Westpac New Zealand Limited

Submission to the Reserve Bank of New Zealand – Te Pūtea Matua on *Modernising New Zealand's Retail Payment System*

2 November 2026

1. INTRODUCTION

1.1 This submission to the Reserve Bank of New Zealand – Te Pūtea Matua (**RBNZ**) is made on behalf of Westpac New Zealand Limited (**WNZL**) in relation to the *Modernising New Zealand's Retail Payment System* issues paper (**Issues Paper**). Thank you for the opportunity to provide feedback on the Issues Paper.

1.2 WNZL's contact for this submission is:



2. KEY SUBMISSIONS

2.1 WNZL supports modernising New Zealand's payments system, which we consider to be critical national infrastructure, and we welcome the opportunity to contribute to this important initiative. We agree with the RBNZ that there are significant opportunities to improve the existing system. New Zealand's payments system is complex, with different clearing systems, infrastructure and capabilities at differing stages of maturity. As a result, the issues to be addressed, scale of required change, and the potential for modernisation vary across the system. We therefore believe that it is important to consider the system as a whole in order to identify the best opportunities to achieve the desired outcomes in the most pragmatic and efficient way. Our comments throughout these submissions reflect that approach, and our key points are summarised directly below.

2.2 For ease of reference, we have set out at Appendix A to these submissions a diagram demonstrating New Zealand's payment system, from front-end customer-facing services through to the back-end infrastructure.

2.3 **Start with a national payments strategy and roadmap** – WNZL welcomes the Minister of Finance's endorsement for the RBNZ to develop a strategy and coordinate key agencies and industry participants. WNZL believes that the development of a government-endorsed, long-term national payments strategy and roadmap, in consultation with the industry, is a necessary first step before any decisions are made on significant infrastructure developments. That strategy should include a vision of the target state, which itself should be driven by clearly defined, desired outcomes. The roadmap should not only set out the pipeline and coordinated sequencing of planned reforms, but also a plan for a staged transition that preserves existing services until credible alternatives are available.

2.4 **Clear customer outcomes and measurable benefits as the basis for any option** – as part of the national payments strategy, the desired customer, business and public policy outcomes for New Zealand's payments modernisation programme should be clearly identified to provide a framework for evaluation of, and to inform decisions on, new and/or improved infrastructure. Without clearly defined outcomes, it is difficult to determine what New Zealand really needs and/or how best to achieve that.

2.5 **Consolidate and simplify legislation and regulatory responsibilities** – WNZL agrees that the existing regulatory framework is fragmented and can be difficult to navigate. Payments system participants are subject to multiple legislative regimes and engage with several regulators, whose responsibilities can overlap. A consolidated, streamlined legislative framework and clearer split of regulatory responsibilities would facilitate more efficient access and participation for both incumbents and newcomers.

2.6 **Different clearing systems require different responses** – New Zealand's three clearing systems (HVCS, BECS and CECS) have differing strengths, capability gaps and priorities. Appendix A illustrates how each system supports different customer-facing services. An outcome-led, whole-of-system approach would enable payments modernisation to be targeted to where change is most needed and where it would deliver the greatest benefit. On

this basis, the most significant opportunities for modernisation appear to sit within BECS and CECS, given recent improvements to HVCS.

2.7 **NZ needs a genuine domestically-governed alternative to international card schemes at the point of sale** – WNZL shares the RBNZ's concerns about EFTPOS and considers it essential that New Zealand retains a credible domestic alternative to international card schemes to support competition, routing diversity, resilience and sovereignty over critical payment capabilities. The future of domestic debit should therefore be expressly included within the scope of payments modernisation, including the capabilities, governance and settings required to sustain a viable domestic alternative over the longer term.

2.8 **Real-time payments platform is an important component, but not itself the goal** – WNZL agrees that a real-time payments platform (**RTPP**) is an important part of modernising the payments system but, as the RBNZ observes in Box 4 of the Issues Paper, payments modernisation requires more than individual initiatives to strengthen the entire system and unlock its true potential. Any new platform therefore should be considered in the context of the payments system as a whole, from customer-facing services to back-end infrastructure. In terms of the design of a new platform, we would suggest that the following is considered:

(a) the outcomes sought and the necessary foundational capabilities to achieve them, allowing for modular additions in future;

(b) which of the capabilities require common infrastructure, standards or rules and which should remain open to competitive delivery; and

(c) introduction of a mechanism for the progressive common capabilities and governance, i.e. how to determine where there is demonstrated customer demand, system-level value or a clear public-policy rationale, and enable participants to build ancillary services.

