



Open Banking Submission

Introduction:

This submission, drafted by Mathew Stokes, Chief Operating Officer of PaySauce, on behalf of PaySauce, welcomes the opportunity to provide feedback on the Commerce Commission's Preliminary Issues Paper regarding Open Banking in New Zealand. PaySauce is a local Fintech and financial services provider with extensive experience in the financial sector, processing over \$1.5 billion annually in payroll. Open Banking represents a critical step towards fostering competition and innovation within the New Zealand banking landscape.

Open Banking in New Zealand:

PaySauce firmly supports the introduction of Open Banking in New Zealand, recognizing its potential to reduce entry barriers, enhance competition, and ultimately benefit consumers. However, we emphasize the need for robust and equitable structures to ensure its success. We highlight the power imbalance between established API Providers (banks) and new entrants such as Fintech (users), advocating for structures that address this disparity and guarantee fair representation for both groups.

Need for an Independent Oversight Body:

PaySauce urges the Commission to establish an independent organization to oversee and govern Open Banking in New Zealand. This body must be impartial and perceived as objective by both API Providers and users, ensuring balanced representation and safeguarding the initiative's core objectives. Failure to ensure independence could jeopardize the potential benefits of Open Banking for New Zealand and its citizens.

Objection to Payments New Zealand as Applicant:

PaySauce strongly objects to Payments New Zealand's application to oversee Open Banking, raising concerns about a potential conflict of interest. As an organization owned



by established banks, Payments New Zealand represents the same entities it would be tasked with regulating. This inherent conflict could exacerbate the existing power imbalance in the market and compromise the fairness and effectiveness of Open Banking.

Potential Impacts of Payments New Zealand's Application:

Should Payments New Zealand's application be successful, PaySauce outlines several detrimental impacts:

- **Exacerbated power imbalance:** This could further disadvantage new entrants and stifle innovation
- **Perceived or actual bias:** This could hinder fair governance, standard setting, and application approval, favouring Payments New Zealand's owners (banks) at the expense of users.
- **Limited access for users:** Structures favouring Payments New Zealand could hinder users' ability to access services effectively and efficiently.
- **Slowed progress:** Payments New Zealand's expertise in payments might overshadow other Open Banking opportunities, potentially delaying the initiative's overall progress.
- **Reduced benefits for New Zealanders:** Limited adoption, innovation, and user access could ultimately deprive New Zealanders of the full potential of Open Banking.

Recommendation for Governance:

Drawing from international examples, we propose the Financial Markets Authority (FMA) as the most suitable entity to assume the governance role. The FMA's proven independence, impartiality, and comprehensive understanding of financial markets position it well to effectively oversee Open Banking for all stakeholders' benefit.

Conclusion:

PaySauce reiterates its support for an independent governance body and proposes the FMA as the most appropriate entity. We strongly object to Payments New Zealand's application due to the inherent conflict of interest and potential detrimental impacts. We urge the Commission to reject this application and advocate for establishing an independent body, such as the FMA, to ensure a fair and successful Open Banking implementation in New Zealand.

