

10 DECEMBER 2024

# Retail Payment System

## Update on open banking progress



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Tēnā koutou,

## **Open banking – our observations on recent progress, current bank API pricing, and our updated expectations for industry**

### **Introduction**

1. We want to see open banking accelerate in Aotearoa and for all consumers and businesses to be able to enjoy the benefits of better payment and banking products and services.
2. This update provides our observations on recent industry progress. It also highlights some areas of concern, including the prices that banks are charging for API access and the path for an orderly transition away from suboptimal access methods.

### **Industry has met several open banking milestones and momentum continues to grow**

3. New Zealand is on the cusp of realising the benefits of open banking. We estimate at least 15% of eligible customers at each of the four largest banks have now made an open banking payment using APIs.<sup>1</sup> This is encouraging and exceeds the levels seen to date in both Australia and the UK.
4. There are several new open banking products on the near horizon for New Zealand businesses and consumers.<sup>2</sup> Interest in this market is high, with one bank having over 100 third parties interested in access to its APIs. An example of a new product being offered is Payap, which may be the first in-person open banking payment product widely launched. As a low cost, in-person and online payment service for domestic transactions, Payap will provide new competition to Visa and Mastercard.
5. The banks have developed a Confirmation of Payee system, which is expected to have full availability by April 2025.<sup>3</sup> This will support efforts to fight fraud and scams, and could be scaled more widely, such as to payroll services or online marketplaces (such as Trade Me or Facebook Marketplace).

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<sup>1</sup> Estimate based on information provided by the four largest banks.

<sup>2</sup> API Centre, Payments NZ “Find a provider or third party”. Available at:

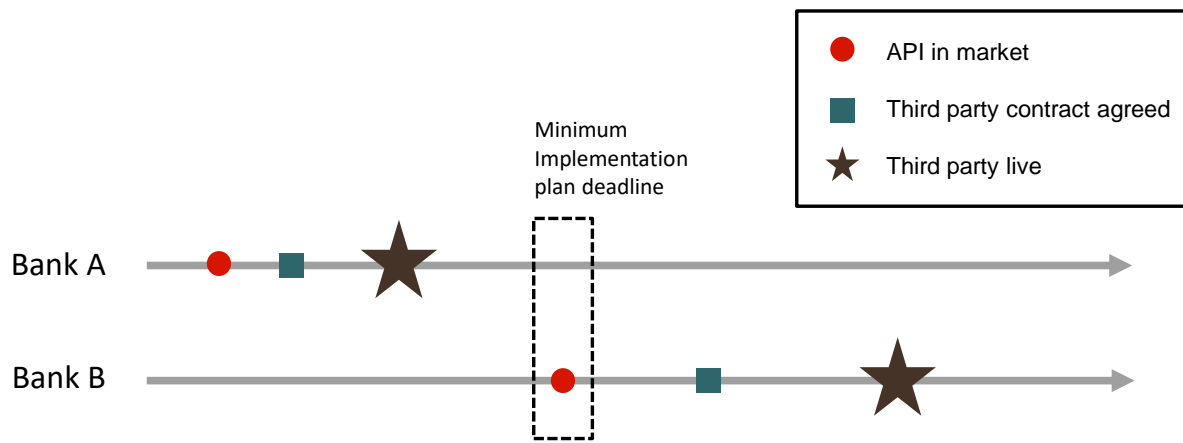
<https://www.apicentre.paymentsnz.co.nz/join/api-standards-user/current-standards-users/>

<sup>3</sup> GetVerified “Banks start New Zealand launch of Confirmation of Payee” (28 November 2024). Available at: <https://www.getverified.co.nz/post/banks-start-new-zealand-launch-of-confirmation-of-payee>

### Standardised APIs are coming to market, but access remains constrained

6. As of 30 May this year, each of the four largest banks in Aotearoa has had a standardised open banking payment API in market.<sup>4</sup> This was a significant milestone for open banking in New Zealand. Only BNZ, however, was open for partnering and live with multiple third parties prior to this deadline. It was not until October that the first third party was using all four banks' APIs.<sup>5</sup>

