25 September 2023

Submission: Payments Between Bank Accounts: Request for views on payments made over the interbank payment network

Executive Summary

1. Paymark Limited, trading as Worldline New Zealand (**Worldline**), is grateful for the opportunity to provide feedback on ways the Commerce Commission (**NZCC**) can better promote new payment options that allow customers to make payments between bank accounts, and how it can use its regulatory powers to address potential barriers, for example by using its regulatory power to designate the interbank payments network (**IPN**) under the Retail Payment System Act 2022[1] (**RPS Act**).

2. In this submission, we provide general feedback on the matters raised by the NZCC in its paper entitled "Retail Payment System: Payments between bank accounts – Request for views on payments made over the interbank payment network" (**Discussion Document**). We also respond to the NZCC's specific questions in the attached appendix. Note that our submission, including the appendix, contains commercially sensitive information and that a separate, confidential version is provided.

3. We strongly support the NZCC's aim of promoting competition and innovation in account-to-account payments. We support the proposed designation of the IPN although we consider it important that the designation be deployed in a narrow and focused way. In our view, in summary:

    i) Firstly, for there to be effective competition for the long-term benefit of New Zealanders we need new, digital, efficient, domestic payments products. For the payments sector to thrive and deliver innovative solutions to New Zealanders, there needs to be a credible alternative to the international card schemes, such as Visa and Mastercard (**Scheme**) products. We need the payments industry to collectively decide and agree to move to a new form of digital Eftpos, that is designed to meet New Zealanders' specific needs. Smaller Fintechs are vital to a flourishing ecosystem, but products that can effectively compete with the Schemes require bold decision-making and collaboration across the industry.

[1] See https://www.legislation.govt.nz/act/public/2022/0021/latest/whole.html

Multiple niche payments products that are only used by a handful of consumers and accepted by a few merchants, will not deliver on a low-cost, sustainable and effective alternative to the Schemes.

ii) Secondly, sub-optimal payment methods that use screen-scraping or reverse engineering should be prohibited. We would like to see the industry move towards optimal API-based products, leading to the phasing out and ultimate prohibition of sub-optimal methods. 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.

iii) Thirdly, the commercial success of any payment product ultimately depends on the support of banks. Banks will be unable to support innovation if they do not have the necessary APIs available and the ability to support API integration. Accordingly, we agree that competition and innovation in account-to-account payments are highly dependent on bank progress, greater standardisation of API features and functionality, a clear roadmap and timely delivery.

iv) Lastly, the payments industry currently faces a raft of regulatory change involving several different regulators. The significant additional burden that would result from designation of the IPN under the RPS Act may risk slowing progress across the wider landscape. Additionally, cross-over between regimes may result in confusion or arbitrage between regimes to avoid accreditation or security requirements. As a result, while we are in favour of the NZCC taking an active role in encouraging (or mandating) bank progress against Payments New Zealand's (**PNZ**) API Centre standards and in meeting the requirements for data holders in the regime created by the forthcoming Consumer and Product Data Bill (**CPD Bill**), the use of any designation should be narrowly focused on ensuring timely implementation of API standards. We also support a holistic, overarching strategy in respect of payments. We believe that this clarity would help reassure payments innovators that regulators are serious about providing a climate in which payments innovators can access the information and services they need to succeed.

Worldline New Zealand history

4. Worldline New Zealand was established in 1984 to provide low-cost Eftpos transaction processing as a way of enabling banks and merchants to move from cash to electronic payments. We are New Zealand's leading payments innovator, and we design, build and deliver payment solutions that help Kiwis succeed. Worldline New

Zealand has been a part of Worldline SA, our parent company (a French corporation), since 2020.

5. Unlike the contactless and credit products of the Schemes, Eftpos products do not return revenue to the banks. Banks are therefore not incentivised to invest in, or issue, these domestic products. While we continue to provide payment processing for Eftpos transactions, we have recognised the commercial realities of this landscape and have evolved over time to process transactions that are routed out to the Schemes, provide ecommerce solutions to ecommerce gateways, and directly to ecommerce merchants, and we have an API-based payment platform.

6. We have fully integrated payment APIs with the four largest New Zealand registered banks and two of the smaller banks. We are a foundation member of PNZ's API Centre. We are active in both the API Centre working and business groups, and until recently, the API Council. As far as we know, there are only three companies that have a product in market that utilises APIs built to the API Centre's standards for payment APIs, and Worldline is the only company that has APIs with the four largest banks.

