

18 March 2025

Submission: Retail Payment System – Interchange fee regulation for Mastercard and Visa networks

Executive Summary

1. Paymark Limited, trading as Worldline New Zealand (**Worldline**), is grateful for the opportunity to provide feedback on the Commerce Commission’s (**NZCC**) draft decision on interchange fee regulation for Mastercard and Visa networks published 18 December 2024 (the **paper**).¹
2. Worldline New Zealand (formerly Paymark) was established in 1984 to provide low-cost Eftpos² transaction processing as a way of enabling banks and merchants to move from cash to electronic payments. The launch of Eftpos catapulted New Zealand (at the time) to the global forefront of payments innovation and we continue to be New Zealand’s leading payments innovator. We design, build and deliver payment solutions that help Kiwis succeed and we have a strong drive to see New Zealand at the forefront of global payments innovation once again. Worldline New Zealand has been a part of Worldline SA, our parent company (a French corporation), since 2020. We are a New Zealand registered business, employing circa 200 people in Auckland. We process Eftpos transactions and transactions that are routed out to the international card schemes (**schemes**)³, we provide payment gateway solutions to ecommerce platforms and directly to ecommerce merchants. We have an API-based payment platform, and an in-market open banking payment product called ‘Online Eftpos’. We are also working on a modern replacement on Eftpos and have a proof-of-concept successfully running that uses government issued verifiable credentials to prove, at the time of a payment, that a consumer is the right age to access restricted services or gain discounts.
3. In this submission, we make some general observations on competition in retail payments and have answered the specific questions in the Appendix. Our key points are as follows:

¹ See https://comcom.govt.nz/_data/assets/pdf_file/0032/363848/Retail-Payment-System-Interchange-fee-regulation-for-Mastercard-and-Visa-networks-Draft-Decision-and-Reasons-Paper-18-December-2024.pdf

² Proprietary ‘EFTPOS’ (electronic funds transfer point of sale) cards are issued by consumer banks, they have a magnetic stripe and do not bear a scheme brandmark.

³ Such as Visa and Mastercard.

- a. Worldline urges the NZCC to provide more certainty around the future of retail payments, particularly in respect of the interbank network, real-time payments platform and ensuring New Zealand has a viable alternative to Eftpos. Capping interchange fees before: 1) the interbank network is designated; or 2) there is a regulatory mandate to progress real-time payments systems, may stifle the capacity for alternative payment products to compete.
- b. Worldline is generally supportive of the proposed interchange fees⁴ as we want both consumers and merchants to see reduced costs. The NZCC must, however, be mindful of unintended consequences which may lead to a reduction, or cement existing barriers to, competition. This could include a potential dampening of innovation, risk of pricing out open banking payment products and an acceleration in the decline of Eftpos.
- c. In the absence of meaningful and urgent market intervention, all payments will be scheme payments. This will have a significant and immediate effect on consumers, merchants and our financial autonomy. Given the current political climate, it seems undesirable for New Zealand's financial stability to have payment processing solely in the hands of American payment companies. It is crucial that New Zealand explores and supports alternative payment methods that can sustain and enhance our domestic financial infrastructure. The resiliency and independence of New Zealand's payments infrastructure is at risk if the schemes cannot, or choose not to, operate. Steps must be taken now to ensure that our financial system remains robust, competitive and can continue to function should American payment systems withdraw from the New Zealand market for any reason. Globally geo-political risk is rising and the potential for adverse events arising from international tension is increasing.
- d. Furthermore, merchants are worried about the prospect of increased costs when Eftpos exits, and critically, consumers will no longer have a 'surcharge-free' non-cash payment option. A few open banking payment solutions (which are increasingly being purchased by banks, with the ability to eliminate products as soon as they are no longer perceived as necessary) with limited acceptance are unlikely to deliver a viable alternative to Eftpos or the international schemes. We welcome the future regulatory initiatives referred to in the paper in respect

⁴ See the draft standard: https://comcom.govt.nz/_data/assets/pdf_file/0030/363846/Retail-Payment-System-5BDraft5D-Mastercard-and-Visa-Interchange-Fee-Network-Standard-2025-18-December-2024.pdf

of open banking, surcharging, ecommerce and scheme fees.⁵ The NZCC should address current practices that are anti-competitive such as vertically integrated bundled offerings that make it difficult for those that are not vertically integrated to compete, and the challenges with switching ecommerce providers. Token portability should be mandated, and merchants should not be forced to take an additional service when they only want ecommerce services.

