

Dr John Small
Chair, Commerce Commission
Wellington
Via email: [REDACTED]

27 June 2024

Tēnā koe John,

I would like to formally acknowledge the Commerce Commission Te Komihana Tauhokohoko ('Commission') open letter of 22 February 2024, and the Commission's work on "Payments between bank accounts".

Payments NZ supports and is aligned with the Commission's objectives to see a thriving API-enabled ecosystem and for industry to maintain its momentum. Since receiving your letter, my team and I have appreciated meeting regularly with your team members, to discuss and clarify expectations and to provide updates on our work and actions in response.

In this letter we:

1. address the Commission's views on the barriers that it feels may be inhibiting the development of a thriving API-enabled ecosystem;
2. highlight the actions Payments NZ is taking to improve transparency of the work and decisions made in the API Centre, in response to the Commission's concerns; and
3. summarise our response to the Commission's expectations that were directed to Payments NZ.

Barriers that prevent minimum requirements

The Commission shared their perspective on barriers that prevent the minimum requirements (for a thriving API-enabled ecosystem) from being met. In the following section, we discuss those barriers, the actions the Centre can take, and the asks on others (including the Commission).



Response to Paragraph 6.2.1

In paragraph 6.2.1, it is the Commission's view that "current API standards and the plan for future API standards functionality do not support a number of use cases that are currently being serviced by sub-optimal [impersonated] access methods", and that this is a barrier to creating a thriving ecosystem.

We would expect to see impersonated access use cases phased out of payments and open data landscape in Aotearoa over time, with fit for purpose public policy and regulation together with wide account coverage and the uptake of secure standardised API services (as a superior access method).

We do not however support the unconditional premise that all current functions and practices used by impersonated access methods should automatically be prioritised for mapping into functions in standardised APIs on a like for like basis. Instead, we encourage partnering and bringing innovations to market by prioritising standards that have the highest utility (versatility) and demand.

This approach has delivered standards such as for Accounts, Transactions, Balances, one-off Payments, Party (account owner), and enduring payment consent (a feature that is seen as an innovative alternative to Direct Debits), all of which support existing use cases in market today.

It is our view that the current API Standards provide support for many of the use cases that impersonated access services require, for example: budgeting, investment top-ups, payments to government, and ecommerce.

We refer the Commission to our submission (in response to the consultation on the designation of the interbank network), where we discussed the importance of both push and pull factors in migrating impersonated actors to standardised API access methods.

The API Standards roadmap that we develop considers feedback from our Community Contributors, Third Parties, and API Providers. Two impersonated access service providers are Third Party members of the API Centre, where they can contribute to the prioritisation of the roadmap, be eligible for Third Party seats on the API Council and contribute to the design and recommendations through the technical and business working groups.

It should also be noted that at any given time, there will be a backlog of ideas and these need to be filtered through validation assessments and prioritisation to make it onto the roadmap.

There will always be more to do, and there will always be more innovation on the horizon. There are opportunities for both Standards Users and Community Contributors to influence the strategic direction of the standards roadmap today. As a matter of good practice, we continually look to improve our facilitation approaches to encourage broad feedback and input, and we are always open to feedback on how we can do better.

Paragraph 6.2.2

In paragraph 6.2.2 it is the Commission's view that "non-functional aspects of the APIs are as important as the API standards; however, these are not mandatory or of sufficient quality, which is a barrier to the commercial viability of API enabled products".

We agree with this view, and we would like to take the opportunity to update the Commission on our work in this area:

1. The customer standards (for customer consent, data minimisation and consent management) are mandatory obligations set out in the API Centre Terms and Conditions, that Standards Users sign up to when they join the Centre. The customer standards are based on global best practices and are updated on an ongoing basis.
2. We are currently working on a Performance Standard that will set clear obligations on parties, along with metrics and minimum thresholds, for performance and availability. The requirements take into account our extensive analysis of the operational requirements in the UK Open Banking regime and have been right sized for Aotearoa based on the advice of the business and technical working groups.

Paragraph 6.2.3

In paragraph 6.2.3 it is the Commission's view that "an accreditation process is likely needed in the medium to long term to meaningfully overcome the partnering barriers third party payment providers face when seeking bilateral agreements to partner with banks to use APIs."

We agree with the Commission's view. Since applying for authorisation, we are pleased to see improvement in the partnering space and note there have been publicised examples of efficient partnering (i.e. 25 business days) and increased use of the API Centre's bilateral template.

This goes some way to demonstrating the industry and Centre can deliver a sensible, usable, and efficient partnering and accreditation framework. We look forward to receiving the draft determination of our authorisation application and to maintaining industry momentum.

API Centre's commitment to transparency and wider consultation

Transparency

We believe the barriers as seen by the Commission can be addressed largely by more transparency on our part. Keeping our shared goal of a thriving API-enabled ecosystem front of mind, the API Centre commits to the following actions (as an initial response):

1. The Centre will step up the level of engagement it has with both current Standards Users and potential future Standards Users, giving a broader range of participants more opportunity to contribute to the prioritisation of standards development (both functional and non-functional). This engagement programme may include a "quick win" gap analysis to validate the number of impersonated access use cases that are currently unsupported.
2. The next roadmap – a combination of both the API Standards pipeline and non-functional standards from the API Centre's workplan – will be consulted on widely and published publicly on the API Centre's website.
3. With the principle of transparency in mind, we will continue to look at ways to publicly share and seek input into our work by a wider range of interested parties. We note that our existing Community Contributor programme (which is free) is an ideal way for those who may be potential future Standards Users to be kept engaged on the work of the Centre and to test in our Sandbox.

