

Market study into personal banking services – Statement of Process

Our intended process and how you can contribute

Date: 22 June 2023

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Introduction

Market study into personal banking services

1. The Minister of Commerce and Consumer Affairs (Minister) has required that we carry out a market study under Part 3A of the Commerce Act 1986 (Act) into any factors that may affect competition for the supply or acquisition of personal banking services.
2. This study provides an opportunity to consider and evaluate whether competition in personal banking is promoting outcomes that benefit New Zealand consumers over the long term. Competition drives businesses to innovate and be more efficient, and to offer New Zealanders greater value and more choice. It is an effective competitive process that ensures prices and profits are not too high for too long.
3. We expect this study will help to inform the public, the industry and Government about the nature of competition in personal banking and how the industry operates at present. As an independent Crown entity, we run a transparent process, we gather, analyse and assess information to explore in-depth the issues within the scope of study.
4. We will seek to engage directly with and gather information from a range of stakeholders and interested parties across business, consumer groups and industry bodies, the range of providers active in personal banking services and consumers.
5. We are committed to engaging with Māori as part of this work and to supporting future-focused Māori-Crown relationships, through taking a good-faith, collaborative approach to engaging with Māori. The Commission acknowledges Te Tiriti o Waitangi | the Treaty of Waitangi and the importance of having regard to a Te Ao Māori view as part of our engagement process. The Commission is therefore committed to engaging with Māori on this study to hear their perspectives.
6. We are required by the terms of reference to make the final report from this study publicly available by 20 August 2024. The final report may include recommendations that identify ways to improve competition in the sector for the long-term benefit of New Zealand consumers.

Purpose of this paper

7. This paper outlines:
 - 7.1 the process we intend to follow over the course of this study; and
 - 7.2 how you can remain informed and contribute to this study.
8. This paper does not discuss our proposed approach to responding to the terms of reference or the key issues that we may consider as part of this study. We intend to include that in a preliminary issues paper to be released for consultation by August 2023.

The preliminary issues paper

9. The preliminary issues paper and stakeholders' responses to it will inform our approach and help to define the areas of focus and the issues that we will explore in this study.
10. Those matters are likely to include:
 - 10.1 the structure of the industry and the nature of competition in personal banking;
 - 10.2 the conditions of market entry and expansion, particularly any that may affect disruptive firms;
 - 10.3 consumer behaviours and preferences;
 - 10.4 the extent to which consumers change their personal banking service provider(s), how easy or difficult it is to do that currently and the tools available to help consumers make those decisions;
 - 10.5 any impediments to new or innovative banking products or services, business models or disruptive firms (including fintech providers); and
 - 10.6 indicators of bank financial performance (including profitability) and what, if anything, those indicators might suggest about the levels of competition in personal banking.

Related document – Market Studies Guidelines available on our website

11. More information on the Commission's role in undertaking a market study is available in our Market Studies Guidelines, available at: <https://comcom.govt.nz/about-us/our-role/competition-studies>.¹
12. These guidelines describe our general processes and approach to market studies under Part 3A of the Act. They may assist you to understand what a market study is and how market studies are initiated, how we run our market studies, how we will work with you, and how we deal with information gathered during a market study. They are subject to amendment from time to time.

¹ "Competition study" is the term used in Part 3A of the Commerce Act 1986 to describe a "market study", which is the term we use in this document.

Scope of the market study into personal banking services

13. The terms of reference for this study have been issued by the Minister. They set out the matters we must consider and report on, and our timeframe for doing so.²
14. The terms of reference state that:³

I, the Honourable Dr Duncan Webb, Minister of Commerce and Consumer Affairs, pursuant to section 51 of Part 3A of the Commerce Act 1986, require the Commerce Commission to carry out a competition study into any factors that may affect competition for the supply or acquisition of personal banking services. For the purposes of this study, personal banking services are banking services ordinarily acquired for personal, domestic, or household use.

Matters to be considered in the study may include, but are not restricted to:

- The structure of the industry and the nature of competition.
- The conditions for entry by potential competitors and the conditions for expansion.
- Any barriers to consumers comparing bank offers or switching banks, including the extent to which products or services may be tied or bundled.
- Any impediments to new or innovative banking products or services.
- Comparative indicators of financial performance (including profitability).

Should the Commission be of the view that one or more matters listed above, or any additional matters not listed, are likely to provide special insight into competition for the supply and acquisition of personal banking services then the Commission may focus on those aspects.

The Commerce Commission should make its final report for this study publicly available by 20 August 2024.

Consistent with previous market studies, I expect the Commission will produce a preliminary issues paper into the sector by the end of August 2023.

Key process steps and how you can contribute to the study

15. We will be carrying out the study over the next 14 months, publishing the final report by 20 August 2024.
16. **Table 1** below sets out our intended timetable and indicative dates for this study, including key opportunities for you to contribute.

² Under Section 51A of the Act, we may also exercise our discretion in relation to any ancillary matters that are related to, but not explicitly covered by, the terms of reference.