- e. Access to the secure element (**SE**) and near-field communication (**NFC**)⁶ components in mobile phones is vital to the success of modern payments. While we welcome Apple's recent inclusion of New Zealand⁷ in a very select group of countries that can offer contactless transactions using their own apps, there's work to be done to ensure that the access terms are reasonable.
- f. For there to be effective competition for the long-term benefit of New Zealanders we need a regulatory push towards new, digital, efficient, domestic payments products that are widely adopted and accessible to all New Zealanders.

The Detail

Open banking payment products need a chance to succeed

- 4. The regulatory drive towards open banking payments alongside real-time payments is so far missing in New Zealand and, consequently, consumers and merchants continue to be overcharged. In Europe, the United Kingdom and Australia, the regulatory environment has long been aware of the negative impacts from losing domestic payments and processing, and they have taken active steps to nurture competition. To fully realise the benefits of open banking payments we need banks to proactively upgrade to the latest version of the API Standards and for new standards to be implemented in a timely manner.
- 5. In the United Kingdom, recurring (or subscription) payments have become a real focus area. Enabling these types of payments is a way to allow consumers to minimise

⁵ See this recent report from the Payment System Regulator in the UK <https://www.psr.org.uk/media/sogjivl4/mr22-110-card-sp-fees-mr-final-report-publication-redacted-mar-2025-updated.pdf>

⁶ Near-field communication or 'NFC' is technology that allows two devices (i.e. a phone and a payment terminal) to talk to each other when they are close. The secure element or 'SE' is an industry-standard, certified chip designed to store sensitive information securely on device.

⁷ See <https://www.apple.com/nz/newsroom/2024/08/developers-can-soon-offer-in-app-nfc-transactions-using-the-secure-element/>

unexpected expenses and potentially lower processing fees for businesses.⁸ They see this as a way of reducing the costs of direct debits and giving consumers more control. The standards enabling enduring consent, which are a key enabler to recurring payments, were first documented by the API Centre in 2019⁹ and are due to be implemented (as part of version 2.3) by most banks in May 2025.¹⁰ That's six years on the API Centre radar, which seems tiresomely slow. We need for new standards to be delivered and implemented faster or else we risk limiting the use cases for open banking payments.

6. We would like to see API Standards enabling bill payments, request-to-pay, and instore. For instore, we need more than a subset of ISO20022 messaging; we need to provide, at a minimum, for pre-authorisations, reversals and refunds. These types of instore requirements do not yet feature on the on the API Centre's future roadmap (we believe they may be leaving this to the NextGen project for real-time payments, which is years away and does not make sense. Even if you did wait for NextGen, there is still a need to be standards for open banking to be able to connect to the real-time payments system). If the implementation of recurring payments is anything to go by, we fear that it will be years before standards are bought in and this in turn slows progress. We have learned that going early does not necessarily pay off. We have bespoke payment APIs which are more innovative and advanced than the API Standards, but for some reason we get penalised for not having 'standardised APIs'. Surely the intention of the API Centre is to progress and improve competition rather than slow it down to match the least fast bank. Innovation and progress, when done securely and safely, should be celebrated rather than maligned. Payment types, merchant types and customers should be aligned to bank transfers. Time and time again we see limitations imposed on open banking payments that do not exist elsewhere including that users must be 18 years old, and you cannot make payments for items purchased on marketplaces such as Trade Me, inconsistent and low transaction value caps. We would like to see equivalency with internet banking.

