

By email: PaymentsTeam@ComCom.govt.nz

10 May 2024

Retail NZ submission - Proposal to recommend designation of the interbank payment network

1. Retail NZ is a membership organisation that represents the views and interests of New Zealand's retail sector. We are the peak body representing retailers across Aotearoa, with our membership accounting for nearly 70% of all domestic retail turnover. New Zealand's retail sector comprises of approximately 27,000 businesses and employs around 220,000 kiwis. We have consulted our membership in the preparation of this submission.
2. Retail NZ has long advocated for a more efficient and transparent retail payments system, including lower payments fees for merchants.
3. We strongly supported regulation under the Retail Payments System Act and the Commerce Commission's role promoting competition and efficiency within the retail payments system. We are also supportive of this proposal which we believe will expedite industry moves to bring real benefits to retailers and consumers.
4. We acknowledge that efforts to simplify bank to bank transfers are in progress but have been slow. Direction from the Commerce Commission is necessary to ensure industry make the technological changes required and that they are openly available to any payments providers.
5. We support the Commerce Commission recommending the designation of the interbank payment network as a necessary step towards creating an effective and efficient regulatory landscape that promotes innovation.
6. Our specific comments on the questions in the consultation paper follow. No part of this submission should be withheld under the OIA.

Sincerely,



Carolyn Young
Chief Executive



Questions on our proposal to recommend the interbank payment network is designated

1 Do you agree with our preliminary position that designation of the interbank payment network will promote competition and efficiency in the retail payment system for the long-term benefit of consumers and merchants? If not, why not?

Yes, it is clear that the banking sector has moved too slowly towards opening up systems for innovative and simplified bank to bank transfers. Retail NZ supports the Commerce Commission seeking the designation of the interbank payment network as a necessary step towards enabling an environment where payment providers can launch innovative new options to make bank transfers in New Zealand.

If progress is not being made in a timely manner by the parties involved, designation would permit the Commission to intervene, to address the competition issues that have been identified and ultimately bring about lower fees options for merchants accepting payments.

However, any regulatory intervention must be proportionate to the nature of the problem, taking into account progress made to date.

2 Do you agree that there are features of the interbank payment network that are reducing or likely reducing competition and efficiency of the network or the system?

While there appears to be a willingness among the major banks to progress towards open banking, as per Payments New Zealand Ltd's application seeking authorisation to further develop its open banking framework, there are insufficient incentives for them to work at pace, to continue to participate in this development or to partner with new providers.

New entrants must be allowed to enter the market to enable innovative and cheaper in person payment options, creating more competition.

3 Do you agree that there is conduct of participants of the interbank payment network that are reducing or likely reducing competition and efficiency of the network or the system?

As per the previous answer, there appears to be no strong timeline or deadlines for progress to be made. There are also insufficient incentives to partner with new entrants, which could improve momentum.

4 Are there any other features of the interbank payment network or any conduct of participants that are relevant to our consideration to propose designation?

Retailers see there are opportunities to offer value to customers through seamless payment experiences.

Bank transfers are typically one of the lowest cost payment options and one of the fastest at settling, with funds typically available within several hours. However, on a practical level they are prohibitively difficult for retailers to use, particularly in-person at the point of sale. This is because the information required is complex and time consuming to collect, requiring customers to input bank account and reference details. In addition, there is no simple or verifiable way for a retailer to make sure a payment has been accepted.

We are excited about the benefits that simplified in person bank transfer could bring for retailers including faster settling times, lower costs for accepting payments and reducing the time it takes to reconcile payments made by bank transfers.

5	Do you agree with our characterisation of the nature of the interbank payment network? By 'nature' we mean the number, value, and nature of the transactions that the network currently processes or is likely to process in the future of the payments.
<i>Retail NZ considers that demand for safe and secure contactless payments is increasing, so retailers want to embrace current and future payment technology innovations to meet evolving consumer experience expectations. Alternative low cost payment methods, like bank to bank transfers, would be good for retailers and improve competition.</i>	
6	Are there any other aspects of the nature of the network that are relevant to our consideration to propose designation?
<p><i>The security of customer data must remain paramount. Improvements in the interbank payment network must not made be at the expense of experience and security.</i></p> <p><i>That said, any innovations in interbank payments need to be easy to use, implement and maintain, or new technologies will not be adopted by retailers or customers. It can be extremely expensive and time consuming for retailers who have more complex POS solutions both instore and online, to ensure they have a compliant payment acceptance structure. So we recommend that any payment method avoids adding additional complexity and compliance.</i></p>	
7	Do you agree with our assessment of the potential interaction between the proposed designation and the FMI Act and CPD Bill?
<i>The designation must align with existing legislation to ensure consistency and avoid regulatory duplication.</i>	
8	Apart from the FMI Act and the Consumer Data Rights Bill, are there any other statutory considerations you consider relevant to our proposal to recommend designating the interbank payment network?
<i>Retail NZ does not have specific comments on this question.</i>	
9	Do you agree with our definition of the proposed designation? If not, why not?
<i>Retail NZ does not have specific comments on this question.</i>	
10	Do you agree New Zealand has not implemented a thriving API enabled payment ecosystem?
<p><i>New Zealand is lagging in the development of the use of technology in global payments. Consumers want to make payments via contactless methods, using chip based contactless cards, smart phones and watches. Contactless payment is quicker, simpler and more secure, as well as being easier for those with a disability. The current landscape where merchants are implementing a surcharge for these types of payments means that consumers are reverting to alternative methods of payment to avoid the fee, but are not as secure and efficient as contactless payments.</i></p> <p><i>In-person bank transfers may provide a simple and cost-effective payments option for retailers, especially within the existing infrastructure. But the banking sector is not moving quickly enough to adapt/adopt the technology required to enable simplified in person bank to bank transfers at the point of sale.</i></p>	

11	Do you agree new payment methods through API enabled payment ecosystems are becoming more prevalent overseas? And, do you agree with how we have characterised the nature and benefits of these systems?
<i>As noted above, Retail NZ is aware that New Zealand is lagging international developments in this area.</i>	
12	Do you agree there is significant unmet demand in New Zealand for innovative new payment methods enabled by a thriving API enabled payment ecosystem?
<i>As noted above, both retailers and customers want the ability to make and accept payments via contactless methods, as these are quicker, simpler and more secure.</i>	
13	Do you agree with our characterisation of the minimum requirements for a functional API enabled payment ecosystem?
<i>Retail NZ does not have specific comments on this question.</i>	
14	Do you agree with our concerns regarding the timeliness, partnering, transparency, and reasonableness of fees of the API enabled ecosystem that use any undesignated interbank payment network?
<i>Yes. See our answer to Q2 and Q3 above.</i>	
15	Do you agree with how we've characterised the innovative new products and services for businesses within an API enabled ecosystem? And are there any other products and services for businesses you would like to draw our attention to?
<i>Retail NZ does not have specific comments on this question.</i>	
16	Do you have any other comments you would like to make?