**Figure 1: Example timeline – bank delivery of industry standardised APIs<sup>6</sup>**



7. To date, most banks have delivered APIs to the market for the deadlines but have not gone live with third parties until sometime later, shown by 'Bank B'. We consider this approach is inefficient and delaying the potential launch of new products and services. We want to see banks start the contracting process with third parties ahead of the milestone deadlines so that the standardised APIs are live and available for consumers to use ahead of, or at the same time as, future milestone deadlines, shown by 'Bank A'. This would allow third parties to plan with greater confidence.

### Pricing for API access is limiting open banking

8. Thriving open banking requires third parties to be able to access banks' APIs on reasonable commercial terms. Banks' APIs are complements not substitutes. For a third party to provide an open banking service, it needs to be able to access each of the banks' APIs – a third party cannot use one bank's APIs as a substitute for another. We consider API pricing amongst the banks is different from other markets which the banks compete in, on price and otherwise.
9. We are concerned that current pricing is damaging the nascent market. Taken together, prices are high, vary considerably between banks and are not transparent – this is limiting third parties' abilities to offer competitive products and services using these APIs. We expect to see banks review and lower their pricing to drive open

<sup>4</sup> API Centre, Payments NZ "Minimum Open Banking Implementation Plan: Minimum requirements for API Providers to meet". Available at: <https://www.apicentre.paymentsnz.co.nz/standards/implementation/minimum-open-banking-implementation-plan/>

<sup>5</sup> BlinkPay. Available at: [https://www.linkedin.com/posts/blinkpay\\_if-youre-a-xero-customer-using-blink-paynow-activity-7245169878939156480-iWr-?utm\\_source=share&utm\\_medium=member\\_desktop](https://www.linkedin.com/posts/blinkpay_if-youre-a-xero-customer-using-blink-paynow-activity-7245169878939156480-iWr-?utm_source=share&utm_medium=member_desktop)

<sup>6</sup> The Minimum Open Banking Implementation Plan deadline is set by industry via Payments NZ's API Centre.

banking uptake across a range of transaction values, and we expect to see standardised access pricing.<sup>7</sup> We also expect early stage fintechs to have the opportunity to compete on merit and not face higher prices due to their initial small scale, among other things.

10. Table 1 shows the current payment initiation and account information API call fees at each of the four largest banks.<sup>8</sup> Each bank has provided the description of its pricing structure. The average transaction size for an online personal card transaction is approximately \$80, and the standard API call fees could be seen to range from 5c to 30c at that level.

**Table 1: Standard API pricing at the four largest banks at 10 December 2024**

API Provider	Payment initiation API call fee	Account information API call fee
ANZ	<p>0.25% of the payment amount up to a maximum charge of \$1 to businesses for goods and services. Therefore: \$20 payments are charged at 5c, \$40 at 10c and \$5,000 at \$1.00.</p> <p>Onboarding and minimum monthly fees are currently waived.</p> <p>Pricing is for cost recovery only. We continue to review our pricing in consultation with third parties.</p>	<p>Charges will be for cost recovery only.</p> <p>ANZ is working with third parties to understand their use cases and cost incurred to support them. There is considerable variability between third party needs, such as the frequency of calls and the data required (e.g. balance check vs 24 months of transactions).</p>
ASB	<p>ASB's pricing is currently under review. However, the current range of rates is \$0.00 – \$0.20.</p>	<p>ASB's pricing is currently under review. However, the current range of rates is \$0.00 – \$0.20.</p>
BNZ	<p>Monthly flat fee \$30 (GST exempt) 600 free successful<sup>9</sup> payment API requests per month.</p> <p><i>\$0.05 (GST exempt) overage charge for per each successful API payment requests over 600 in the month.</i></p> <p>(This pricing is not currently under review)</p>	<p>Monthly flat fee \$30 (+ GST) 3,000 free successful<sup>10</sup> payment API account information download requests<sup>11</sup> per month.</p> <p><i>\$0.01 (+ GST) overage charge for per each successful API account information download request over 3,000 in the month.</i></p> <p>(This pricing is not currently under review)</p>

<sup>7</sup> There may also be use cases which require different treatment (such as me-to-me payments, where a consumer moves money between their own accounts at the same bank or a different provider).