⁸ See <https://www.fca.org.uk/news/statements/fca-and-psr-set-out-next-steps-open-banking> and <https://www.reuters.com/business/finance/uk-establish-independent-firm-boost-open-banking-payments-2025-01-23/>

⁹ See <https://paymentsnz.atlassian.net/wiki/spaces/ACSC/pages/49283290/Explaining+enduring+payment+consent>

¹⁰ See <https://www.apicentre.paymentsnz.co.nz/standards/implementation/minimum-open-banking-implementation-plan/>

The flow on effects of this draft decision have been underestimated

7. While lower interchange fees and surcharging caps will reduce a portion of the costs, other fees remain untouched and without a viable alternative¹¹ in market, scheme products continue to rise and traditional Eftpos continues to decline. In December 2024 we saw proprietary Eftpos transactions at less than 20% of total transactions and in January 2025, it dropped further. Reducing barriers to contactless payments cannot help but accelerate the switch away from Eftpos in its current form.
8. Retail payments are monopolised by the international card schemes.¹² Current trends indicate that New Zealand's local proprietary debit product Eftpos will soon exit the market and with it goes an important competitive constraint on the schemes. This lessening in competition will lead to increased costs for merchants and consumers and it threatens New Zealand's financial stability. Although some work is being done to make sure that open banking is increasingly an alternative to card payments, given the fragmentation and time it will require to evolve and scale, open banking is unlikely to result in a competitive constraint on the schemes in the short to medium term. While Eftpos declines, there is nothing to take its place.
9. Worldline has designed a modern version of Eftpos called "Worldline Contactless".¹³ It is a digital token issued to a phone that can be used contactlessly instore to make an account-to-account payment. Generally, feedback from the industry (consumers, merchants, and banks) has been supportive. However, issuing bank support (i.e., a commitment to issue and promote to account holders) is crucial and they are reticent. This, we think, is largely related to commercial concerns as well as prioritisation of resources and investment. Without a regulatory push, and despite the overall benefits to the New Zealand payment system, the commercially rational issuing banks appear reluctant to commit to a product that further reduces the revenue they receive from the schemes. Worldline Contactless¹⁴ could provide that Eftpos alternative, but for it to be a viable competitor to Visa and Mastercard it must have large-scale issuing and promotion to consumers, and ubiquity of acceptance by merchants.

¹¹ To be viable the product must be supported by at least two major banks, be contactless enabled and have ubiquitous merchant acceptance

¹² In January 2025, **REDACTED** of instore transactions were made with a scheme card over the Worldline switch and for online payments it is even more where transactions with a scheme card make up **REDACTED** of the total.

¹³ See link to video **REDACTED**

¹⁴ See <https://www.paymark.co.nz/blog/new-contactless-payments-taking-off/>

10. To provide New Zealand merchants and consumers with a payment alternative takes commitment from the entire industry, including the banks. Consumers want a contactless Eftpos that can add digital identity services. Merchants want a low-cost contactless debit product; they are willing to pay for transactions and undertake technical work. The terminal vendors and switches are supportive and willing to update their products and services. But payments are part of a two-sided market, and unless the incentives on both sides are met, there's little chance of success. Through our industry workshops, it has been confirmed that without a regulatory mandate, there is little desire, motivation or urgency from the largest banks to work positively and collaboratively towards delivering a ubiquitous domestic debit solution to consumers.
11. Worldline designed and proposed a commercial model that would deliver a net revenue benefit to the banks, as opposed to being a pure cost as Eftpos is today. However, we have heard that even with that switch from cost to revenue, the proposition is not commercially compelling to the banks as it will not deliver a return that is significant enough, presumably compared to the revenue streams received from other payments.
12. The decline in local debit Eftpos usage not only affects consumer choice but also has broader implications for our financial autonomy. As transactions increasingly move to the international card schemes, we risk becoming overly (if not virtually entirely) dependent on them, which not only reduces the resiliency and independence of New Zealand's payments infrastructure, it could lead to higher costs and less choice, and increasingly complex layers of regulation as the only means to constrain the Scheme's behaviour. Despite (what we think are) the obvious benefits for NZ Inc of an independent domestic payment type, the incentives for the banks have apparently not been met and we have been unable to secure the commitment necessary to proceed in a wide-scale product. Worldline still believes that a secure, low-cost local debit should continue to be a part of New Zealand's digital future, and we will carry on but without intervention, we do not hold great hopes for success in the immediately foreseeable future and there are limits to what we can invest.
13. Without Eftpos or a modern version of locally processed debit, all payment processing will be done via the international card schemes (Visa & Mastercard) offshore, and this leaves us vulnerable to cyber issues, geo-political tensions as well as cost increases.