3. RESPONSE TO CONSULTATION QUESTIONS

Question 1: Do you agree with our description of the performance and capability gaps in New Zealand's payment system?

3.1 WNZL broadly agrees with the RBNZ's overall assessment of the current performance of New Zealand's payment system and many of the capability gaps identified at section 3.1.2 of the Issues Paper. We agree that New Zealand has a reliable and safe payments system that continues to meet many consumer and business needs, while recognising the opportunities for further modernisation identified by the RBNZ. However, the capability gaps are not uniform across the payments system. The three clearing streams have different levels of maturity, starting points and priorities and, as a result, the nature and extent of modernisation required differs across each stream:

(a) **HVCS:** has recently undergone significant modernisation through ISO 20022 and SBI 365. The priority is now to adapt and optimise, including making better use of the capabilities and richer data already delivered. We also recognise that the implications of declaring HVCS a designated financial market infrastructure under the Financial Market Infrastructures Act 2021, including resulting rules, obligations and capability requirements are not yet fully understood.

(b) **BECS:** has more fundamental structural constraints, including legacy payment messaging, batch processing and limitations in current account-to-account and direct debit capability. Therefore a more significant examination is required of the future account-to-account architecture and the outcomes it should deliver. This should include 24/7 real-time payments, richer data, new payment types and the ability to accommodate emerging forms of money and digital assets without requiring fundamental redesign as the ecosystem evolves.

(c) **CECS:** requires near-term strategic decisions about the future of domestic debit, alongside broader security, terminal and system-standard improvements. New Zealand's legacy EFTPOS system is becoming increasingly outdated and underutilised. Without a viable commercial model underpinning

EFTPOS, New Zealand is increasingly at risk of being reliant on a small number of international card schemes. EFTPOS has limitations which constrain its ability to meet changing consumer expectations, compete against international card schemes, and increase New Zealand's exposure to geopolitical events or other external developments outside our control. These limitations include its reliance on magnetic stripe technology, together with its lack of capabilities such as contactless and digital wallet functionality, modern fraud management and offline capability. We agree with the RBNZ that the decline of EFTPOS impacts the long-term resilience and sovereignty of New Zealand's critical payments infrastructure. We comment further on EFTPOS below.

3.2 The distinction between these clearing streams is important. We suggest that any assumptions that all clearing streams are equally deficient, or that each requires new infrastructure, should be avoided. The appropriate response for each individual clearing system could range from do nothing now, to targeted enhancement of existing capabilities, and then to more fundamental transformation. Analysing capability gaps through the lens of separate clearing streams could allow us to better identify the most effective and proportionate way to deliver the desired outcomes.

Domestic debit system – New Zealand needs a genuine alternative point-of-sale to international card schemes

3.3 WNZL shares the concerns set out at section 3.1.3 of the Issues Paper in relation to deteriorating resilience and economic sovereignty. While international card schemes will continue to play a critical role in the payments ecosystem, WNZL considers it essential that New Zealand retains a genuine domestically-governed alternative for point-of-sale payments, including in-store and online. The objective is not to exclude international providers, but to preserve a domestic option and routing diversity, strengthen competition and resilience, and retain New Zealand's meaningful influence over critical payment capabilities.

3.4 EFTPOS is New Zealand's only domestically-governed card-payment capability, but without investment in modern capabilities its ability to remain a credible domestic alternative is declining. Without a planned successor for EFTPOS, New Zealand risks becoming increasingly dependent on international card schemes for domestic commerce, which would heavily impact the resilience of New Zealand's payments system. For example, the system would be more heavily exposed to external geopolitical events.

3.5 The key strategic question to be solved is what attributes of a domestic card system are required to ensure that New Zealand maintains a credible and competitive domestic alternative to international card schemes. A staged approach could be considered. For example, in the near term, the existing domestic EFTPOS capability could be modernised. This would provide an orderly transition away from magnetic-stripe technology and enable modern functionality such as contactless payments and digital wallets, while a longer-term domestic debit model is developed. This approach could address the immediate risk of unmanaged decline, while preserving flexibility over the ultimate domestic debit model.

