



9 April 2024

Matt Lewer
Head of Payments
Commerce Commission
44 The Terrace, Wellington 6140

By email: [REDACTED]

Dear Matt,

Proposed recommendation to designate the interbank payments network

Thank you for your letter of 21 March 2024 regarding the Commerce Commission's (Commission) proposed designation of the interbank payments network. In this instance you are seeking our views on Settlement Before Interchange (SBI) and the Exchange Settlement Account System (ESAS) being participants of the proposed designation.

We appreciate the background discussions that we have had with the Commission's staff and acknowledge our recent dialogue on the scope of the proposed designation. Your letter and our discussions are helpful as we consider the possible implications of the proposal for our role in supervising payment systems for the purpose of promoting financial stability under the Financial Market Infrastructures Act 2021.

In general terms, we support efforts to strengthen the API-enabled payment ecosystem as part of a healthy and stable financial sector. In line with our legislative objectives, our interest in payment system innovation and wider access has a focus on the financial stability implications of new payment methods and broader participation. We will therefore continue to pay close attention to any developments in this space.

We agree that ESAS and SBI are relevant infrastructures for the retail payment system given the role that ESAS and SBI play in the clearing and settlement of payments between bank accounts. However, we also note your letter states that: "at this juncture we have no intent to use the proposed designation to regulate ESAS or SBI." This is an important consideration given the potential for duplication or conflicting regulatory overlaps, which could lead to inefficiencies or uncertainty for SBI or ESAS.

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We agree that continued, close communication on this matter between our two agencies is important as we progress our respective regulatory responsibilities relating to the payment system. We therefore look forward to continuing to engage with you on this matter.

Finally, we note that the Reserve Bank is both the regulator/supervisor, and the operator of financial market infrastructures. To avoid any actual or perceived conflict of interest, we have established full separation between the two areas, and therefore this letter is only responding to the Commission on behalf of the Reserve Bank as the regulator/supervisor. Should you wish to seek the views of the operator of ESAS you will need to contact the Reserve Bank's Money Group separately.

Yours sincerely,



Scott McKinnon

Director Prudential Supervision