Bank support is a critical factor

7. The commercial success of any payment innovation ultimately depends on the support of at least the five major banks.

8. For example, Worldline is focusing on the future by building a new API based payment platform and developing API-based products. First, Online Eftpos, an alternative ecommerce product, is in market and volumes are increasing.

9. Secondly, Worldline is focused on developing Worldline Contactless, an instore local debit product that uses our existing APIs and integrates digital identity, loyalty and payments into a seamless, contactless interaction. A virtual bank-branded card will be issued by the bank to a consumer's wallet on their phone.

10. These products have the potential to deliver real benefits to consumers and effective alternatives to Scheme products, but success will require broad market adoption, which in turn is dependent on crucial industry (as well as regulatory) support. Merchants have indicated they are keen to accept alternative payments products such as these, and specifically Worldline Contactless is attracting interest from retailers, who are keen to benefit from a lower cost, contactless, debit product that does not require them to change their existing hardware. However, merchants are reluctant to take up new products until most of their customers can access and use

them. Therefore, merchant support is dependent on all New Zealand banks (or at least the five major banks) providing API access so Kiwi consumers can access these services, whoever they bank with.

11. Without clear support from the banking sector, the necessary scale for success in any significant payments innovation is likely impossible to achieve.

12. There is consumer support and use of Online Eftpos despite the fact that the experience is not as seamless as it could be. We see record transaction numbers each month (noting that these numbers, while positive, are significantly lower than our traditional payment products). But without a landscape that provides a realistic chance of commercial success for new payments products, there is little incentive for innovators to invest in development.

13. Currently, limited resourcing of banks' API products and services means operational service levels are often low, up-time is unreliable and response times can be poor. If something goes wrong, it can be challenging to find someone to fix it. Consumers are reluctant to continue using a product if the user experience is challenging. Common complaints are that banking apps require too many steps and that transaction value limits are not commensurate with the level of risk for a merchant. Critically, some banks have extra steps for the first API transaction, but this is not clearly communicated to account holders - if the first experience is challenging, people are unlikely to come back again.

14. Banks' implementation of the API Centre standards, which would be required to facilitate these innovations, is progressing slowly, but banks' prioritisation of innovation may be challenged by:

    i) competing regulatory priorities (see further discussion at 17 to 21); and

    ii) the commercial incentive on banks. Banks are incentivised financially to issue and acquire Scheme products. As Eftpos and contact debit products do not bring in fee revenue, banks are not incentivised to issue, or support and invest in, these products.

Regulation could be used to prevent implementation delays

15. We share the NZCC's concern at the potential for delays by banks to impact payments innovation. While we support the API Centre's Minimum Open Banking Implementation Plan, we do not believe that it provides sufficient certainty that the

banks will meet the 2024 readiness deadlines (noting that KiwiBank's deadline is 2026). [REDACTED]

Membership is not mandatory for banks and they could simply choose not to comply with the Implementation Plan and cease membership of the API Centre.

16. The lack of certainty is delaying progress in payments innovation, as third party providers require broad access to banks' APIs to ensure the commercial success of new products, as discussed at 10 above. For example, in our stakeholder discussions relating to our Online Eftpos product, KiwiBank's extended deadline has been cited to us as a reason for merchants to continue to use POLi, given that delays in implementing API standards mean that not all New Zealand consumers will be able to access Online Eftpos until 2026. POLi uses screenscraping, which is less secure as it requires consumers to share their login credentials with third parties (often contravening banks' terms and conditions). Accordingly, we believe that any bank delay in implementing the API standards not only hinders payments innovation but indirectly incentivises and encourages less secure payment methods. As a result, we consider the NZCC's regulation making power could usefully be employed to ensure timeframes are met.

Clear roles and responsibilities of overlapping regulatory jurisdictions

17. We support wholeheartedly the NZCC's goal of promoting competition and innovation in account-to-account payments. However, the payments industry is currently navigating its way through several regulatory initiatives across several different regulators. We are concerned that significant additional burden resulting from designation of the IPN may work to slow progress across the wider landscape.