<sup>8</sup> This text was provided to us by banks ANZ, ASB, BNZ, and Westpac as at 10 December 2024.

<sup>9</sup> BNZ only charge for success. If the API call is declined, cancelled or otherwise fails to complete there is no charge.

<sup>10</sup> BNZ only charge for success. If the API call is declined, cancelled or otherwise fails to complete there is no charge.

<sup>11</sup> A successful account information request is the delivery of the requested payload – an account balance, or the requested batch of transactions from an account (maximum transaction caps apply).

Westpac <sup>12</sup>	<p>Current pricing is up to 30 cents per successful API call and is based on agreed bilateral agreements for the API Centre's standardised APIs.</p> <p>This pricing will evolve as the ecosystem matures and may also change in response to any incoming regulatory settings which mandate enhanced API functionality, data formats, service and performance levels or additional requirements.</p> <p>In addition, pricing is negotiated based on such factors as volumes, customer demand, use cases and proposition (amongst others).</p>	Currently under consideration.
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11. While \$0.05 could be seen as the lowest standard price for payment initiation transactions above \$20, we consider that it should not be seen as a floor.<sup>13</sup> Likewise, while ANZ's pricing model does provide for low value transactions, its cap far exceeds other prices.
12. We are publishing these API call fees to provide transparency where it is currently lacking, and to create greater alignment and downward pressure. There may also be different API service levels amongst the banks which we expect to become transparent soon. Moving forward, we expect each of the banks to provide ongoing standardised price and API service level transparency.<sup>14</sup> We provide further discussion on pricing in our minimum requirements in **Attachment A**.

**We want to see a coordinated orderly transition of suboptimal access services to bank APIs where available**

13. We are concerned that banks' current approaches will likely result in a disorderly transition. For example, one bank is looking to switch off all sub-optimal access despite not all use cases being catered for. Another bank has not partnered with fintechs who would continue to use sub-optimal access for other bank customers or where the functionality is not provided for by the APIs, effectively blocking the option of a hybrid model.
14. Without a coordinated approach across industry, the move away from sub-optimal services will be inconsistent and there will be a disruption in the availability of comparable services to consumers.
15. We consider there is a need for a hybrid model during the transition period. This would enable fintechs to use bank APIs for customers whose banks are offering

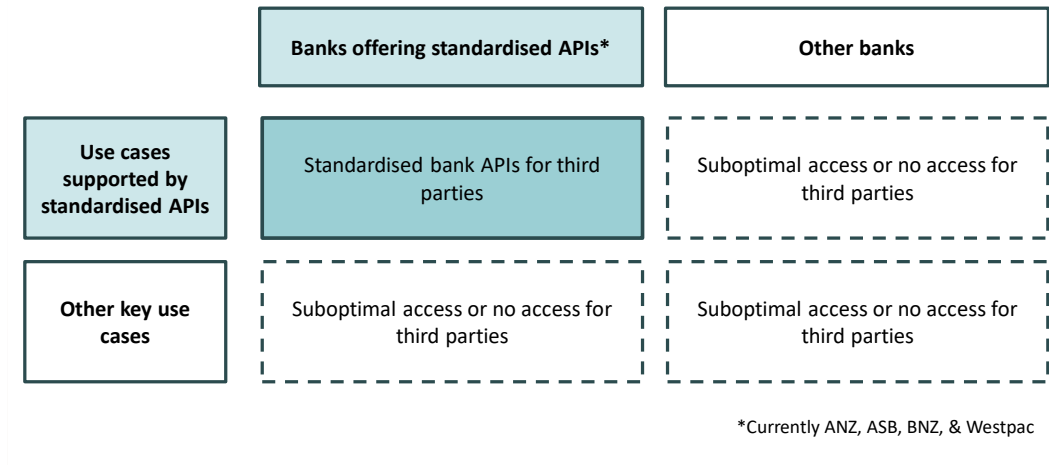
<sup>12</sup> Note: The standard prices for payment initiation relate to consumer to merchant use cases.