Resiliency and stability

14. The resiliency and independence of New Zealand's payments infrastructure is at risk if the schemes cannot (or choose not to) operate.¹⁵ A domestic payments system should be given priority alongside (and equivalent to) the value placed on other national infrastructure. Steps must be taken now to ensure that our financial system remains robust and competitive and can continue to function should American payment systems withdraw from the New Zealand market for any reason. Globally geo-political risk is rising. The potential for adverse events arising from international tension, such as trade restrictions, cyber-attacks and conflicts is increasing.
15. While both the Commerce Commission and the Reserve Bank have noted that it is undesirable for New Zealand's financial stability to have payment processing solely in the hands of Visa and Mastercard, there continues to be a lack of action on this important issue. It is essential that we explore and support alternative payment methods that can sustain and enhance our domestic financial infrastructure.
16. The decline in Eftpos (local debit – money from your bank account) not only limits consumer and merchant choice but it has broader implications for New Zealand's financial autonomy. As transactions increasingly move to the international schemes, we risk becoming overly dependent on these systems. Take the CrowdStrike incident¹⁶ – Eftpos continued working and being processed as normal when the transactions processed by the card schemes could not. This capability will soon go as Eftpos in its current form declines. Having another payment method broadly available and accessible by most Kiwis is therefore important for redundancy, resilience and stability. For example, in Australia, the impact from a recent Mastercard outage¹⁷ was lessened due to the availability of a domestic product (Eftpos via least cost routing) and domestic processing capability (via NPP¹⁸).

Open banking payments provide only limited competition

17. We are seeing consolidation in an already small market. Two fintechs, BlinkPay and Centrapay, have recently been purchased by BNZ and Westpac is a significant owner of Akahu. Only Qippay, Volley and Worldline have bilateral agreements with banks for

¹⁵ See <https://www.bbc.com/news/business-60637429>

¹⁶ See <https://www.nzherald.co.nz/nz/crowdstrike-failure-kiwis-wake-after-night-of-chaos-following-global-it-outage/PKTVBS5TP5CFZN7SAEV3OWBIKM/>

¹⁷ See <https://payday-news.beehiiv.com/p/impact-of-mastercard-global-outage-lessened-by-lcr-at-aussie-merchants>

¹⁸ 'NPP' is Australia's real-time payment system <https://www.auspayplus.com.au/brands/australias-payment-future>

API access. At paragraph 3.25 of the paper, the NZCC writes the “open banking products will remain a competitive alternative for merchants”¹⁹ and goes on to refer to a bank-owned app which has limited merchant uptake. For this reason, Worldline would like to understand what the NZCC means by “competitive”. For example, it would be useful to understand as a percentage what portion of all payments are made using open banking versus those made with an international scheme card. That way, we might know if open banking payments are providing a ‘competitive alternative’ or if they are merely dabbling on the edges. As incumbent banks acquire open banking startups, it gives them even more control over the growth (or demise) of open banking payments, creating a feedback loop between their control of Payments NZ (and thus the API Centre) and the open banking payment market.

18. From our perspective, the combination of high bank pricing for accessing APIs and poor performance of APIs and banking apps²⁰ make it challenging to compete with the international schemes. We agree that banks should receive a fee for payments initiated via payment APIs as we would like for banks to invest in open banking and ensure good performance of their APIs and online banking websites/apps. For open banking payment providers to effectively compete with each other, and the international card schemes, standardised fees and charges for open banking are required. For example, we would not want to be paying the bank more for API access than it charges businesses that it wholly owns. The bank-owned open banking product ‘Payap’ is advertising a merchant-facing fee of 0.39% which on our current Bank API pricing, is impossible to compete with.
19. We tend to agree with the Commerce Commission²¹ that the published rates could become a floor rather than a cap whereby the regulated cap will become the lowest standard price. For that reason, we would like to see a scaled cap depending on the transaction value with, as the Commission has noted, a downward trend in cost as volumes of open banking payments hopefully grow. Whilst a 5c fee should be acceptable for most transactions, we think that a lower fee should be payable for low value transactions. Furthermore, we are not sure why the account information fees charged by banks are so much lower than payment initiation requests. Arguably an