18. For this reason, we consider it essential that any steps taken by NZCC in designating the IPN under the RPS Act are interoperable with and align closely with other related frameworks; including steps already taken under the RPS Act, the Digital Identity Services Trust Framework Act 2023[2] (**DISTF Act**), the forthcoming Consumer and

[2] See https://www.legislation.govt.nz/act/public/2023/0013/latest/LMS459583.html

Product Data Bill[3] (**CPD Bill**) and (to the extent applicable) the Financial Markets Infrastructures Act 2021.[4]

19. For example, we note the NZCC's view[5] that exercise of its power to designate the IPN may be complementary to the introduction of a consumer data right (**CDR**) under the CPD Bill, as it could require the banks to provide access to the necessary systems ahead of the legislation going live for the banking sector. Given the focus in the CPD Bill on the security of connections, as well as the requirement for accreditation of those requesting data, we would have concerns if the NZCC forced access to systems prior to appropriate safety measures being taken under the CPD Bill. Where a lower security NZCC regime in respect of the IPN was able to exist in parallel with the CDR, this may result in arbitrage between regimes and allow payments providers to opt for a lighter-touch regime with more relaxed security requirements, at the expense of consumer security and the ultimate success of the CDR.

20. Additionally, we would be concerned that specific rules or standardisation requirements (for example in relation to APIs) introduced by the NZCC may differ from those ultimately introduced when the final CPD Bill is enacted. This concern is likely to be shared across the industry and may result in delays in progress against the broader scope of the CPD Bill.

21. While we support the NZCC's intentions, it is possible that a designation of the IPN will result in the payments industry building a common set of rules and standards for bilateral implementation, which are ultimately trumped by the broader CPD Bill which may not require bilateral partnering arrangements. We remain concerned that the parallel operation of a regulatory regime overseen by the NZCC and the CPD Bill regime, overseen by the Ministry of Business, Innovation and Employment (**MBIE**) could result in areas of regulatory conflict which may result in uncertainty and cause inefficiency.

22. We would be more supportive of an approach whereby designation of the IPN targeted expedition of the banks' implementation of the API Centre's standards and, if necessary, provided an additional incentive to banks to meet implementation deadlines under the CPD Bill in due course.

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[3] See https://www.mbie.govt.nz/assets/exposure-draft-customer-and-product-data-bill.pdf

[4] See https://www.legislation.govt.nz/act/public/2021/0013/latest/LMS102906.html

[5] See paragraphs X6 and X7 of the Discussion Document

23. While we note that the Reserve Bank of New Zealand (**RBNZ**) is also developing payments-related objectives under its Future of Money initiative and the Council of Financial Regulators has also released its "Vision for the future of New Zealand's payments", there is an absence of a single clear plan. We would like to see a holistic, overarching strategy developed in respect of payments and adopted by all regulatory agencies. We believe that this clarity, like greater certainty over banking implementation of API standards, would help reassure payments innovators that regulators are serious about providing a climate in which payments innovators can access the information and services they need to succeed.

Conclusion

24. We believe that the long-term solution lies in local innovation that provides competition to the Schemes. However, local payment alternatives will only be able to deliver competitive low-cost solutions and long-term benefits to New Zealanders in a regulatory landscape that facilitates the widespread issuing and acceptance that is critical to the success and survival of any alternative payment methods. This means encouraging bank progress in developing APIs and the removal of rules that prevent the advancement of domestic alternatives for payment between bank accounts in favour of the dominance of the Schemes.

25. Whilst the Schemes do play an important role in providing payment methods, we must ensure domestic alternatives continue to be available. 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. This would result in better payment experiences (especially if used in conjunction with digital identity services) and cost reductions.

26. We believe that Worldline Contactless is an exciting example of innovation and competition in payments. However, the critical support across the banking sector has not yet been obtained – only one of the four biggest New Zealand banks has currently committed.

27. Worldline is grateful for the opportunity to submit on the Discussion Document. We are excited to be a part of what should become a thriving, innovative and competitive retail payments system that works to the benefit of all New Zealanders.

