



Introduction

This response is drafted by Shane Marsh, Co-founder of Dosh. Shane is a local industry expert on Global Fin Tech, having launched Dosh and previously worked for a major bank covering this space both locally and overseas.

Dosh is a local Fin tech and financial services provider servicing the digital generation. Products include accounts, payments, money management and savings. Dosh is a registered Financial Services Provider and not a registered bank in New Zealand.

Open Banking in New Zealand

Dosh wholly supports the introduction of Open Banking in New Zealand and believes this is one of several market changes required to bring true competition to the banking market.

Born out of PSD2 in Europe and the UK, the goal of Open Banking to reduce the barriers to entry is relevant to New Zealand where there has only been one start up in the banking industry in the last 25 years.

Dosh believes that for Open Banking to be successful in the New Zealand market, workable structures and governance needs to be introduced to ensure a fair playing field for both API Providers and Standard Users.

Please see video link below for a 5 minute presentation on Open Banking, given by Shane Marsh at the NZ Economic Forum 2024.

https://youtu.be/tJA0BVv_laQ?t=16534

It should be acknowledged that a power imbalance exists between the two groups, with API Providers the more powerful with considerable financial backing and influence, while the Standard Users will more likely be newer organisations with limited funding and resources.

Also to be acknowledged is the interests in Open Banking of the two groups will vary considerably. For Standard Users, Open Banking presents an opportunity to lower the barriers to entry to compete in Financial markets and design new, innovative solutions. For Banks, Open Banking could be deemed a risk to market share in the same way unbundling the local loop was to Telecom in the early 2000's. These varied positions reflect the drive of the groups, with Standard Users pushing for fast and fair roll out of open banking, and a perception that Banks are "dragging their heels" to introduce the initiative.

<https://www.interest.co.nz/banking/103106/commerce-and-consumer-affairs-kris-fafoi-gives-slow-moving-banks-timeline-set>



The Need for an Independent Organisation to Oversee Open Banking

Dosh believes an independent organisation should be appointed to oversee the roll out and governance of Open Banking in New Zealand.

That organisation must be independent and seen to be independent from both the Standard Users and API Providers perspectives, to ensure the competing interests of both parties are fairly met.

There is a risk that the appointment of an organisation to this role, without such independence, could undermine the objective of Open Banking and result in New Zealand and New Zealanders not benefiting from the initiative.

Recommendation for governance role

The requirement for a governance body exists in other Open Banking jurisdictions. These markets have assigned government regulatory bodies to govern the roll out of Open Banking.

In Australia, ASIC governs Open Banking as part of a broader responsibility to promote a fair, transparent and efficient financial system for all.

In the United Kingdom, a joint regulatory oversight committee, co-chaired by the Financial Conduct Authority (FCA) and the Payment Systems Regulator (PSR), with HM Treasury and the Competition and Markets Authority (CMA) as members. The committee is considering, amongst other topics the “vision and design of a future open banking entity”.

In New Zealand, the Financial Markets Authority (FMA) is the regulatory body best placed to assume the governance role at this stage of Open Banking. The FMA is independent, impartial, and sufficiently knowledgeable on financial markets to ensure positive outcomes for all parties.

The Applicant

As per the Preliminary Issue paper, clause 8, “Payments NZ is owned by eight banks, including the four major banks – ANZ, ASB, Westpac and BNZ.”. Payments NZ is therefore owned and governed by the API Providers.

Payments NZ govern the API Centre, who are “leading Aotearoa New Zealand’s Open Banking Future”. In this role the Payments NZ Board are approvers of API Centre recommendations and API Centre Council appointments.



<https://www.apicentre.paymentsnz.co.nz/about/governance/>

The Payments NZ Board consists of 3 independent directors and 8 employees of Banks in New Zealand.

Strong Objection to Payments New Zealand as Applicant

Dosh strongly objects to Payments New Zealand application as described in the Preliminary Issues paper, on the basis that such a role will create a material conflict of interest.

Payments New Zealand is owned by the API Providers and does not represent an independent organisation to oversee the Open Banking standards process. Payments New Zealand is conflicted in such a role and would further add to a power imbalance that already exists in the market.

Examples of this include Payments NZ Board approving recommendations from the API Centre and approval of API Council appointments.

Dosh strongly argues any short-term benefit that might come from Payments New Zealand being successful in its application, is significantly offset by a conflicted organisation playing the key role in Open Banking oversight and governance.

Potential Impact of a Successful Application from Payments New Zealand

Should Payments New Zealand be successful in its application, Dosh identifies the following potential detrimental impacts to Open Banking and the market

- Actual or perceived imbalance in governance, standard setting, application approval in favour of the API Providers, being also the owners of Payments New Zealand.
- Structures embedded that slow down, minimise, or prevent the Standard Users accessing services in an effective, cost effective and timely manner.
- Increase in the power imbalance between parties in the market, in favour of Banks.
- Slowing down of the Open Banking initiative as a whole
- A focus on Payments APIs over other Open Banking opportunities that fall outside the expertise of a payments organisation
- Limited take up of Open Banking, new entrants into the market, innovation, and/or services that benefit New Zealanders.



Conclusion

Dosh supports the appointment of an independent organisation to oversee the governance and application of Open Banking Standards.

The body best placed to play this role in New Zealand is the FMA. This approach aligns with other overseas jurisdictions that are more progressed with Open Banking than New Zealand.

Dosh recommends, as an alternative approach to ensure the good work undertaken by the API Centre continues, that the API Centre is approved as authorisation not Payments NZ. The API Centre should be decoupled from Payments NZ and report directly to the FMA.

Payments New Zealand, by way of its ownership is not an independent organisation and not well placed to play a governance role in Open Banking. Any appointment of Payments New Zealand in such a role would create a conflict of interest.

The risk of detrimental impacts of such an appointment are considerably greater than any short term benefits described in the application.

Dosh objects to the Payments New Zealand application and requests the Commerce Commission to reject the application entirely.