¹⁹ See paragraph 3.25, page 27 of https://comcom.govt.nz/_data/assets/pdf_file/0032/363848/Retail-Payment-System-Interchange-fee-regulation-for-Mastercard-and-Visa-networks-Draft-Decision-and-Reasons-Paper-18-December-2024.pdf

²⁰ Banking apps/websites are a necessary dependency as they are used, in accordance with the API Centre terms and conditions, by consumers to approve open banking payment requests.

²¹ See paragraph 11 on page 5 of https://comcom.govt.nz/_data/assets/pdf_file/0025/363652/Retail-Payment-System-Update-on-open-banking-progress-10-December-2024.pdf

account information request could require a data holder to prepare and send loads of transaction data which covers a long period of time when, in contrast, a payment initiation request is limited to a one-off payment. It is also our understanding that third parties who perform services are put to higher costs as they are expected to meet higher standard from the banks as regards risk, security and liability than those who perform account information requests.

What has happened to the recommendation to designate the interbank network?

20. Worldline supports the NZCC's recommendation to designate the interbank network²² but is concerned that the recommendation, which was published 7 months ago, has become lost in the ether. A decision was expected last year, but so far, the industry is none the wiser as to an outcome. In advance of the Customer and Product Data Bill (plus regulations relating to banking) we would welcome the opportunity to work with the NZCC to ensure the:
- a. Performance and uptime of bank APIs, and the banking apps, are meeting industry expectations;
 - b. there is standardised payment API access pricing; and
 - c. the API Standards provide API functionality so open banking payment products have a chance of being a viable alternative to international card scheme products and traditional Eftpos.

Ecommerce still has problems

21. Over the years we have heard from several ecommerce merchants who wish to move ecommerce providers but are limited by their current provider. Some ecommerce providers claim that migrating the tokens is prohibited as it would breach PCI standards, that the process for decrypting tokens is too complex, that their system is not translatable, or they charge prohibitively expensive fees (for example, \$5 to \$10 per token). None of these excuses survive investigation and yet merchants are forced to stay with their existing provider and in some cases move to their acquiring offering, not because they will receive a good or better service, but because it is costly and/or difficult to leave. Commerce Commission should investigate this behaviour to establish whether

²² See https://comcom.govt.nz/_data/assets/pdf_file/0018/362025/Retail-Payment-System-Recommendation-to-the-Minister-to-designate-the-interbank-payment-network-August-2024.pdf

there is a reduction in competition. At the very least, the Commerce Commission should follow the Reserve Bank of Australia's lead and set a deadline for the industry to provide for token portability.²³ Token portability helps to support competition between ecommerce providers because it reduces the friction for merchants who want to switch ecommerce providers.

Scheme-only terminals

22. Worldline has recently launched Tap on Mobile²⁴, a product which turns your phone into a payment acceptance device. Only cards with contactless technology can be used. Kiwis cannot use their Eftpos card.
23. There are also new acquiring and terminal offerings in market that are scheme only, they also do not accept Eftpos cards. The contact (insert) scheme debit transaction is sent to the acquirer and scheme instead of the issuer, arguably in breach of PNZ rules. We are not sure whether these cards are being charged an interchange fee (and if the consumer is being surcharged) but if so, this could be in breach of the Initial Pricing Standard.²⁵
24. Not only is Eftpos machine terminal hardware an end-of-life product but the magnetic stripe on the card is an end-of-life technology, as are numbers on cards.²⁶ Once magnetic stripe readers are removed from payment terminals, the Eftpos card can no longer be used. This will likely occur well before the 2030 date in which magstripe is removed from scheme cards. To ensure consumers can use domestic payments easily, and that a competitive constraint on the schemes remains, we need a viable alternative to Eftpos before it is completely gone.