3.6 As part of a longer-term strategy, detailed consideration should be given to the establishment of a modern domestic payment scheme. The scheme could provide common rules and technical standards, clear governance, liability and dispute-resolution frameworks, and appropriate consumer protections. A scheme would provide the framework for a modern domestic debit capability that could credibly compete with international card schemes on functionality, acceptance and cost, while allowing participants to differentiate through ancillary services. The system would require economic settings that support ongoing investment and innovation, so that the domestic alternative remains viable as technology and customer expectations evolve.

3.7 Australia's EFTPOS scheme provides a useful example of a domestic payment scheme operating alongside international card schemes. Operated by Australian Payments Plus (AP+), it is supported by common scheme rules and standards, a commercial model that includes regulated interchange, and continued investment in modern payment capabilities. This enables EFTPOS to remain a credible domestic alternative to international card schemes. Australia also demonstrates the role regulators can play in enabling and sustaining such an alternative. The RBA supported the industry reforms that moved EFTPOS from relying on largely bilateral arrangements to a national scheme with common rules and governance, and it continues to use regulatory settings to support

competition between payment networks. While industry can build and operate a domestic scheme, similar regulatory leadership may be required in New Zealand to enable the industry coordination and settings needed for a viable domestic alternative.

Payments modernisation must look beyond today's retail payment needs

3.8 While many of the capability gaps identified in the Issues Paper are concentrated on retail payments, the scope of payments modernisation should consider how the payments ecosystem is likely to evolve beyond today's requirements. This includes emerging payment types such as digital assets, agentic payments and new forms of digital money. By taking a broad, future-focused view now, we can reduce the risk of significant further investment or modernisation being required as the payments landscape evolves. Please see our more detailed comments on this point at paras 3.35-3.42 in response to Question 5 below, and Appendix C.

Question 2: Do you agree with our description of the strategic leadership gap and misaligned incentives in New Zealand's payment system?

New Zealand needs central strategic leadership and a national payments strategy

3.9 WNZL agrees with the statements at section 3.2.1 of the Issues Paper that (a) New Zealand lacks clear strategic leadership in relation to its payments system, (b) this creates coordination gaps and makes it difficult to set priorities, sequence reforms, and assign accountability, and (c) this has led to the absence of any long-term roadmap for reforms. While New Zealand has a reliable, safe and trusted domestic payments system that continues to meet many customer and business needs, modernising the payments system requires an intentional, coordinated and future-focused approach across government, regulators and the industry.

3.10 Payments are increasingly interconnected with broader policy objectives, including competition, innovation and resilience. However, as noted in the Issues Paper, responsibility for payments policy, regulation and reform is currently spread across multiple agencies. This fragmentation can be difficult to navigate and may lead to piecemeal and overlapping developments. It can create uncertainty for industry participants (both existing and new) and make it challenging to plan, invest, innovate and collaborate effectively. As a small country, New Zealand does not have the scale to undertake multiple large-scale payments reforms independently and simultaneously. Alignment between government agencies, regulators and industry participants would support more effective prioritisation and sequencing of reforms, ensuring that investment is directed more efficiently and effectively.

3.11 WNZL suggests that the critical first step for modernisation therefore should be to develop a government-endorsed single national payments strategy (created in consultation with industry and the public) that sets a clear, long-term vision and roadmap for the payments ecosystem. That strategy should (a) establish a common problem statement, (b) articulate the customer, economic and public policy outcomes sought, and (c) guide the sequencing of regulatory developments and infrastructure investment decisions. The strategy should also consider planned migration, coexistence arrangements between systems and consideration of which legacy systems and capabilities can ultimately be retired.

3.12 WNZL welcomes the Minister of Finance's endorsement that the RBNZ develop a strategy and coordinate key agencies and industry participants. This is a positive step towards resolving the strategic leadership gap.

