pathway were sufficiently settled. The Reserve Bank of Australia's 2025 risk assessment identified that a disorderly transition could adversely affect end users, safety and resilience, efficiency and competition, and required further work on matters including bulk and batch payments, system capacity, resilience, end-user readiness and industry coordination. In December 2025, the June 2030 target was removed until further progress had been made and a clear roadmap for the future of Australian account-to-account payments had been developed.
- 27.8. **Scam and fraud controls:** Controls need to be considered and built into the core design of the system. Where payments can be processed more rapidly, scammers can move funds on (e.g. overseas) more rapidly, reducing the timeframes within which banks can try to freeze and/or return funds. Existing protections such as Confirmation of Payee and real-time data-sharing need to be considered as the system is designed, along with innovations developing in New Zealand such as digital ID.
- 27.9. **Cross-border payments:** NZBA agrees with the Issues Paper that efficient cross-border payments are a critical enabler of trade and competitiveness. However, a faster domestic rail will not, on its own, deliver a faster international payment. End-to-end outcomes also depend on beneficiary validation, foreign exchange (FX) conversion, correspondent banking, sanctions screening and currency cut-offs. Future-state design should support interoperability with global and cross-border payment networks (e.g. SWIFT), including common ISO 20022 standards, rather than developing domestic architecture that creates additional localisation or duplicated investment. These considerations should be part of the design from the outset and aligned with the G20 cross-border payments targets, rather than treated as a later extension of a domestic solution.
- 27.10. **Delivery governance:** Delivery governance should incorporate explicit readiness, assurance and transition controls. Major milestones should be supported by readiness assessments and defined progression gates covering capability, resilience, migration, operational readiness and customer outcomes. This recognises that implementation extends beyond shared infrastructure and may require substantial change across participant core systems, channels, fraud controls, sanctions screening, treasury operations, customer servicing and workforce capability.
- 27.11. **Costs and funding:** Clarity is needed on how implementation and ongoing costs will be fairly and proportionately allocated across participants, users, and the public sector. As noted above, payments systems require sufficient and predictable revenue streams to fund ongoing infrastructure resilience and



future technology upgrades, and ultimately remain sustainable. Funding assessments should include not only shared infrastructure but also the substantial participant-side investment required for 24/7 operations, customer channels, fraud controls, sanctions screening, settlement and treasury processes, operational support, migration and dual-running. Contributions should be allocated fairly and proportionately by reference to use, benefit, risk introduced and the obligations current and future participants will assume.