



# Response to the Commerce Commission Consultation on proposal to recommend designation of the interbank payment network

## Country Manager Letter

10 May 2024

Commerce Commission  
PO Box 2351  
Wellington 6140  
New Zealand

Submitted by electronic mail [PaymentsTeam@ComCom.govt.nz](mailto:PaymentsTeam@ComCom.govt.nz)

Dear Commerce Commission representative,

### **Visa's submission to the Commerce Commission's consultation on the proposal to recommend designation of the interbank payment network**

Visa welcomes the opportunity to share our perspectives on the Commerce Commission's (the Commission) consultation paper on the proposal to recommend designation of the interbank payment network.

In responding to the consultation paper, Visa's submission focuses on several topics, including: the benefits in New Zealand using a variety of innovative payment products and services; the need to address the challenges that fraud and scams may present in light of any potential changes; and that the development of open application programming interface (API) standards needs to be flexible, market-driven and agile to encourage innovation and allow different technologies to emerge.

Visa representatives are available to discuss our submission in more detail with the Commission if helpful.

Yours sincerely,



Anthony Watson  
Country Manager – New Zealand and South Pacific  
Visa Worldwide (New Zealand) Limited

## Overview

The ongoing development of a secure, competitive, efficient and innovative electronic payments ecosystem is essential to the growth and stability of New Zealand's economy, including the digital economy. Payment platforms, including Visa, contribute significantly to the economic prosperity and financial inclusion of New Zealanders while promoting enhanced security and innovation..

Visa recognises the valuable role of the Commission and the broader New Zealand Government in supporting stability and certainty in the payments system and the national economy. Ensuring that any oversight, direction and regulation is fit for purpose now and for the foreseeable future enables the industry to continue delivering the investments needed to ensure the New Zealand payments ecosystem is world class.

For Visa, the security of our network is a top priority. As a result, we invest heavily to preserve and enhance the security of the transactions process and to protect consumers and merchants. Over a five-year period, Visa invested at a global level nearly NZ\$15.7 billion<sup>1</sup> in systems resilience, fraud management and cybersecurity, including tokenisation, Artificial Intelligence (AI) and blockchain-based solutions, to bring even more security to every transaction. In addition, our AI solution, Visa Advanced Authorisation, has helped financial institutions prevent nearly NZ\$273 million<sup>2</sup> in fraud from impacting New Zealand businesses<sup>3</sup> over a 12-month period<sup>4</sup>.

We believe businesses that facilitate digital transformation have a responsibility to play their part in ensuring a stable foundation for New Zealand's digital economy. For Visa, this means innovation cannot come at the expense of security, interoperability and governance. This approach results in consumers benefiting from innovation that delivers increasingly secure and convenient methods of payments, while merchants gain from innovation that drives sales, reduces operational costs, and increases the speed of payment transactions when it matters the most to them. It is also important to recognise that innovation comes from responding to the needs of marketplace participants – especially consumers and businesses of all sizes – and not necessarily as a result of regulatory mandates or requirements. In this regard, Visa does not support the Commission's proposal that it should use its "regulatory powers under the Retail Payment System Act (the Act) to designate the interbank payment network to "better promote the timely delivery of a thriving open API ecosystem<sup>5</sup>".

We agree that, in some instances, well-balanced and market-based regulations can help to enable competition and innovation. More specifically, we support principles-based policy frameworks that are adaptable to rapidly evolving markets, technology neutral, and maintain a level playing field. However, in contrast, overly prescriptive policy environments tend to deter innovation and limit growth. With this in mind, Visa encourages the Commission to

---

<sup>1</sup> Visa data on global technology and operations investments, FY15-FY19. For further detail, see: <https://usa.visa.com/visa-everywhere/blog/bdp/2019/12/24/investing-in-the-1577207091483.html>

<sup>2</sup> USD converted to NZD at rate of 1 USD = 1.63020 NZD (February 2024)

<sup>3</sup> [Visa prevents more than \\$270 million in fraud from disrupting New Zealand businesses | Visa](#)

<sup>4</sup> 12 months ending March 2023

<sup>5</sup> [Retail-Payment-System-Consultation-on-our-proposal-to-recommend-designation-of-the-interbank-payment-network-27-March-2024.pdf \(comcom.govt.nz\)](#) Pg 20

consider how a variety of payment providers offering a wide range of products and services can best ensure that New Zealand’s payments ecosystem remains innovative and competitive into the future for the benefit of the country’s economy.