<sup>13</sup> For example, on a \$10 transaction BNZ's (\$0.05) standard payment API call fees are twice that of ANZ (\$0.025), and on a \$400 transaction ANZ's fees (\$1) are twenty times that of BNZ (\$0.05).

<sup>14</sup> Transparency on standard API prices and other pricing practices where relevant. There may also be other fees such as monthly connect fees.

standardised APIs and where the functionality is supported by the current APIs, and use sub-optimal access for other banks' customers or where key use cases are not supported by the standardised APIs.<sup>15</sup>

**Figure 2: API coverage**



16. We consider industry could provide a solution. We propose to facilitate a series of workshops in the new year to progress an industry solution. We are open to suggestions from participants of other issues that could be addressed in these fora.

### **Governance of open banking is undergoing change**

17. The partnering work of the API Centre has been authorised under a set of governance conditions.<sup>16</sup> We have set Payments NZ the challenge to improve its governance structure for open banking and to address transparency and perception concerns. We will continue to engage with Payments NZ to ensure that Payments NZ has sufficiently addressed these concerns.
18. More broadly, we asked to be involved in Payments NZ's governance review in February and it is unclear to us if anything has advanced since. We want to see governance arrangements that facilitate greater representation from the wider payments sector and that can help drive New Zealand's payments modernisation.
19. It is currently unclear how the Confirmation of Payee system will evolve and how the governance arrangements of GetVerified will integrate with the wider payment system. We would like to hear from banks, NZBA, Payments NZ, and other interested parties on this matter.

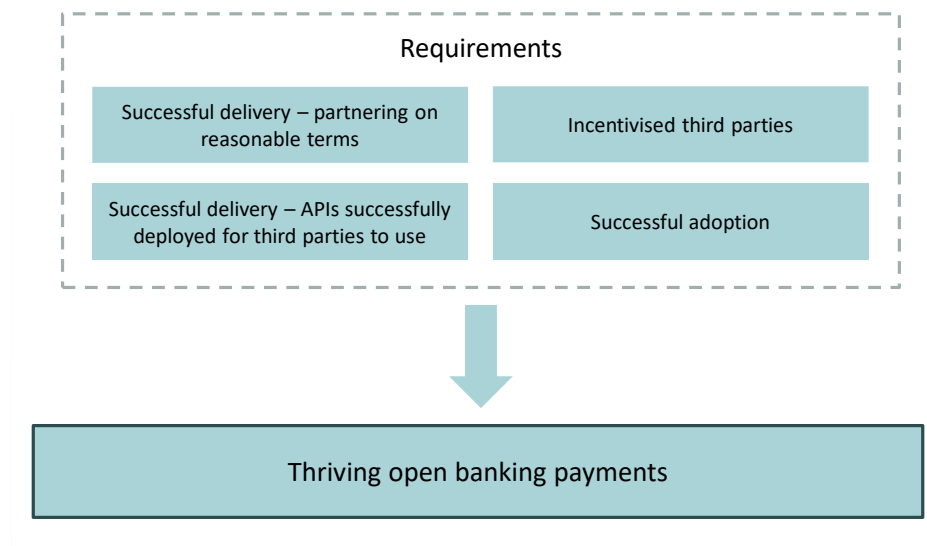
<sup>15</sup> We note there are key functionalities not yet supported by the standardised APIs. There are also use cases currently met by suboptimal access which are unlikely to be supported by the standardised APIs.

<sup>16</sup> Commerce Commission "Payments NZ Limited Final Determination" (20 August 2024). Available at: [https://comcom.govt.nz/\\_data/assets/pdf\\_file/0021/362091/Payments-NZ-Limited-Final-Determination-20-August-2024.pdf](https://comcom.govt.nz/_data/assets/pdf_file/0021/362091/Payments-NZ-Limited-Final-Determination-20-August-2024.pdf).