Roadmaps and Implementation plans

It is the Commission's desire to see a 5-year roadmap and 3-year implementation plan for API standards. We are aligned with the Commission's intent (as we understand it) on this. However, we consider there is good reason to recommend a modified approach to roadmaps and implementation plans.

We feel strongly that if the API Centre were to publish a 5-year roadmap, this would result in significant unintended consequences, including:

1. Restricting the industry and market's ability to respond to learnings which, in turn, inhibits the necessary flexibility needed to make informed adjustments that ensure uptake, trust, and impact.
2. Restricting the industry's ability to respond to shifts in regulation, technology advancement, market shifts, or payment system improvement initiatives. For example, major shifts in recent times includes Confirmation of Payee and the Digital Identity Trust Framework, possible designation under the Retail Payment System Act 2022, and the rollout of a (future) Consumer Data Right regime, or the progression of the Payments NZ Next Generation Payments initiative with industry. Attempting to reconcile these moving parts into plans set years in advance is likely to create further uncertainty and obstacles to momentum.
3. Diminishing trust and credibility the further out milestones are set. For later milestones, API Providers have less detail and clarity of what they are signing up to deliver, and therefore Third Parties will have less certainty for industry to deliver on.
4. Leaving the industry exposed to the risk that standards versions could become unsynchronised with API Provider implementations. This could lead to those standards becoming out of date before they are implemented, causing uncertainty for Third Parties.

Accordingly, the API Centre advocates for a "T plus 1" approach to roadmaps, whereby the roadmap will show the work in progress, and is transparent on the ideas that make up a backlog for future prioritisation. This approach to roadmaps and implementation provides necessary credibility, giving enough lead time to allow for business planning and investment, while ensuring there is trust in the milestones that are set.

We would like the Commission to consider our industry-led approach to the roadmap development and delivery, prioritising utility (versatility) and demand, and the forthcoming proactive approach to engaging with current and potential future Third Parties to incorporate their needs.

We would also like regulators to consider whether a stronger stance is needed to see the progressive removal of impersonated access methods in Aotearoa, and how they can facilitate this.

As a final note, the wider industry strategy work we undertake through our Payments Direction Programme and Next Generation Payments initiative, may also provide clarity on the broader payments modernisation strategy and an integrated capability roadmap. The API Centre's trust framework and expertise is expected to be leveraged to enable some of those future capabilities, and we're happy to share more insights on this work.

Expectations of Payments NZ

We acknowledge the expectations on Payments NZ, as expressed in Annex B of the Commission's letter, and are actively working to deliver improvements to our processes and our overall transparency. We have tracked our status against your expectations and that is attached as Appendix A to this letter.

My team and I look forward to ongoing engagement with the Commission as both our organisations and the industry work towards ensuring Aotearoa has a thriving open banking ecosystem.

Ngā mihi,



Steve Wiggins
Chief Executive
Payments NZ

Appendix A – Expectations and status of actions

Expectations	Status	Actions and decisions
<p>Expectation # 3: the API Centre governance to operate in a manner that supports efficient decision making... and providing public transparency on the decisions</p>	Underway	The Centre is currently reviewing various aspects of its existing arrangements, including improving transparency on decision making. We will update the Commission as decisions are made.
<p>Expectation # 4: We expect Payments NZ to engage with us alongside RBNZ as part of its current governance review</p>	Underway	Payments NZ supports the objectives behind this expectation as noted and is actively undertaking a governance review. Payments NZ will keep the Commission updated on this work.
<p>Expectation 5.1 & 5.2: Publish a standards roadmap for both functional and non-functional aspects (5-year plan)</p>	Underway	<p>The API Centre intends to publish a public version of its roadmap, which will include strategic themes and both functional and non-functional initiatives. In addition, the API Centre will also consult more widely to ensure the needs of both current and potential future Third Parties are considered. It is expected that organisations utilising impersonated access will engage with the API Centre through this mechanism. Roadmaps produced by the API Centre will continue to:</p> <ul style="list-style-type: none"> • be prioritised based on market demand and utility, balanced with feasibility and practical sequencing considerations; • provide confidence and clarity; and • contain enough flexibility to respond to feedback, and to drive uptake.
<p>Expectation 5.3 Publish a 3-year implementation plan for API Providers</p>		
<p>Expectation 5.4 Publish implementation progress reports publicly</p>	Complete	API Providers' reporting, which is updated from time to time, is collated and presented at: https://www.apicentre.paymentsnz.co.nz/standards/implementation/implementation-reporting/
<p>Expectation 5.5 Publish stats on partnerships & API Usage</p>	Underway	API usage reporting will be aggregated and published when implementations are complete by at least four API Providers.