Clearly defined scope and outcomes

3.13 The national payments strategy should better define the scope and objectives of payment modernisation. The strategy should cover New Zealand's end-to-end payments system, encompassing both front-end customer-facing payment services and back-end payments infrastructure, as illustrated in the diagram at Appendix A to these submissions. The modernisation programme scope should clearly identify the desired customer, business and public policy outcomes, seeking to deliver a payment system with:

(a) The ability to meet evolving customer and business needs, and delivers tangible value:

(i) Responds to changing customer and business needs over time, with new capabilities supported by evidence of demand, adoption and value.

(b) Clearer roles and responsibilities:

(i) Government and relevant agencies/regulators should set the strategic direction, policy objectives and outcomes that payments modernisation should deliver.

(ii) Industry should determine the technical and operational design required to deliver those outcomes, particularly where industry will be responsible for funding, building and operating the infrastructure.

(c) Greater competition and reduced concentration:

(i) Provides credible alternatives to existing payment methods across point-of-sale and online.

(ii) Increase competitive pressure on international card schemes.

(iii) Enable participation and innovation by new payment service provider (PSP) and fintech participants.

(d) Payment sovereignty and domestic control:

(i) Maintain New Zealand's meaningful control and influence over its critical payment infrastructure reducing dependency and reliance on international schemes.

(ii) Preserve domestic routing options.

(e) Greater resilience and redundancy:

(i) Reduce single points of failure and concentration risk.

(ii) Increase network and routing diversity.

(f) Stronger fraud, scam and trust outcomes:

(i) Embed fraud and scam prevention into the design.

(ii) Increased customer confidence in digital payments.

(g) International competitiveness and interoperability:

(i) Readiness to connect to international payment systems.

(h) Commercially sustainable and capable of ongoing investment

(i) Commercially sustainable payments infrastructure that generates sufficient revenue to fund ongoing investment, incentivise competition and innovation, and remain a credible alternative to international schemes.

(ii) Affordable in terms of both build costs and ongoing run costs to support broad access and participation not only for large banks, but also smaller banks and fintechs.

(i) Enables innovation and differentiation:

(i) Provides common core capabilities, standards and infrastructure that allows banks, payment service providers and fintechs to innovate and differentiate through customer propositions and ancillary services.

Regulatory framework – consolidate the existing legislation and regulatory responsibilities

3.14 WNZL agrees with the RBNZ's assessment at section 3.2.2 of the Issues Paper that New Zealand's regulatory framework for payments is fragmented and difficult to navigate. As outlined in our response to MBIE's *Payments Services Regulation* consultation, WNZL believes that the national payments strategy should be supported by a

system-wide regulatory framework which is activity-based, and participant and technology neutral. The regulatory framework should:

(a) take a holistic view of both customer-facing services and underlying payments infrastructure;

(b) provide a proportionate, tiered licensing and baseline standards for providers;

(c) promote trust and confidence as the overriding objective by providing clarity, transparency and certainty for customers, providers, and investors about where risks and liabilities lie across the payments ecosystem;

(d) clearly allocate responsibility and liability to the participants best placed to manage relevant risks; and

(e) ensure infrastructure access arrangements remain commercially sustainable to incentivise innovation, competition and resilience.

3.15 In our view, thought should be given to consolidating:

(a) **systems-level legislation** – this is currently spread across the Financial Market Infrastructures Act 2021, the Retail Payment Systems Act 2022 and parts of the Customer and Product Data Act 2025; and

(b) **payment services and/or conduct legislation** – this has been the subject of MBIE's recent consultation on payment services regulation but is currently spread across a wide range of statutes and regulations including, but not limited to, the Financial Markets Conduct Act 2013, Fair Trading Act 1986, Credit Contracts and Consumer Finance Act 2003, Financial Markets (Conduct of Institutions) Amendment Act 2022, Anti-Money Laundering and Countering Financing of Terrorism Act 2009, and parts of the Customer and Product Data Act 2025.

3.16 We also suggest that the regulatory framework should be overseen by a **lead regulator** which should (a) be responsible for coherent system-wide oversight across the payments ecosystem and (b) set the regulatory roadmap for the payments system, (c) coordinate priorities across agencies, and (d) ensure that decisions on infrastructure design, access, resilience, interoperability and customer-facing regulation are made together. Given its existing role and responsibilities, the RBNZ would appear to be the most suitable agency for the lead regulator role. The RBNZ would have oversight of the payments system at both the systemic financial stability level and in relation to competition and innovation, similar to the role of the Reserve Bank of Australia. Consideration could also be given to whether the RBNZ should assume responsibility for the retail payment system.