Below, we provide responses to select submission questions for the Commission’s consideration.

## Submission Responses

### Questions on the 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?

#### Visa’s Response:

The consultation document states that the benefits of designation include increased choice through more payment options, innovation through increased functionality, improved consumer protections, and increased uptake of innovative methods for consumers and businesses to make and receive payments to and from their bank accounts using third party services<sup>6</sup>.

Visa does not agree that designation of the interbank payment network alone can meet the objectives outlined by the Commission. Similar regulation in other countries has led to mixed results. For example, while regulation played a crucial role in kick-starting open banking in Europe, the prescriptive nature of the regulation (e.g., no-cost Application Programming Interfaces - APIs) and its subsequent enforcement (e.g., bans on contingency mechanisms) has slowed open banking from reaching its full potential. Japan, Singapore, and South Korea, among other jurisdictions, have opted for a flexible approach to Open Banking, with industry driving the exposure of high-quality APIs in response to consumer demand.

As API standards adoption grows in New Zealand, Visa believes that different roles for industry will emerge – from service providers to developers – and we encourage the Commission to avoid prescriptive rules that will run the risk of stifling these dynamics. Specifically, participants in the payments ecosystem should be able to manage the terms of their commercial relationships, allowing for new business models to emerge which will, in turn, lead to new innovative products and services which benefit consumers. Prescriptive mandates that limit commercial relationships or the design and delivery of products and services could not only hinder innovation at large but may unnecessarily delay uptake of the API standards.

The Commission’s consultation paper mentions the Unified Payments Interface (UPI) in India and Pix in Brazil as successful examples of adoption that required “significant

---

<sup>6</sup>[Retail-Payment-System-Consultation-on-our-proposal-to-recommend-designation-of-the-interbank-payment-network-27-March-2024.pdf \(comcom.govt.nz\)](#) Pg 7

regulatory intervention to develop”<sup>7</sup>. It is important, however, to consider that the context and the issues to be solved in those jurisdictions are different from those in New Zealand. For example, a key objective of government intervention in both Brazil and India was to improve financial inclusion (in India, for example, account ownership has more than doubled between 2011 and 2021, from 35 per cent of adults to 78 per cent<sup>8</sup>) and promote digitisation of payments. In addition, in India, 38 per cent of households are digitally literate. Furthermore, only 31 per cent of the rural population uses the internet - compared to 67 per cent of the urban population<sup>9</sup> and overall literacy levels were 76 per cent in 2022<sup>10</sup>. New Zealand, by comparison, does not face these challenges and unmet needs to the same degree. In addition, government interventions in both Brazil<sup>11</sup> and India<sup>12</sup> have brought unintended consequences, including higher fraud.

Therefore, when considering whether to recommend a designation of the interbank network, the Commission should consider whether such a designation (i) is a proportionate and adequate measure to address any shortcomings that are specific to the New Zealand payments ecosystem; and (ii) will deliver sustainable commercial models that give all participants incentives to offer and promote products in the interbank network, innovate, improve the user experience, and protect customers from fraud.

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

**Visa’s Response:**

Visa believes that the proposed designation may cause regulatory overlap and commends the Commission for recognising the need for future consultations. In line with that, Visa recommends, if the interbank payment network were to be designated, avoiding duplicative and possibly conflicting regulation regarding other legal regimes in New Zealand. Such an approach would prevent confusion, efficiencies being diminished, and/or the creation of an unlevel playing field for entities required to comply with multiple regulatory frameworks.