28. Should you wish to discuss any of the points raised in this submission, please contact Julia Nicol.

Appendix – responses to consultation questions

Questions on New Zealand's payments between bank accounts landscape	
1	Do you agree that Eftpos card use is likely to continue to decline? If not, why not?
	Yes, we agree that, without a change in industry settings, Eftpos card use is likely to decline. We have observed that some merchants are no longer providing contact payment facilities, opting solely for contactless payments in order to take advantage of the ability to recover costs by applying payments surcharges to contactless transactions. Critically, this leaves customers of these merchants without a non-surcharged, non-cash alternative. There are new acquiring and terminal offerings in market that are Scheme only. They do not accept Eftpos cards, and the insert/swipe Scheme debit is sent to the acquirer, instead of the issuer. An already steady decline in Eftpos use accelerated during Covid. While we have seen a deceleration in that decline as a result of surcharging, we believe the legacy infrastructure needed for Eftpos will no longer be viable in 5 years. It is therefore important to have digital alternatives in market.
2	Do you agree with our assessment of the factors contributing to the decline in Eftpos card use? If not, why not?
	Yes, we agree with the assessment of the factors contributing to the decline in Eftpos card use. There have been claims recently that Eftpos cards are unsafe. However, we have raised this with the banks, who have confirmed that they have observed almost no fraud on these cards in New Zealand. We acknowledge that magnetic stripe technology is not as secure as chip. However, the types of transactions (low value, in person) and the merchants accepting these cards, fraud is generally not a problem. Fraud on cards is most prevalent online and Eftpos cards cannot be used in the "card-not-present" environment. Unfortunately, unlike Australia[1], the card payment fraud statistics are not published in New Zealand.
3	What do you see as the barriers to innovation and success for Eftpos?
	Without broad market adoption, any significant innovation in the Eftpos space is unlikely to achieve the scale necessary to succeed, and broad market adoption is dependent on at least the five major banks supporting a product technologically. For example, in our stakeholder discussions relating to our Online Eftpos product, KiwiBank's extended deadline for standardised API readiness has been cited to us as a reason for merchants to continue to use POLi, given that delays in implementing API standards mean that not all New Zealand consumers will be able to access Online Eftpos until 2026. Many merchants also say that they will keep POLi as not all New Zealander's have access to Online Eftpos. An additional obstacle to innovation in account-to-account payments is the commercial incentive to banks, as innovations generally result in a loss of revenue,

[1] https://www.auspaynet.com.au/resources/fraud-statistics/2022-Calendar-year

	from either the interchange fee stream, or the merchant service fee stream. Additionally, API-based innovation in direct debits will likely impact banks' existing revenue streams. Bank revenue further reduces once there is competition in direct debits, automatic payments and bill payments. As Eftpos and contact debit products do not bring in fee revenue, banks are not incentivised to issue, or support and invest in, these domestic products. Without bank support to provide a realistic chance of commercial success for such new products, there is little incentive for innovators to invest in development. We also note that banks are hesitant to promote instore and online non-Scheme payment products. For example, not all banks have information on their website explaining how their customers can use Online Eftpos, so Worldline creates dedicated pages on its own website. This is not particularly effective as consumers do not intuitively go to our website when they have a challenging payment experience within their banking app. Lastly, the payments industry needs to have a comprehensive conversation regarding the future of Eftpos and the move to a new domestic digital debit solution, which can compete with the Schemes and provide real benefit to consumers. In our view, this "future Eftpos" might be a domestic, lower-cost account-to account API product, which can be used instore by all merchants and would have lower overall infrastructure costs. However, this sort of innovation would require the payments industry to work together, as it did when Eftpos was first introduced. Legacy infrastructure is no longer commercially viable. We need to move to lower-cost, newer payments technology. For example, Worldline's expensive switch requires an [REDACTED] upgrade. However, if Scheme transactions no longer use our switch, we cannot keep the legacy infrastructure going for the remaining 20% (and declining) of transactions. It is likely that banks are facing similar infrastructure considerations. A move to more innovative digital options which do not rely on this infrastructure would also allow for the development of other features. Digital debit, for example, could include digital identity services, can also help protect consumers by mitigating scams and, if applicable, ensure consumers see the benefit from the loyalty programmes they've signed up to.
4	Do you agree with our view that the decline in Eftpos card use is reducing the competitive pressure on the debit card networks for in-person payments and that this may have a detrimental impact on consumers and merchants over time? If not, why not?
	Yes, we strongly agree with this statement. Without the Eftpos card in the market to compete with Visa and Mastercard debit, the Schemes are not materially constrained. Without further (scalable) innovation by other players, New Zealand will ultimately become reliant on the Schemes for its payment processing infrastructure, resulting in all such payments in New Zealand being processed offshore, thereby potentially creating significant risk to the New Zealand financial system. Other countries have recognised this risk and, looking to New Zealand's domestic Eftpos system, have sought to implement their own domestic solutions, through regulation. For example, Europe has introduced the European Payments Initiative, Australia has ePAL, India has RuPay, and Singapore has Nets, many of

