

RESPONSE ON THE CONSULTATION: DESIGNATION OF THE INTERBANK PAYMENT NETWORK

ANZ BANK NEW ZEALAND LIMITED

10 May 2024

COMMERCE COMMISSION: CONSULTATION ON DESIGNATION OF THE INTERBANK PAYMENT NETWORK

- 1.1 ANZ Bank New Zealand Limited (**ANZ**) welcomes the opportunity to comment on the New Zealand Commerce Commission's (**Commission**) proposal to designate the Interbank Payment Network (**Network**) under the Retail Payment System Act 2022.
- 1.2 We acknowledge the importance of this work and continue to actively engage with Payments NZ Limited API Centre (**PNZ**) to assist the Commission and the Ministry of Business, Innovation and Employment with the development of our open banking system. The banking industry has long supported open banking, and it is critical that we continue to conjointly work with government to implement our Network in a safe, secure, and timely way.
- 1.3 Overall, ANZ supports a payment Network that it is trusted and resilient, while also being efficient and competitive. We agree with the Commission's emphasis on innovation and recognise it is key to improving financial outcomes for New Zealanders. Accordingly, ANZ continues to invest heavily in our core domestic payment systems to future-proof our bank for our customers and is committed to developing solutions that enhance the customer and merchant experience.
- 1.4 Nonetheless, while we support the intention behind this work, in our view, New Zealand already has an open, competitive, innovative, and efficient Network. The Network has grown significantly in recent years to include a wide range of participants (not just banks), resulting in greater competition. Consequently, ANZ questions whether designation of the Network is required at this time.
- 2.1 **ANZ believes there is no justification for designation of the Network**, however, if this proposal is to proceed, further consideration of the following summarised positions (also noted in our submission on the *Market Study into Personal Banking Services and Payments Between Bank Accounts*) may assist in shaping a more balanced and 'thriving API enabled ecosystem':
 - 2.1.1 The successful development of an open banking ecosystem is complex. The Government and industry must work together to ensure a coordinated and complementary open banking ecosystem is established. To ensure its success, we would welcome the Commission's assistance in expediting the Customer and Product Data Bill, so it aligns with the development of this the Network.
 - 2.1.2 While ANZ understands the intent behind this work, it is unclear on what problem the Commission is trying to resolve. For example, there is no clear reasoning to suggest there is failure with the Network. Likewise, there is no clear argument suggesting that designation will bring greater benefits, such as lowering costs or improving the effectiveness and efficiency of the Network. As such, without a clear problem definition and comparison with the status quo, the reasoning behind this work will remain ambiguous.
 - 2.1.3 The proposed initiatives are complex and will take time to bring to market safely. To date, PNZ has led a lot of the work on interbank payments initiatives, including the development of key API technical and business standards associated with delivering competitive open banking outcomes. As a result ANZ will deliver PNZ's plan with our Payments Initiation on 30 May 2024, and Account Information on 30 November 2024. Therefore, ANZ encourages officials to collaborate further with PNZ and authorise their request to advance open API partnering capability.
 - 2.1.4 The focus of this proposal is obscured by too broad of a scope and many of the issues raised go well beyond a 'thriving API enabled ecosystem', for example, access to PNZ's Bulk Electronic Clearing System (BECS).

- 2.1.5 ANZ would welcome a revised scope of this work, as well as clarification around the associated intent i.e., whether the purpose of designation is to expedite open banking ahead of the Customer and Product Data Bill taking effect, or is it about designating retail products, such as direct credits, used by all New Zealanders in a range of channels? We would welcome further discussion to ensure the focus and outcomes being sought are aligned.
- 2.1.6 Prioritising the alignment of this work with other policy projects will additionally be important. The interplay between this work and the Customer and Product Data Bill will be significant, and therefore it is important to ensure alignment between these two projects to avoid any unintended consequences for participants e.g., unnecessary resource costs or obligations due to duplication.
- 2.1.7 Similarly, access, competition and innovation are also shaped by New Zealand's population size and economy. While the Commission monitors international policy trends, such comparisons do not provide reliable evidence to assert New Zealand's Network is closed to new entrants, nor does it prove that it is not competitive, innovative or efficient. Consequently, ANZ considers the Commission's analysis does not illustrate failure in PNZ's current open banking program or the wider Network. Although New Zealand's open banking program is still in its infancy, its progress is consistent with other jurisdictions' open banking outcomes, if not further advanced in providing good customer outcomes.
- 2.2 In conclusion, ANZ believes the payments market is competitive and open to new entrants. It is not clear from the Commission's proposal, or elsewhere, that there is a payment initiative missing or a gap in the market that is not being addressed.
- 2.3 Thank you again for the opportunity to respond to this proposal. Please contact Brian Bonar, Head of Payments, Industry & Risk, at: [REDACTED], if you have any questions or would like to discuss the contents of this submission.

Appendix 1 - Commerce Commission submission questions - ANZ Response:

| Questions on the Commission's proposal to recommend the Interbank Payment Network is Designated | |
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| 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? |
| | <p>ANZ does not support the Commission's position that designation will promote competition and efficiency in retail payment systems.</p> <p>The Commission have not stated why this option would be more beneficial than the status quo. Additionally, while there is a perception that industry is moving too slowly, we believe speeding up the pace of this work via designation will likely bring significant associated risk due to the complexity around developing an open, safe and secure ecosystem for customers.</p> |
| 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? |
| | No. |
| 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? |
| | No. |
| 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? |
| | ANZ believes that improving financial literacy more broadly will place consumers and merchants in a more favourable position to assess their choice of product and services. Without a mature understanding of open banking, it is unlikely that the Network will create as many good customer outcomes or new services as intended. |
| 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. |
| | ANZ believes the Commission's proposed scope for the Network reaches beyond retail payments and therefore further consideration is required. |
| 6 | Are there any other aspects of the nature of the network that are relevant to our consideration to propose designation? |
| | Yes. The Commission should recognise or position all payments initiatives at play. While the focus has been on a 'thriving API enabled ecosystem', there are other initiatives that support the use of APIs, e.g. confirmation of payee. |
| 7 | Do you agree with our assessment of the potential interaction between the proposed designation and the FMI Act and CPD Bill? |

Yes. However, ANZ encourages government agencies to align and establish clear remits around the execution of this work. This will help avoid any unintended consequences for business, such as duplication of obligations, resource costs, inefficiency or hindering of innovation.

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?

The Commission should also consider the Reserve Bank of New Zealand Zealand's *Exchange Settlement Account System access Risk Assessment Framework*, where access criteria to the retail interbank payment network is central to future outcomes.

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

No. ANZ believes the current definition will likely create ambiguity due to its current proposed scope and we would welcome further discussion to ensure the perceived benefits solve the immediate and longer-term challenges.

Additional optional questions

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

No. We consider New Zealand's payment ecosystem remains on track for meeting implementation milestones. ANZ does, however, acknowledge that the 'thriving' element has been hampered by the inability to progress partnering framework discussions at PNZ.

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, although there is insufficient evidence of the benefits, the cost reduction or efficiencies compared to the existing network.

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?

No.

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

No. For example, there is no 'Risk' categorisation in Figure A1 and without this requirement being developed, or understood from an end-to-end perspective, the overall trust in the payment ecosystem will be undermined.

14 Do you agree with our concerns regarding the timeliness, partnering, transparency, & reasonableness of fees of the API enabled ecosystem that use any undesignated interbank payment network?

No.

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| 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? |
| No. | |
| 16 | Do you have any other comments you would like to make? |
| No. | |