**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?

**Visa’s Response:**

As noted in our September 2023 submission<sup>13</sup>, in assessing if there are other regulatory requirements in other New Zealand laws that should be taken into account, Visa encourages the Commission, other New Zealand regulators and government agencies to

<sup>7</sup> 3.22 of the [consultation paper](#), Pg 25

<sup>8</sup> <https://thedocs.worldbank.org/en/doc/0e271c416d4afa3237cf3a6226884d3b-0430062023/original/Findex2021-IndiaCountryBrief-DRAFT-2-03-23.pdf> Pg 1

<sup>9</sup> <https://www.oxfamindia.org/knowledgehub/workingpaper/india-inequality-report-2022-digital-divide>

<sup>10</sup> [Literacy rate, adult total \(% of people ages 15 and above\) - India | Data \(worldbank.org\)](https://data.worldbank.org/SH.UY.SRVS.CV.LS?locations=IN)

<sup>11</sup> [FEATURE-‘Pix Gangs’ cash in on Brazil’s mobile payments boom | Reuters](#)

<sup>12</sup> [More than 95,000 UPI fraud cases reported in 2022, here is how you can stay safe - India Today](#)

<sup>13</sup> [Visa’s submission to Request for views on payments made over the interbank payment network](#). Pg 12

ensure that there is broad alignment. This can be achieved through thorough coordination on payments policy between and among regulators, as well as meaningful stakeholder input to ensure shared objectives and a unified vision. This approach will contribute to ensuring payments policies are aligned and mutually reinforcing, thereby providing a clear sense of direction to the payments ecosystem.

### Additional optional questions

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?

#### Visa's Response:

Payment services have evolved differently in markets elsewhere for a wide variety of reasons. For instance, in many emerging markets, digital wallets have become prominent as a means to help advance financial inclusion. In other markets, fintech solutions have emerged as a means to foster innovation or to address specific payments use cases. Ultimately, payments innovations are evolving in different ways around the world in order to address the specific needs of end users and consumers. As a leading global payment network, Visa has played an important role in fostering innovation and dynamic payments solutions, recognising that each market is different and has unique needs.

In assessing the value of any potential new form of payments, it is important to take a holistic view. As we noted in our previous response on this subject<sup>14</sup>, interbank payments are, by design, irrevocable and operate like cash in many ways. This is because these transactions are account-to-account, which means that funds are near-instantaneously moved from one account to another.

In this regard, the immediate settlement of funds is a benefit, except in cases where an erroneous or fraudulent transaction is made. In such scenarios, users are often limited in their capacity to correct or dispute transactions. Moreover, interbank transfer systems offer limited fraud protection and dispute resolution services, which can generate unintended consequences. For example, awareness that there is limited recourse may enable or encourage fraudulent activity. The recent failure of Bonza Airlines<sup>15</sup> highlights the risk for consumers using real time payments networks, as they currently lack the "chargeback" capability. This means there is no intermediary with an established set of rules for consumers to rely upon if the merchant does not refund or replace the purchase.

These are important factors when considering existing benefits and challenges with the traditional method of initiating bank transfers – for consumers, merchants, financial institutions, and the integrity of the payments ecosystem. Visa recommends that the

<sup>14</sup> [Visa's submission to Request for views on payments made over the interbank payment network](#). Pg 7

<sup>15</sup> <https://www.capitalbrief.com/article/bonza-customers-who-used-real-time-payments-network-risk-missing-out-on-refunds-b370d71e-6964-4446-b524-7e5699fbc878/preview/>

Commission should address the challenges that fraud and scams may present in light of any potential changes that the Commission is considering.

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?

**Visa's Response:**

Today, consumers and merchants in New Zealand can choose from a range of payment methods, including cash, eftpos cards, debit and credit, an increasing range of form factors, such as mobile wallets and QR codes, and account-to-account payments. Against this backdrop and as a developed economy with a strong digital payments acceptance infrastructure, a highly productive workforce and a vibrant tourism sector, New Zealand consumers and merchants have ample choice regarding how they want to pay and be paid.