	which are regulated or have been regulated into existence and required significant investment from the banks.
5	Do you agree with our view that competitive pressure in the payments between bank accounts landscape could be increased by enabling an environment where payment providers develop innovative options to make bank transfers? If not, why not?
	Yes, we agree with this statement.
Questions on the key features of traditional bank transfers	
6	Do you agree that we have captured the existing benefits and problems with the traditional method of initiating bank transfers? If not, what other benefits or problems exist?
	Yes. While online API products can be used via the banking app or a separate digital wallet, they require a merchant to have a website, a checkout process and an ecommerce gateway. To really move the dial for New Zealand consumers, API-based payments need to be available instore. Most New Zealanders have smartphones and use them increasingly to make payments. Worldline Contactless, which is currently in development, will use the existing payments terminals. This means that retailers will be able to use Worldline Contactless for account-to-account payments, even where their budgets don't extend to implementing online checkout and gateways. However, [most] instore API transactions will likely be initiated via a mobile phone, which will be more secure because of phones' authentication mechanisms (such as passwords, bio-metric and multi-factor features). This means we need engagement with mobile phone manufacturers. There are two main mechanisms currently in use in New Zealand: Apple and Android. Android's model is more widely accessible, which has positive consequences for innovation and competition. However, Apple's model is less efficient and adds further expense[2] into the payments ecosystem. For example, fees are paid by the issuing bank, regardless of whether the consumer's payment is made by way of a Scheme card-on-file or some other payment token via their phone, for example, a direct account-to-account open banking solution. In addition to the fees Apple charges, it also prevents third party apps from accessing its near-field communications (NFC) antenna, effectively meaning iPhone users can only use tap-to-pay through Apple Wallet. This is the subject of regulatory investigations in both Australia and Europe).
Questions on methods to gain access to the interbank payment network	

[2] https://www.afr.com/companies/financial-services/apple-pay-costs-for-australian-banks-revealed-20221209-p5c527

7	Do you agree with how we have described and ranked the different methods for payment providers to access the interbank payment network to initiate payments? If not, why?
	Bespoke/proprietary APIs have an important place alongside standardised APIs. We believe it is useful to distinguish between bespoke, proprietary, and standardised APIs. Where an API can be understood as an interface that allows different parties to communicate with each other, a Bespoke API is a set of rules and tools specific to communications between Party A and Party B. A Proprietary API is a specific set of rules developed by Party A which can be used by multiple other parties to communicate with it. Standardised APIs are generally industry-wide APIs which govern the exchange of information for parties (generally in an industry, for example between Party A and Party B and between Party C and Party D). Furthermore, the description Bespoke API in the Discussion Document is incorrect when referring to Online Eftpos. The Bespoke APIs that Worldline offers were developed by Worldline, not the banks. Standardised APIs should not be viewed as universally more advantageous than bespoke and proprietary APIs, which are as safe as standardised open APIs. Bespoke APIs in particular, in many respects allow for greater variation in features and functions, where the need for standardised APIs to apply widely can necessarily result in narrower functionality. For example, recurring payments functionality is required to enable many of the money transfer types described in the Discussion Document, yet this is not yet a feature in the Payments NZ API specifications available today.
8	Are there other key features of the payment initiation network access methods you would like to draw to our attention?
	As referred to at 7 above, bespoke APIs are as secure as standardised open APIs. For example, Worldline's APIs are based on the API Centre's standards, which we helped to develop. However, our bespoke APIs have additional features but require commercial terms and use needs to be negotiated with each API Provider (bank) separately. For example, as part of Worldline Contactless we are developing the ability to allow a customer who is purchasing alcohol to confirm they are over 18 and make payment in a single interaction. However, the current API standards do not provide for this level of functionality even though both elements are able to be confirmed by information held by banks. We believe that integration of identity services into payments APIs is critical in helping reduce fraud (which will also be vital in the development of the CPD Bill and a move to digital currency).
Questions on the environment required to support innovation in options to make bank transfers	
9	Do you agree that these API related requirements are sufficient to enable an environment where payment providers can develop innovative options to make bank transfers? If not, why?
	Worldline is supportive of PNZ's API Centre and the progress it has made in furthering the use of standardised payments APIs in Aotearoa New Zealand. We

have played an active role in PNZ's API Centre since its inception, with our API standard serving as a base for what is now the industry standard.

We agree that the existing API Centre open standards are a good starting point to enable innovative options to make account-to-account transfers. However, we believe certain aspects need revisiting, to encourage innovation and competition as well as to provide safer online payments services.

Effective partnering would be useful, but we understand that has been challenging for the API Centre to progress from a competition law perspective.