³ The terms of reference have been published in the Gazette and can be found at: <https://gazette.govt.nz/notice/id/2023-go2632>. See also: <https://www.mbie.govt.nz/business-and-employment/business/competition-regulation-and-policy/market-studies/competition-study-into-personal-banking-services/>.

Table 1: Key process steps and how you can contribute

Indicative dates	Key process steps	How you can contribute and remain informed
20 June 2023	Terms of reference for the study issued by the Minister and published in the Gazette.	
June – July 2023	Initial engagement with some stakeholders and initial information requests sent to some stakeholders.	
July – August 2023	Release of preliminary issues paper. This will seek feedback on our proposed approach to the terms of reference and the potential issues we may explore during this study, including the conditions of entry and expansion, consumer behaviours and any barriers to consumer searching and switching, levels of innovation in personal banking, and comparative indicators of bank performance (including profitability).	You will have an opportunity to comment on our proposed approach and preliminary issues. These submissions will help inform our approach and help to define the issues that we will consider.
July – October 2023	Further engagement with stakeholders and information gathering. Undertaking of analysis.	We will engage directly with stakeholders. We are likely to host a hui to hear Te Ao Māori perspectives around October, and we may around this time look to host ‘round table’ sessions with different groups of stakeholders.
September 2023 – February 2024	Testing information and analysis as required with stakeholders.	We will provide updates on opportunities to contribute. We may publish working paper(s) and seek responses or submissions (whether publicly or to groups of parties).
Around March 2024	Public release of a draft report. This will include our preliminary findings on factors that may affect competition in personal banking and outline any options we may consider for recommendations.	You will have an opportunity to comment on the draft report. We will provide an update on submission opportunities, including details relating to any consultation conference that may be held.
April – August 2024	Consideration of responses to the draft report. We may hold a consultation conference during this time.	We will provide updates on opportunities to contribute.
13 August 2024	Report back to the Minister on our findings.	
20 August 2024	Public release of the final report.	
From August 2024 onwards	The Minister responds to the final report.	

17. These are indicative process steps and dates and may change. We anticipate providing further details on specific steps and key opportunities for you to contribute to the study as it progresses.

Subscribe to our mailing list to remain informed about this study

18. We will be providing updates on the study on our website at <https://comcom.govt.nz/about-us/our-role/competition-studies/market-study-into-personal-banking-services>.
19. We welcome information from market participants and interested parties in relation to the issues within the scope of study as we work towards a draft report around March 2024.
20. If you have information that may assist this study, about the factors that may be affecting competition for the supply or acquisition of personal banking services, or views on the areas where we might best focus this study or the issues to explore, or would like to speak with us about the study, please email us at marketstudies@comcom.govt.nz.
21. If you would like to be kept informed and receive updates on this study, please subscribe to our mailing list [here](#).

Gathering and managing information

22. **Table 1** notes some of the ways that we will gather and analyse information and the indicative timeframes for doing so.
23. As an independent Crown entity, we run a transparent process, we gather, analyse and assess information to explore in-depth the issues within the scope of study.
24. The information you provide will help us better understand how effectively competition in personal banking in New Zealand may be working currently. This information will inform our analysis, findings, and ultimately the final report. The final report will set out our findings and any recommendations for changes to improve the effectiveness of competition.

Targeted consultation and information requests

25. Over the course of the study, we will seek to engage directly with, and gather evidence from, a range of stakeholders we identify as having information that is relevant to the study.
26. This includes industry participants at various levels, including the major banks, smaller banks and other non-bank lenders. Stakeholders are also likely to include consumers, industry associations and representative bodies, intermediaries (such as brokers), government agencies, fintech providers and other market participants and interested parties.
27. We will engage with tangata whenua as Treaty partners and stakeholders in the study, including with whānau, hapū, iwi and Māori industry representatives, interested parties or market participants. We plan to engage with Māori early in this process and will be in contact with relevant partners and stakeholders in due course.

What will we do with information you provide?

28. Some of the information that we will need to carry out this study may not be information that is in the public domain. We expect some information we obtain will be commercially sensitive.
29. We recognise the need to ensure that you can have confidence in our use and retention of information, and we are committed to respecting any privacy, confidentiality, or commercial sensitivity attached to your information where possible.
30. There may be firms or individuals who hold relevant information, but who may be concerned if details of the assistance that they would like to provide to the Commission were to be made public. Anyone who has information relevant to the study can ask the Commission to keep their identity and/or the information provided confidential. If confidentiality is a concern, it should be raised when you first contact the Commission so we can discuss your concerns and any available protections as soon as possible.
31. We will not disclose any information we consider to be confidential or commercially sensitive in a media statement, public report, or in response to a request, unless there is countervailing public interest in doing so in a particular case. Such cases are likely to be rare and will be discussed with you in advance of any publication.
32. As part of running a transparent process, **we publish all submissions that we receive at different points in the process to the website landing page for this study** and so, where appropriate, submitters will need to provide us with public (non-confidential) and confidential versions of their submissions so that the public version can be published.
33. More information about information gathering and how we deal with information can be found in our Market Studies Guidelines, available at: <https://comcom.govt.nz/about-us/our-role/competition-studies>, and the other Commission guidance documents referred to in the Guidelines.