New Zealand consumers and international travellers increasingly expect to be able to make purchases with their computers, tablets, phones, and wearable devices in a secure and seamless manner, with the convenient payment product of their choice. Equally, merchant expectations and their desire for a greater array of choice and options have also increased.

These demands have resulted in the diversification of digital payment products and services available for both consumers and merchants in the New Zealand market – which they can use both domestically and internationally. For example, merchants continue to display a strong appetite for immediate, reliable and secure payment infrastructure as well as using other technologies to drive new and repeat sales and monitor performance.

Alongside of the diversification of secure and innovative electronic payment products and services, there has been a rise in relatively new entrants to the New Zealand payments ecosystem as well as payment providers serving specific purposes or niche market segments. For example, fintech provider Dosh<sup>16</sup> allows users to load a wallet and transfer funds to other Dosh users in near real-time. Apart from offering peer-to-peer capability, Dosh has recently added a deposit or savings account capability within its app.

Other fintechs that have joined the API Centre at Payments NZ, with the aim of providing account-to-account transfer capabilities, include BlinkPay and Qippay<sup>17</sup>. BlinkPay, a Māori fintech startup that connects businesses with their customers, has recently announced a partnership with BNZ<sup>18</sup> to provide account-to-account payments within New Zealand. BlinkPay uses BNZ's secure API built to Payments NZ standards to allow third-party services to securely connect with BNZ accounts, with the consent of customers. Similarly, eftpos is beneficial for a specific group of consumers – those who are interested in a domestic, card present payment experience. As a result, eftpos offers a fundamentally different debit product and value proposition for cardholders than other schemes, such as Visa.

---

<sup>16</sup> <https://www.dosh.nz/about>

<sup>17</sup> [Two start-ups already positioned for open banking - Good Returns](#)

<sup>18</sup> [No card? No problem: New Zealanders can now shop online without a credit or debit card - BNZ Debrief](#)

These examples highlight that consumers and merchants in New Zealand have access to a growing range of choices regarding payment methods to use and accept. In addition, an electronic payments ecosystem that has a mix of payment providers offering both broad and specific products and services to different segments of consumers and merchants demonstrates a market maturity which New Zealand should seek to build upon. This also highlights that consumers and merchants may see advantages in choosing certain payment acceptance solutions based on several factors, including system resilience, simplicity, and innovation.

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

**Visa's Response:**

The requirements outlined in the consultation paper<sup>19</sup> provide the foundational elements - APIs, Partnering, Participation, and Confidence - upon which the payments industry can further develop and innovate. Broad representation and active participation from industry participants is more likely to see the development of APIs that work universally for all participants and across multiple use cases - with an appropriate focus on the consumer experience.

The payments industry should develop API standards that are interoperable, have high security standards, meet certain performance and availability requirements, and allow APIs to be commercially viable. Visa also recommends that any approach be technology neutral. As a result, the focus should be on the framework conditions for access, rather than on the technology enabling the access.

In addition, payments ecosystem participants should be able to design, innovate and bring to market new products and services which benefit consumers and merchants, safe in the knowledge that regulation does not impose any restrictions on participants to apply commercial terms and business models that encourage take up of the new products and services. This is important not just in the early stages of development of new payment options but in the later stages where gaps in products, services, or providers may become more easily identifiable, and industry will be prompted to create marketplace solutions. Prescriptive mandates that result in limiting the design and delivery of products and services and the commercial arrangements and business models that support adoption, could not only hinder innovation at large, but may unnecessarily delay the uptake of new payment services and products in New Zealand.

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?