Some banks are building only parts of the API Centre standards, resulting in inconsistent approaches across the banks. A truly open environment requires standardisation for efficiency and scale to be obtained.

The API Centre Standards are also available in multiple versions with differing features. Banks may be using different versions of the same standards, causing consistency issues for payments innovators. Effective life-cycling of versions would be useful.

[REDACTED]

Membership of the API Centre is not mandatory for banks, and they could simply choose not to comply with the implementation plan and cease membership of the API Centre. Accordingly, this means that banks have latitude to work in their own best interests, rather than what's in the best interests of the ecosystem.

The API Centre's API Specifications also do not include recurring payments and enduring consent capability. While they are on the API Centre's road map, they will take considerable time and development. This, combined with the overall uncertainty as to whether banks will meet their existing requirements, contributes to an overall lack of certainty stifling payments innovation.

Significant transaction volumes are likely to move to the open banking payment network if a service is developed that genuinely competes against bank-provided money transfers or Scheme products. If that is the case, API Providers will need to invest in operational certainty, service levels, up-time, response times and focused resource. The current situation is not sufficient for wide-scale trouble-free retail transacting.

Additionally, dealing with services that require more than one approval of a payment or transaction can be challenging and is of particular relevance to business-to-business payments, direct debits requiring at least two approvers and joint accounts.

Lastly, some larger ecommerce platforms (sometimes called 'Marketplaces') have pricing models that make it very expensive for merchants to offer an API-based payment method to their customers. This disincentivises the smaller ecommerce merchants from doing so as well, removing a cohort of great candidates for open banking solutions. Taking Shopify as an example[3], merchants wishing to use an alternative payment method provided by a third-party (such as Online Eftpos) or a payment gateway other than Shopify, the merchant must first get Shopify to agree

[3] https://www.shopify.com/nz/pricing

	to integrate to the third-party, and then Shopify charges a 2% transaction fee on top of the third-party transaction fee. This deters merchants from wanting to accept other forms of payments, as its cost prohibitive.
Questions on the benefits from a more competitive and efficient interbank payment network	
10	Do you agree with our view of the long-term benefits to merchants and consumers from the development of innovative options to make bank transfers? If not, why?
	Yes. As an example, Worldline is currently focused on developing Worldline Contactless, a local debit product that uses our existing APIs and integrates digital identity, loyalty, and payments into a seamless, contactless interaction. A virtual bank-branded card will be issued by the bank to a consumer's wallet on their phone. Worldline Contactless is attracting interest from retailers, who are keen to benefit from a lower cost, contactless, debit product that does not require then to change their existing hardware. Where merchants' costs are lower, any cost reductions should be passed on to consumers. Additionally, where a customer is purchasing restricted goods, we are developing Worldline Contactless to allow a customer to confirm they are over 18 and make payment in a single interaction. We believe that integration of identity services into payments APIs is critical in helping reduce fraud (which will also be vital in the development of the CPD Bill and a move to digital currency).
Questions on industry open API standards	
11	Do you consider that the existing industry open API standards are a good starting point to enable innovative options to make bank transfers?
	Yes, we agree that the existing industry open API standards are a good starting point, although there are areas for significant improvement in order to create an environment for innovation and competition to thrive. For example, cyber and data security concerns should be addressed by the introduction of an accreditation process for payments providers wishing to use APIs. Standardised terms and conditions would increase speed to market and, as set out at 7 above, they currently lack functionality and features. Additionally, implementation by the banks (as API providers) is poor and patchy. Only a small proportion of the available functions and features of the APIs have actually been implemented and, even then, implementation is inconsistent across the banks. The readiness and operational capability of banks also can differ significantly.
12	Do you consider the future of industry open API standards will enable innovative options to make bank transfers?
	We believe that the open API standards, if fully and consistently implemented by all banks, could be key in enabling innovation in bank transfers. However, different banks are operating differing versions of the standards and impose differing transaction limits. True standardisation is necessary to provide for innovation.

