

19 July 2024

Commerce Commission
Level 9, 44 The Terrace
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Email: registrar@comcom.govt.nz

Dear Sir or Madam

Bank of New Zealand's response to the Commerce Commission's draft determination on Payments New Zealand's application.

1 Introduction

- 1.1 Bank of New Zealand ('BNZ') welcomes the opportunity to provide feedback on the Commerce Commission's draft determination on Payments New Zealand's application to further develop its open banking framework and acknowledges the Commission's support for progressing open customer data and finance in New Zealand.
- 1.2 BNZ submits that any outcomes authorised by the Commission should prioritise generating content for adoption via the Consumer Data Right. We suggest that the Commission's final determination is framed to target that goal

2 Authorisation as a tool to support Consumer Data Right

- 2.1 As noted in our earlier submission, authorisation is an important tool for developing open finance in New Zealand, although a robust Consumer Data Right law (CDR) will be necessary to deliver open finance in New Zealand. BNZ believes it is important that this authorisation avoids creating inefficiencies during the development of CDR regulation by diverting resources to parallel workstreams, with different briefs and objectives, which could hinder the timely completion of CDR.
- 2.2 We commend the progress of CDR since Payment New Zealand's initial application for authorisation. With the Commission's market study into personal banking services almost completed, CDR for New Zealand has been accelerated, with a Bill now introduced in Parliament and a timeline set out for CDR.
- 2.3 BNZ believes the Commission's authorisation, if focused on input to CDR outcomes, could play an integral role in delivering outputs to be utilised under a CDR regime. In particular, a CDR regime will require banking accreditation criteria; if it were to use the criteria developed under the authorised process, that would give the best chance of avoiding duplication between the different avenues pursuing the delivery of open finance.
- 2.4 By way of contrast, BNZ believes there is a risk of duplicating the intended scope of the CDR if New Zealand were to separately pursue market delivery of accreditation guidelines and partnering terms via industry. These two different avenues would each call on many of the same resources across the various API Standards Users.

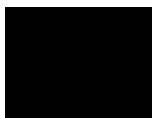
- 2.5 Such duplication may create challenges in meeting overlapping timelines in each workstream. BNZ has demonstrated that it is committed to working across the payments industry to advance open finance for New Zealand consumers. Based on BNZ's experience to date, we submit the optimal approach will be to focus resources on progressing and implementing a single regulation.
- 2.6 Our suggested approach is also consistent with an authorisation that is granted for a limited period of 18 months. BNZ believes an 18-month period enables parties to create useful inputs to the CDR regulatory work if focused on that objective. Accordingly, the authorised development work would align well with the proposed CDR delivery timeline.
- 2.7 BNZ also notes that in an era of sophisticated payment developments, cybersecurity challenges, complex regulatory and data privacy requirements, and rising payments fraud, it would be preferable to further refine the Commission's proposed governance decision model for the authorised work. This would ensure the approach considers such challenges and helps ensure there is well informed specialist payments knowledge. Accordingly, if a change in governance is needed from that established the application and current API standards, we recommend the proposed authorisation condition be expanded beyond independent directors and require the Payments New Zealand Board to form a sub-committee that supplements the three independent directors with two bank-appointed directors. This would retain an independent majority the Commission is considering, while ensuring informed decision making is supported by industry knowledge and expertise.

3 Conclusion

- 3.1 BNZ is committed to working with Government agencies, regulators and the payments industry to efficiently implement regulation to advance open customer data and finance for New Zealand consumers
- 3.2 BNZ supports the Commission's efforts to advance open customer data and finance and recommends prioritising outcomes that align with the CDR. We recommend an 18-month authorisation period to create inputs for the CDR framework, emphasising the need to avoid resource duplication.
- 3.3 To address complexities, we propose refining the governance model by forming a Payments New Zealand Board sub-committee with both independent and bank-appointed directors.

Should the Commerce Commission have any questions in relation to this submission, please contact Paul Hay on the details below:

Yours sincerely



Paul Hay

Āpiha Matua: Waeture me te Tūtohu (Chief Regulatory and Compliance Officer)
Bank of New Zealand