## Attachment A: Minimum requirements for open banking payments to thrive

20. There are a number of minimum requirements that must be met before open banking payments can thrive and we have updated our understanding of these.<sup>17</sup> Our current view reflects our thinking following industry progress and new information coming to light. It places a greater emphasis on the adoption of open banking payments than our February letter; it also incorporates our long-term expectations.
21. We consider the API Centre’s Minimum Open Banking Implementation Plan is a subset of the prerequisites for open banking to truly thrive.<sup>18</sup> Therefore, these expectations go beyond that plan. We also note that the minimum requirements in our final market study report summarise those detailed here.<sup>19</sup>
22. We expect these minimum requirements to be met through a mixture of industry work and the Consumer and Product Data (CPD) framework.

**Figure 3: Minimum requirements for open banking payments to thrive**



<sup>17</sup> In February and August of this year we published our view on the minimum requirements that must be met before open banking can thrive. In our August Reasons Paper, see Commerce Commission “Our reasons to support our recommendation to the Minister to designate the interbank payment network” (13 August 2024), page 14. Available at: [https://comcom.govt.nz/\\_data/assets/pdf\\_file/0017/362024/Retail-Payment-System-Our-reasons-to-support-our-recommendation-to-the-Minister-to-designate-the-interbank-payment-network-August-2024.pdf](https://comcom.govt.nz/_data/assets/pdf_file/0017/362024/Retail-Payment-System-Our-reasons-to-support-our-recommendation-to-the-Minister-to-designate-the-interbank-payment-network-August-2024.pdf)

<sup>18</sup> API Centre, Payments NZ “Minimum Open Banking Implementation Plan: Minimum requirements for API Providers to meet”. Available at: <https://www.apicentre.paymentsnz.co.nz/standards/implementation/minimum-open-banking-implementation-plan/>

<sup>19</sup> Commerce Commission “Personal banking services – Final competition report” (20 August 2024), page 269. Available at: [https://comcom.govt.nz/\\_data/assets/pdf\\_file/0019/362035/Final-report-Personal-banking-services-market-study-20-August-2024-Amended-27-August-2024.pdf](https://comcom.govt.nz/_data/assets/pdf_file/0019/362035/Final-report-Personal-banking-services-market-study-20-August-2024-Amended-27-August-2024.pdf).

### Incentivised third parties<sup>20</sup>

23. This requirement relates to the role third party payment providers play in the development of thriving open banking payments.
24. **Third party participation:** There are third party providers that are incentivised to develop products and services for consumers and merchants using APIs.

### Successful delivery – APIs successfully deployed for third parties to use<sup>21</sup>

25. This requirement is to ensure the APIs deployed by banks are the APIs which third parties use, or are seeking to use, to connect to banks to initiate payments on behalf of the consumer.
26. **Authentication:** The authentication of the consumer should sit with the bank, not the third party payment provider. This means the consumer does not share their bank credentials to third party payment providers.
27. **API functional design:** The functionality of the API standards, and therefore the APIs built by the banks, should allow for use cases that are currently serviced by suboptimal access methods (for example, screen scraping or reverse engineered mobile APIs) to encourage providers to switch to using APIs. This functionality should be available for a wide range of bank account types.
28. **API non-functional design:** The non-functional aspects of APIs are as important as the functionality of the API standards, however not all of them are mandatory or of sufficient quality to allow commercially-viable, API-enabled payment products. Non-functional aspects that should be standardised, mandatory and of sufficient quality include:
  - 28.1 API performance, testing, monitoring and transparent reporting,
  - 28.2 customer experience, and
  - 28.3 payment limits.
29. **Standardisation:** There should be mandatory standardisation of APIs across the banks in terms of functionality and the non-functional aspects.
30. **API deployment:** The APIs should be deployed by the banks and are able to be used by third party payment providers.
31. **API current state:** Transparent reporting on banks' delivery of APIs and the level of API use.
32. **API future state:** There should be transparent current and future plans for where the development of the APIs is heading. These plans should evolve in-line with