13	What gaps are there in the open API standards for innovative options to make bank transfers?
	The open API standards do not currently provide functionality for recurring payments, which is required for direct debits, automatic payments, and makes direct credits more streamlined. There are also challenges facing payments solutions that require multiple approvals for a transaction or payments from joint accounts. In the long term, and as outlined at 10 above, we believe that integration of identity services into payments APIs is critical in helping reduce fraud.
Questions on the key barriers preventing efficient access to the interbank payment network	
14	Do you agree that the key barrier preventing payment providers from gaining efficient access to the interbank payment network is that the banks have not universally built open APIs? If not, why?
	Yes.
15	Do you agree that the main reason the banks have not universally built open APIs is due to the uncertainty of commercial incentives for them to do so? If not, why?
	We believe this is a key reason, as in doing so they will likely lose some existing revenue from Scheme transactions and direct debits while at the same time the future direction is uncertain (such that there is not an obvious case for investment. Banks also often cite resourcing difficulties as a barrier to building open APIs and broader regulatory burden and compliance costs may also be a factor.
16	Do you consider that the industry implementation plan creates sufficient certainty that the banks will build the open APIs? And do you consider that the minimum delivery dates are appropriate? If not, why?
	No, the timeframes are very long [REDACTED] Additionally, enforcement is through API Centre membership terms and conditions. Membership of the API Centre is not mandatory for banks, and they could simply choose not to comply with the implementation plan and cease membership of the API Centre. Widespread issuing and acquiring (including by at least the five major banks) is required if there is to be effective competition in payments products.
17	Aside from the network access issues, are there other issues with the interbank payment network that reduce competition or efficiency? For example, the speed of payments or amount of information attached to payments?
	Yes, in our view real-time payments are key to innovation and efficiency in this space. Additionally, we believe access to richer data through API access would also encourage innovation and security, for example the integration of identity services into payments APIs would help reduce fraud.
Questions on efficient partnering between banks and payment providers	
18	What do you consider are the main barriers to negotiating agreements between banks and payment providers for access to the interbank payment network (assuming open APIs are built)?

	We currently face challenges in negotiating agreements, as some banks do not have a dedicated team or point-person for negotiation, resulting in a lack of clarity (both internally at the banks and for us) on who to engage with and how to ensure momentum is maintained and an agreement is ultimately reached. It appears that banks are not prioritising open banking, and an overly risk-averse approach assumes risk exists where it does not. For example, if the transaction amount that can be transferred in a single transaction is too low consumers may be directed to use a less secure screen-scraping method, such as POLi (where the bank has no control to impose a value limit as POLi does not have agreements with the banks). Additionally, access to the system for some businesses may not be guaranteed, precluding innovation in some spaces, for example, crypto. When a company is "banked" by one bank, other banks may attribute a higher risk level to that company, preventing their accountholders from using API payment methods at those merchants.
19	Does the API Centre's partnering project enable efficient partnering between banks and payment providers? If not, what would be required to enable efficient partnering?
	No, we do not believe that the API Centre's partnering project is completely successful in enabling efficient partnering between banks and payment providers. Standardised terms and conditions, and accreditation regime for payment providers, would increase speed to market by eliminating common points of protracted negotiation. We also consider that smaller Fintechs could benefit if Worldline acted as an intermediary. If Fintechs could access banks via our API platform as a shared infrastructure, it would significantly reduce their build costs, and the banks would be reassured that the API connections were robust. The API Centre provides for the use of intermediaries, but this does not yet have wide support from bank API providers. The bilateral nature of the API agreements means that each API provider (bank) can limit the use cases for which access to the APIs is granted. For example, an API provider could provide API access for online consumer to business use, but not for instore, direct debits, bill payments or peer-to-peer. There are additional inconsistencies across banks API provision of API access, such as transaction value limits [REDACTED] or age (some restrict use of Online Eftpos to only those over the age of 18. It's worth noting here that the same bank issues Scheme debit cards to customers from the age of 13).
Questions on the interbank payment network	
20	Do you agree with how we have defined the interbank payment network? If not, how do you consider it should be defined?
	Yes.
21	Do you see any issues with how we have defined the interbank payment network? If so, what issues?