Surcharging and the run-on effects

25. The Retail Payment System Act 2022 seeks to “ensure that that payment surcharges for payment services are no more than the cost to the merchant of the payment services

²³ See <https://www.rba.gov.au/payments-and-infrastructure/debit-cards/expectations-on-tokenisation/index.html>

²⁴ See <https://worldline.com/en-nz/home/main-navigation/solutions/tap-on-mobile>

²⁵ See Schedule 1, Subpart 3—Initial pricing standard, Section 7.3(a)(i) “in the case of any contacted-in-person payment method, 0.00% per transaction”
https://www.legislation.govt.nz/act/public/2022/0021/latest/whole.html?search=sw_096be8ed81c15948_initial_25_se&p=1#LMS528212

²⁶ See <https://www.mastercard.com/news/perspectives/2021/magnetic-stripe/> and <https://www.interest.co.nz/technology/131761/mastercard-plans-get-rid-credit-card-numbers-we-could-be-heading-towards-end->

used for accepting retail payments”²⁷ and the guidance²⁸ gives further assistance. Yet we are still seeing excessive surcharging. For example, on an airline ticket price of \$6,000 for flights, we see a \$180 surcharge. This equates to a 3% of the transaction value. Given the size of the airline one would expect them to be on strategic rates with both their bank and the international schemes meaning that they are likely to be paying an MSF that is lower than 3%.

26. The Commerce Commission states that they expect to consult on surcharging regulation during 2025. However, until such time as surcharging is noted in a separate field of the transactions recorded, no one (including the banks and terminal providers) actually know how big the problem is. In other jurisdictions, if a surcharge is applied it must be included in a separate field to the transaction value on a transaction record. Presently, New Zealand does not have any reliable data showing: 1) if a surcharge was applied; and 2) if so, how much. While we support measures that would improve surcharging, the Commerce Commission should be wary of regulating in the absence of data. Without the data it will be challenging to understand whether the outcomes sought were achieved and monitor compliance.
27. Consumers, when faced with such an excessive surcharges, are often times unable to use an open-banking payment method. If we take the airline example, the only non-surcharged option is Poli. Sharing using your online banking credentials with third parties normalises practices which can result in harm. Data breaches are on the rise, and scams are increasing in sophistication and frequency. Products which normalise unsafe practices, such as sharing banking credentials, should not be supported.
28. We are advocates for safe and secure open banking solutions. The current practice of screen scraping, reverse engineering and the normalisation of sharing your personal online banking login credentials poses risks. In the absence of easily accessible payment APIs from banks on reasonable fees has resulted in these sub-optimal payment services. Until such time as the interbank network is designated and the Customer and Product Data Bill is enacted with secondary regulation passed, we do not have a legislative framework that enables open banking payments. .

²⁷ See https://www.legislation.govt.nz/act/public/2022/0021/latest/LMS528194.html?search=sw_096be8ed81c15948_surcharge_25_se&p=1

²⁸ See <https://comcom.govt.nz/regulated-industries/retail-payment-system/surcharging>

NFC wallets are vital to modern payments

29. The opening of Apple's NFC and Secure Element will create new opportunities for contactless payments as banks and payment service providers can now develop their own payment apps. Access to the SE still requires a bilateral commercial contract with Apple and for fees to be paid. Worldline would like to see those fees regulated so that banks and payment service providers can access them on reasonable terms. Without regulating the Apple fees, it could be challenging to design products, which are loaded into an Apple wallet for consumers to use, that can compete with scheme on cost, especially if the NZCC regulates the interchange fees as proposed.

