

2 September 2024

Commerce Commission
PO Box 2351
Wellington 6140

Submitted by electronic mail RetailPaymentSystem@comcom.govt.nz

Dear Commerce Commission representative

Sharesies submission on Retail Payment System: Costs to businesses and consumers of card payments in Aotearoa New Zealand: Consultation Paper

Thanks for the opportunity to respond to the “Retail Payment System - Costs to businesses of card payments in Aotearoa New Zealand: Consultation Paper”.

Sharesies is a wealth development platform with the purpose of creating financial empowerment for everyone. We started out with a focus on making investing easy and accessible. Before, investing was too hard, too complex, and too damned scary for too many. Now, over 700,000 investors are using Sharesies in Aotearoa and Australia.

We’re continuing to break down the barriers to investing for more Kiwis, and create new ways to help people develop their wealth. In the last two years we have diversified our product offering and we are now considering a role in payments in the future that could enable an everyday touchpoint with our investors to help them manage their money to further develop their wealth. This includes consideration of a scheme payment product which can bring a unique offering to the market. We also accept scheme payments as a method for investors to bring funds into the Sharesies platform. As such we are very closely following the commissions review into the retail payment system.

We have elected not to respond to all of the specific questions listed in the consultation document, but have provided general feedback in response to question 19 *“Please provide any evidence of other impacts a material reduction in interchange fees for Mastercard and Visa could have on the New Zealand retail payment system.”*:

- Sharesies believes there is space for more competition in retail banking, and we see a role for scheme payments to be part of this and to help achieve better consumer outcomes.
- For any new product category we explore we have to consider whether it has a sustainable business model. For payments we believe all payment types need to appropriately distribute

cost and value across those that get the payment instrument into the hands of consumers and businesses, and those who benefit from accepting the payment.

- Interchange is an important part of a business case for scheme payments, and we believe it will be a disincentive for new players to challenge the status quo if that revenue stream is materially reduced.
- Aotearoa is already a small market and has higher market entry costs than other markets, which we have been contemplating. For example, we would have to include the cost of offering EFTPOS (including connectivity and transaction costs), the cost of issuing plastic cards (because Aotearoa doesn't have ubiquitous contactless), and overcoming the consumer dislike of surcharging.
- When contemplating adding new products for our investors, a clear regulatory context is also important for us. Interchange was regulated less than 2 years ago; it feels fairly soon to be making further changes without first proving that guidance can be effectively enforced and a strong degree of certainty that further changes will be effective in achieving outcomes.
- We hope Open Banking (which we are already supporting through our partnership with BlinkPay) and other future innovations will continue to increase consumer choice and offer different value. However, we think it may be unhelpful in the debate for scheme payments and open banking success to be positioned as mutually exclusive. We see them co-existing.
- Finally, the consultation seems to assume that significantly reducing interchange will address surcharging. We are unsure whether there is evidence to support this; it appears to us that surcharging has become more prevalent since interchange was regulated.

We are aware that the Commerce Commission is focussed on competition in retail banking, and we would hope the potential impact of proposed regulatory intervention on Fintechs will be fully considered.

We are also of course very happy to engage in further dialogue. Thanks again for the opportunity to submit.

Scott Nixon
General Manager - Investing and Saving