	No.
22	Do you agree we have captured the correct payment products in the interbank payment network?
	Yes.
23	Do you agree we have captured the correct network operators of the interbank payment network?
	We agree that PNZ, as the body responsible for the development and management of the rules and standards governing the Bulk Electronic Clearing System (**BECS**) and Settlement Before Interchange (**SBI**) systems, should be classed as a network operator of the IPN. It is less clear that BECS participants (mainly banks) should also be designated as network operators in their own right. They are users of the IPN and can be regulated as participants of a designated network under the RPS Act.
24	Do you agree we have captured the correct class of participants in the interbank payment network?
	We agree that the participants in the IPN would likely include PNZ as network operator, and banks as participants (as discussed at 23 above). To the extent that the NZCC wishes to encourage innovation and competition, we agree that it may be advantageous to consider including indirect participants, such as smaller registered banks in New Zealand and non-bank deposit takers that do not have direct access to BECS but have access through agency banks, and payment providers using the IPN to offer payment initiation services for consumers and merchants. To the extent that the NZCC is able to exercise its power to designate a retail payment network and use its regulation making powers to specify network standards relating to information disclosure, pricing and access, these standards can be expressly applied to participants, merchants and consumers, as well as network operators.
25	Do you agree we have identified the relevant interbank payment network rules? If not, what other network rules are relevant?
	We agree that the relevant IPN rules would include the BECS rules and the SBI rules and the API Centre rules that relate to payment methods. The rules of the RBNZ-owned and operated Exchange Settlement Account System may also be relevant.
26	Do you consider there are any other regulatory requirements in other New Zealand laws that we should take into account in deciding whether to recommend that the interbank payment network is designated?
	We believe that there is a risk of significant crossover with the incoming CPD Bill and its introduction of a CDR subject to oversight by MBIE, resulting in areas of regulatory conflict which may result in uncertainty and cause inefficiency. Significant additional burden resulting from designation of the IPN may work to slow progress across the wider landscape, including the CDR. We note the NZCC's view that exercise of its power to designate the IPN may be complementary to the introduction of the CDR by requiring the banks to provide access to the necessary

	systems ahead of the legislation going live for the banking sector. However, the CPD Bill focuses on the security of connections and contemplates requirement for accreditation of those requesting data. We would be concerned about earlier access to systems by payments providers prior to appropriate safety measures being taken under the CPD Bill. Additionally, if a lower security NZCC regime in respect of the IPN was able to exist in parallel with the CDR, this may result in arbitrage between regimes and allow payments providers to opt for a lighter-touch regime with more relaxed security requirements, at the expense of consumer security and the ultimate success of the CDR.
Questions on possible regulatory interventions	
27	Do you consider that a designation of the interbank payment network is a useful first step towards enabling an environment where payment providers can launch innovative new options to make bank transfers in New Zealand? If not, why?
	For designation of the IPN to be effective, the industry must be engaged. This is likely to be a detailed and lengthy process. The payments industry is also currently navigating its way through several regulatory initiatives across several different regulators, perhaps most pivotally the CDR under MBIE. There is a risk that proper consultation and, ultimately implementation or new rules resulting from designation of the IPN, may work to slow progress across the wider landscape. It is also possible that a designation of the IPN will result in the industry building a common set of rules and standards for bilateral implementation, which are ultimately trumped by the broader CPD Bill which will not require bilateral partnering arrangements. We have concerns that the parallel operation of a regulatory regime overseen by the NZCC and the CPD Bill regime, overseen by MBIE (as well as the designated FMI regime overseen by the RBNZ and the Financial Markets Authority, to the extent that regime relates to pure payment systems such as ESAS and potentially also BECS and SBI) could result in areas of regulatory conflict which may result in uncertainty and cause inefficiency.
28	How effective do you consider our regulatory powers would be at addressing the barriers set out in this paper?
	To the extent that the NZCC's regulatory powers could be exercised to encourage (or mandate) bank progress in developing APIs and to remove rules that prevent the advancement of domestic alternatives for payment between bank accounts in favour of the Schemes, we believe they could be effective. We also consider that unsafe or sub-optimal payments products (those that use reverse engineering or screenscraping) should be prohibited. To promote the move to optimal products, the sub-optimal products cannot continue to be an option. Data breaches are on the rise, and scams are increasing in sophistication and frequency. Products which normalise unsafe practices like the handing over of banking credentials should not be supported by banks or merchants and should be prohibited.
29	Do you consider that a designation of the interbank payment network, and the subsequent use of our regulatory powers, would promote competition and

	efficiency in the retail payment system for the long-term benefit of merchants and consumers in New Zealand? If not, why?
	MBIE, through the CPD Bill, aims to implement an accreditation regime and broad standardised API access to customer data and action initiation. The NZCC, under its powers in the RPS Act, is looking to help the industry build a common set of bilateral elements which will ultimately be overtaken by the CPD Bill. We remain concerned that, without extreme care in development of legislation, the parallel operation of a regulatory regime overseen by the NZCC, and the CPD Bill regime, overseen by MBIE, could result in areas of regulatory conflict which may result in uncertainty and cause inefficiency. To the extent that two agencies are overseeing this area, we believe that there is a high risk of delay resulting from while the industry waits to evaluate the respective approaches and assess whether they result in a new or different approach to, what is essentially, the same work.