The roadmap

30. When we think of the future of 'transactions' we have shifted our thinking towards 'interactions'. Payments is only one part of that. New Zealand needs modern infrastructure that can provide a platform for many different interactions, including fraud monitoring, payment, digital identity services, and enabling central bank digital currencies. Platforms that provide for data rich messaging and data sharing are key enablers of a digital economy that will rely on real-time exchanges of information. Globally there is a move to account-to-account local debit products and New Zealand is lagging.²⁹ New Zealand is one of the last countries to implement real-time payments platform and we are already losing out on the economic benefits that can be derived from the real-time completion of 'interactions'.³⁰
31. These platforms provide the first layer on which a multitude of data services can thrive. Worldline has extensive experience in building and operating such systems in other jurisdictions. From Worldline's experience, it takes 1 – 2 years to stand up a real-time payment system up. In New Zealand it has taken that long to discuss and explore the project without a decision. New Zealand should learn from, and not repeat, the same mistakes as other jurisdictions where reasons for failure include lack of political alignment, poor commitment across too many stakeholders, lack of a value proposition that fits market needs or misaligned priorities in context of local market structure.³¹ New

²⁹ See <https://thefintechtimes.com/open-banking-and-a2a-payment-transactions-to-reach-600-billion-by-2028-reveals-juniper-research/> and <https://www.paymentscardsandmobile.com/local-payments-initiatives-challenge-dominance-of-card-schemes/> and <https://www.paymentscardsandmobile.com/card-alternatives-like-pay-by-bank-are-on-the-rise/>

³⁰ See <https://www.pymnts.com/wp-content/uploads/2025/02/PYMNTS-Real-Time-Payments-World-Map-February-2025.pdf>

³¹ For Europe, see <https://insights.flagshipadvisorypartners.com/p27-lessons-learned-from-the-latest-failure-in-pan-european-payment-collaborations> and for Canada see <https://www.ctvnews.ca/business/payments-canada-undergoes-leadership-change-amid-slow-shift-to-faster-payments-1.6828712>

Zealand needs a clear sequencing roadmap to deliver competition and innovation in payments.

Conclusion

32. Long-term solution for payments lies in local innovation that provides viable competition to the international schemes. New Zealand should, by now, see something other than plans to reduce interchange fees from the Commerce Commission. The knock-on effects from seeking to regulate one portion of the retail payments have been underestimated.
33. The decline in local debit usage not only affects consumer choice but also has broader implications for our financial autonomy. As transactions increasingly move to international schemes, New Zealand risks becoming overly dependent on these systems, which could lead to higher costs for consumers and reduced competitiveness for local businesses.
34. New Zealanders should have access to low-cost, modern and frictionless ways of paying for goods and services that are customised to the New Zealand market. We believe that Worldline Contactless is an exciting and important example of innovation and competition in payments. However, support across the banking sector has not yet been obtained – all banks must commit to issuing if that product is to have a chance of competing with the schemes.
35. Government must be clearer in its intentions as regards competition, real-time payments, open banking and digital cash. A holistic, cohesive overarching strategy for payments, backed up by a robust regulatory framework, would provide clarity to reassure the market that regulators are serious about providing a climate in which payments innovators can access the information and services they need to succeed.
36. Thank you for the opportunity to submit on the draft decision. Should you wish to discuss any of the points raised in this submission, please do not hesitate to contact Julia Nicol on [REDACTED]

Appendix

Question number	Question
1	<p>Overall, do you agree with the proposed simplified and lowered interchange fee caps? If not, why not? Please provide reasoning and evidence for the proposed caps you disagree with. (Relevant sections: Chapter 2, Table 2.1)</p> <p>Yes, although we're not convinced that prepaid cards should be excluded.</p>
2	<p>Overall, do you agree with our reasons for this draft decision, including how this impacts competition and efficiency in the retail payment system for the long-term benefit of merchants and consumers? If not, why not? Please provide reasoning and evidence. (Relevant sections: Chapters 2 and 3)</p> <p>We are not convinced that solely regulating interchange fees will improve the competition and efficiency in the retail payment system. Indeed, we foresee that the unintended consequences of this individual focus on interchange fees is likely to lead to a reduction, or cement existing barriers to, competition. This could include a potential dampening of innovation, risk of pricing out open banking payment products and an acceleration in the decline of Eftpos. In the absence of meaningful and urgent market intervention, all payments will be scheme payments. This will have a significant and immediate effect on consumers and merchants. Merchants are worried about the prospect of increased costs, and critically, consumers will no longer have a 'surcharge-free' non-cash payment option. A few open banking payment solutions (which are increasingly being purchased by banks) with limited acceptance are unlikely to deliver a viable alternative to Eftpos or the international schemes. Regulatory focus should include enabling open banking payment solutions (including designation of the interbank network) and a move to real-time payments. The knock-on effects of focussing only on interchange fees have been underestimated by NZCC. The decline of Eftpos continues without a viable alternative to compete with international card schemes. Elsewhere the international schemes continue to raise the unregulated processing fees, which could be concerning for New Zealanders when there is no viable alternative in place. Please refer to paragraphs 7 to 16 in the submission for more information.</p>
3	<p>Do you agree with our base interchange fee level of 0% for contacted debit and a maximum of 0.20% for contactless debit? If not, why not? Please provide substantive quantitative evidence. (Relevant sections: Chapter 3)</p>

