

Submission Response: Consultation on our proposal to recommend designation of the interbank payment network

Date received: 10 May 2024

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Organisation: Revolut

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Would you like any part of your submission to be anonymous? No

Please describe which part of your submission you would like to be anonymous, and please provide a reason.

x

Full list of our submission questions

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 - I agree.	
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?
Yes - I agree.	
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?
Yes - I agree.	
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?
Yes. As a global company with operations in multiple jurisdictions Revolut would be happy to provide input on successful interbank models.	
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.
Yes - I agree. Revolut understands the focus of the Commission's consultation is to focus on the designation of the interbank payment network under the Act to further push NZ	

into a thriving API environment. However, in terms of the definition of the 'nature' of the interbank system, Revolut does not believe the discussion should exclusively focus on interbank payments but would benefit from the inclusion of card payments as a part of the discussion, to give a broader approach to the interbank payment network discussions. In Australia, interbank principles are discussed over core and card payments, we would like to see the inclusion of cards within the discussion to encourage further innovation and consumer competition.

6 Are there any other aspects of the nature of the network that are relevant to our consideration to propose designation?

Yes card payments.

7 Do you agree with our assessment of the potential interaction between the proposed designation and the FMI Act and CPD Bill?

Not sure.

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?

Respondent skipped this question.

9 Do you agree with our definition of the proposed designation? If not, why not?

Not sure. If designation is the preferred route, Revolut believes the rules should be defined on payment rails and transactions, rather than technology. To determine, quality, speed, reliability and pricing (SLAS, settlement and up times, quality of message). This would also allow new rails more easily.

Additional optional questions

10 Do you agree New Zealand has not implemented a thriving API enabled payment ecosystem?

Yes - speed to delivery has been very slow. Key components of a thriving API business that we would like to see more closely considered throughout the planning for implementation would be:

- Lesson 1: Performance is key. The main advantages are speed and cost, but performance challenges remain. Especially in jurisdictions whereby performance is not managed or handled by regulators.
- Lesson 2: Common APIs reduce cost and increase performance. UK is a clear global leader in terms of implementation
- Lesson 3: Providers can deliver very different results. 'Enforcement' to ensure high standards is also important (e.g. OBL)
- Lesson 4: Build for Open Finance / Data. Many countries leapfrogging 'origin' markets like UK/EU.
- Lesson 5: Operational Overhead. API centric payment ecosystem reduces manual overhead with respect to generating and submitting regulatory/financial reporting, query updates from participants, automating case management for mistaken payments and others.

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?

Yes Revolut agrees new payment methods are becoming more prevalent overseas (particularly features to support oversight of managing personal finances). New Zealand consumers are at risk of being left behind because other locations encourage innovation.

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?

Yes but there are also other ways to drive innovation within payment methods e.g Merchant fees at card terminals. It is difficult to measure the unmet demand, however, looking at the success of Real Time Payments in other countries (e.g AU) and their success, we believe NZ would definitely benefit (e.g similarly to Ireland).

13 Do you agree with our characterisation of the minimum requirements for a functional API enabled payment ecosystem?

Yes but we believe there is also the need for some form of oversight/enforcement from a regulatory body, with consumer input. We support Kiwibank's suggestion of a regulatory sandbox. APIs are the route to delivery but labelling them specifically may limit additional technology and other payment systems. Revolut would be willing to share examples of global implementation and quality via market collaboration.

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?

Yes. We strongly support enablement of API system via designation as long as due attention is still paid to card payments, ATMs and other payment forms.

Based off international success cases, we strongly support an independent organisation, designating the open banking standards and APIs [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] We would not want the industry to be held back by legacy banking systems. Success in the UK was driven by the need for a consistent approach (UI & UX). We support their approach of government mandation to ensure correct management of liability, quality and having an independent entity for implementation & governance.

In terms of fees; we agree to a reasonable fee structure to access the payment network, with fair consideration to the smaller players within the market. E.g. fees should be based on usage and not necessarily a sign up fee. Data sharing and payment initiations should not be a revenue driving product, the data and actions are the customer's rights. Therefore we do not believe the consumer should be inflicted with any fees.

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?

Yes we agree, however, we do believe the definition should not be completely isolated from other payment rails. [REDACTED]

[REDACTED] We see the Australian market moving towards faster payments. [REDACTED]

[REDACTED]

16 Do you have any other comments you would like to make?

Respondent skipped this question.