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<sup>20</sup> Previously the participation requirement. See Commerce Commission "Retail Payment System - Update on our Payments Between Bank Accounts work" (22 February 2024), page 13. Available at: [https://comcom.govt.nz/\\_data/assets/pdf\\_file/0017/344132/Retail-Payment-System-Update-on-our-Payments-Between-Bank-Accounts-work-22-February-2024.pdf](https://comcom.govt.nz/_data/assets/pdf_file/0017/344132/Retail-Payment-System-Update-on-our-Payments-Between-Bank-Accounts-work-22-February-2024.pdf)

<sup>21</sup> Previously the API requirement.



innovations to support third party payment providers' investment decisions for developing new use cases. These plans should cover:

- 32.1 where the API functionality design is heading,
- 32.2 where the API non-functional design is heading, and
- 32.3 when the banks will deploy these designs.

### **Successful delivery – partnering on reasonable terms<sup>22</sup>**

- 33. This requirement relates to ensuring that third party payment providers can use the APIs on reasonable commercial terms.
- 34. **Onboarding criteria:** The minimum onboarding criteria is standardised across banks and is reasonable and not unduly onerous for third party payment providers.
- 35. **Partnering Process:** There is a transparent and standardised accreditation process recognised by all API providers. There are standard terms and conditions of partnering, and API providers can onboard new partners within a short time (for example, 2 weeks). Bilateral partnering processes and negotiations between banks and third party payment providers continue in the interim.
- 36. **Pricing characteristics:** Access pricing for the use of APIs, including API call fees:
  - 36.1 **Price level:** Open banking API fees are set low/discounted during the development phase of the market to foster uptake. In the long-term, fees are cost-reflective and decreasing over time as economies of scale are realised.
  - 36.2 **Price structure:** API fees support different third party business models across a range of transaction values, where this may initially be, for example, a low percentage fee up to a low cap during the development phase.
  - 36.3 **Price standardisation:** Price models and structures should be standardised across banks to support standardised access terms for third parties. Prices are standardised through the development of pricing principles and structures under the partnering framework between the API Centre, banks and third parties.<sup>23</sup>
  - 36.4 **Price transparency:** Standard pricing is transparent, including where different pricing structures are applied. In bilateral discussions, price terms are disclosed as a key aspect of commercial negotiations and not withheld until other terms are agreed.

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<sup>22</sup> Previously the partnering requirement.

<sup>23</sup> Commerce Commission. "Payments NZ Limited Final Determination", August 2024. Available: [https://comcom.govt.nz/\\_data/assets/pdf\\_file/0021/362091/Payments-NZ-Limited-Final-Determination-20-August-2024.pdf](https://comcom.govt.nz/_data/assets/pdf_file/0021/362091/Payments-NZ-Limited-Final-Determination-20-August-2024.pdf).

### Successful adoption<sup>24</sup>

37. This requirement relates to the role consumers and merchants play in the development of thriving open banking payments.
38. **Confidence and adoption:** Consumers and merchants demand and adopt these API enabled products and services and have the confidence and trust to use them.
39. **Digital wallet access:** Consumers and merchants have the possibility to make and receive payments contactlessly through devices such as Apple and Android devices.
40. **Gateway/e-commerce platform access:** Gateway providers enable at least one open banking provider to support businesses to offer a range of payment solutions. Merchants must be able to offer open banking solutions for consumers to have the possibility of using them.
41. **Government is an early adopter:** Government is an early adopter of open banking and takes an all-of-government approach to adopting payments enabled by open banking functionality. For example, by supporting new payment methods for taxes, welfare and Government services such as vehicle licensing.
42. **Availability of low cost in-person payments options as alternatives to Eftpos:** The development and adoption of new, safe, low cost and accessible open banking payment solutions, includes the adoption of viable alternatives for traditional Eftpos to compete with Visa and Mastercard.

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<sup>24</sup> Previously the confidence requirement.