**Visa's Response:**

---

<sup>19</sup> [Retail-Payment-System-Consultation-on-our-proposal-to-recommend-designation-of-the-interbank-payment-network-27-March-2024.pdf \(comcom.govt.nz\)](#) Pg. 29



As we noted in our submission in September 2023<sup>20</sup>, Visa believes that in New Zealand competition among payment providers is strong and the need for investment to support demand for secure and innovative products and services has grown significantly. Visa has been privileged to invest in the New Zealand market to support this evolution and the growth of our clients and partners (whether established or emerging). Network innovation not only results in new forms of payment for consumers and merchants, it also ensures the delivery of solutions aimed at reducing risk across the payments system and deterring or reducing fraud.

Technology is very likely to continue to fundamentally alter what is expected of the payments industry – by both consumers and merchants. Supporting a market dynamic that encourages innovation in the payments ecosystem and consumer and merchant choice between products and services will be beneficial to the continued growth of the New Zealand economy.

---

<sup>20</sup> [Visa's submission to Request for views on payments made over the interbank payment network](#). Pg 4

## About Visa

Visa is a world leader in digital payments, facilitating transactions between consumers, merchants, financial institutions and government entities across more than 200 countries and territories. Our mission is to connect the world through the most innovative, convenient, reliable and secure payments network, enabling individuals, businesses and economies to thrive. We believe that financial inclusion is foundational to the future of money movement.

### **Building the future of commerce**

In New Zealand, Visa has a physical presence in Auckland. Together with our New Zealand financial institution, fintech and merchant partners, as well as our technology partners, we are committed to building a future of commerce that fosters the country's economic growth and innovation. One way we are realising this is through Visa Partner Portal and Fintech Fast Track. These programs provide New Zealand fintechs with access to Visa's technologies, networks, products and services, thereby enabling businesses to scale their solutions for the benefit of consumers, businesses and the economy.

Additionally, Visa is a member of Digital Boost, Digital Identity NZ and Fintech NZ and contributes to these groupings, especially through our global experience and perspectives. We also have close relationships with Payments New Zealand, Retail New Zealand and the New Zealand Bankers Association, and we regularly consult with them on matters relating to the New Zealand payments ecosystem.

### **Enabling convenience, security, and trust**

As a network business built on partnerships, Visa continues to enable new payment flows and expand acceptance, ensuring that every New Zealander can pay, and be paid, in a convenient and secure way. We work with the broader payments ecosystem to ensure security is at the forefront of such technology, including tokenisation, AI-powered fraud prevention, biometrics and digital identity solutions. In 2022, Visa launched the [Visa Security Roadmap: 2022-2023](#), outlining how payments ecosystem partners in New Zealand can collectively work towards a more secure digital commerce ecosystem, including implementing new measures to counter cybercrime for New Zealand businesses.

### **Supporting New Zealand businesses**

Enabling New Zealand businesses to thrive is at the heart of Visa's mission. As the trend towards digital commerce continues, Visa is committed to enabling New Zealand businesses to adapt and grow through payments innovation.

Visa was the first official FIFA Women's World Cup 2023 Partner and launched the She's Next Grant Program in New Zealand and Australia during the FIFA Women's World Cup Australia & New Zealand in 2023 - as part of our effort to empower women-owned small businesses in the region through grants and mentorship programs.

In 2023, Visa also supported the launch of a new hospitality industry scholarship, the Visa NZ Hospitality Scholarship (valued at NZ\$30,000), to attract and retain more young people into the industry and support them to take up hospitality as a fully-fledged career. The scholarship includes a five-day placement at a top international hospitality venue, professional development, a one-year mentorship, business training and future participation in Visa Wellington on a Plate (VWOP), the largest food festival in the Southern Hemisphere sponsored by Visa.

In 2020, Visa launched Where You Shop Matters, an initiative to connect consumers with local businesses in their communities, with Visa's e-commerce tools helping to support small businesses selling to an increasingly online consumer base. During reduced COVID-19 alert levels, Visa's Back to Business Locator Tool helped to promote New Zealand businesses open and trading through an online directory powered by VisaNet.

To learn more, visit [www.visa.co.nz](http://www.visa.co.nz)