	<p>Yes. But with the advent of scheme only terminals we would like to be reassured that all contacted scheme debit transactions have a 0% interchange fee applied. We are concerned that some contact scheme debit transactions are attracting merchant service fees and surcharging.</p>
4	<p>Do you agree with our view that lower interchange fees are unlikely to have a material impact on fraud protection and are unlikely to materially increase losses to fraud across the retail payment system? If not, why not? Please provide substantive quantitative evidence. (Relevant sections: Chapter 3)</p> <p>Yes</p>
5	<p>Do you agree with our view that credit and debit should be treated the same for interchange fees, and our draft decision of no premium on interchange fee rates for in-person credit transactions? If not, why not? Please provide substantive quantitative evidence. (Relevant sections: Chapter 3)</p> <p>No comment</p>
6	<p>Do you agree with our view that commercial transactions do not warrant premium interchange fee rates? If not, why not? Please provide substantive quantitative evidence. (Relevant sections: Chapter 3)</p> <p>No comment</p>
7	<p>Do you agree with our view that online transactions warrant higher interchange rates than in-person transactions? Do you agree with our draft decision of an interchange fee rate cap of 0.40% for domestic debit and credit online transactions? If not, why not? Please provide substantive quantitative evidence. (Relevant sections: Chapter 3)</p> <p>No comment</p>
8	<p>Do you agree with our view that foreign-issued cards warrant higher interchange rates than domestically issued cards? Do you agree with our draft decision of an interchange fee rate cap for foreign issued cards used at New Zealand merchants of 0.60% for in-person and 1.15% for online transactions respectively? If not, why not? Please provide substantive quantitative evidence. (Relevant sections: Chapter 3)</p> <p>No comment</p>
9	<p>Do you agree with our draft decision to leave interchange fees for transactions using domestic prepaid cards unregulated for now? If not, why not? (Relevant sections: Chapter 3)</p> <p>It would be preferable if new entrants could more easily use open banking products. It would also be useful to monitor to see if issuers move</p>

	increasingly move to prepaid from other card types in order to retain high interchange fees.
10	<p>Do you agree with our view that card issuance and currency costs for international payments are unlikely to justify substantive changes to interchange fee rates? If not, why not? Please provide substantive quantitative evidence. (Relevant sections: Chapter 3)</p> <p>No comment</p>
11	<p>Do you agree with our proposed new approach for assessing anti-avoidance? If not, why not? (Relevant sections: Chapter 4 and proposed network standard published alongside this paper)</p> <p>No comment</p>
12	<p>Do you agree with our proposed implementation period (implementation of final pricing standard by 1 November 2025)? If not, why not? (Relevant sections: Chapter 4)</p> <p>No comment</p>
13	<p>Do you agree that it seems likely that some form of surcharging regulation will be needed? What are your views on the possible options we discuss? Do you see other possible options? If so, which? We welcome feedback on possible options to address excessive surcharging. (Relevant sections: Chapter 5)</p> <p>Yes, although we support evidence-based regulation. Reliable data should be collected on what's happening today to fully understand where improvements can be made.</p>
14	<p>Do you agree with our proposed amendments to the pricing standard? If not, please explain why not and provide an alternative. (Please see the proposed network standard published alongside this paper)</p> <p>Mostly yes, however addressing one part of the system will not result in increased competition. If interchange fees are lowered without designating the interbank network, standardising API access pricing and supporting domestic debit, then competition will be reduced.</p>