3.17 The lead regulator should be complemented by a **conduct regulator** responsible for licensing, conduct standards and customer protection, ensuring that participant-level obligations align with the broader system-wide framework.

Payments NZ's role and governance arrangements – a timely review

3.18 WNZL agrees that it is timely to review Payments NZ's role and governance arrangements as New Zealand's payments ecosystem evolves and supports the independent review of Payments NZ governance currently underway. As the RBNZ has noted at section 3.2.3 of the Issues Paper, Payments NZ was primarily designed to be a standards and rule-making body for clearing systems. However, due to a lack of system-wide strategic leadership, has found itself coordinating industry activity and modernisation efforts. Footnote 18 of the Issues Paper also notes WNZL's comments in response to MBIE's *Payment Services Regulation* consultation on this topic.

3.19 We consider there should be a clear distinction between responsibility for payments strategy and public policy, which should be led by government and regulators, and clearing-system governance and implementation. Payments NZ's core role should remain focused on the latter, including the rules, standards and operational arrangements required to support safe, resilient and reliable clearing systems, and coordinating industry implementation where appropriate.

3.20 This would preserve an important industry governance and delivery capability, while ensuring broader strategic and public-policy questions relating to matters such as competition, innovation, resilience and future investment

are considered through the appropriate government and regulatory frameworks and with input from the wider payments ecosystem.

3.21 International models may provide useful guidance. Australia, for example, provides a clearer separation between industry governance (Australian Payments Network, or AusPayNet) and infrastructure (Australian Payments Plus, or AP+) and public-sector policy, regulation and oversight (RBA). While New Zealand's arrangements should reflect its own market and regulatory settings, we consider this separation of responsibilities provides a useful reference point as future governance arrangements are developed.

3.22 Future governance arrangements should remain capable of adapting to new infrastructure, participation models and regulatory requirements, with clear accountabilities across government, regulators and industry.

Question 3: What benefits do you think payment modernisation can deliver? Are we missing any key benefits?

3.23 WNZL agrees that payment modernisation can deliver meaningful benefits for New Zealand. However, we would suggest defining benefits at a payment-system level (with reference to the separate clearing systems - HVCS, BECS, CECS) linked to specific problems and measurable outcomes, rather than assuming that common benefits would be enjoyed uniformly across the whole retail payments ecosystem.

3.24 While HVCS is not itself part of the retail payment system, we have included it to provide a complete view of New Zealand's clearing arrangements and to distinguish its modernisation priorities from those of BECS and CECS

3.25 **HVCS (High Value Clearing System):** HVCS now has a strong technology foundation but must continue to adapt and optimise. The industry has recently invested significantly in ISO 20022, so the priority should be to realise the value of that investment rather than assume that further wholesale infrastructure change is required. Also, the recent declaration of HVCS as a designated financial market infrastructure under the Financial Market Infrastructures Act 2021 introduces new regulatory requirements and, at this stage, the extent of the changes, investment and implementation effort required is not yet fully understood. The immediate focus should therefore be on understanding and responding to those requirements, while continuing to improve utilisation of ISO 20022 capabilities, including richer data, payment tracking, investigation and exception management, straight-through processing and financial-crime outcomes.

3.26 **BECS (Bulk Electronic Clearing System):** There is a stronger case for modernising BECS. BECS relies on SWIFT for domestic interchange and a New Zealand-specific BACHO message format with limited data, alongside batch processing and limitations in current account-to-account and direct debit capability. Modernisation could create a more flexible account-to-account payments architecture, including 24/7 real-time payments, richer structured data, improved direct debit and mandate capability, stronger financial crime controls and greater interoperability. Importantly, it could also provide an architecture capable of supporting new payment types and emerging forms of money as the ecosystem evolves, without requiring further fundamental redesign. These benefits would be tangible and tied directly to known system limitations.

3.27 **CECS (Consumer Electronic Clearing System):** CECS presents the most immediate strategic decision, given the declining viability of EFTPOS. The potential benefits include greater competition and domestic routing choice, reduced dependence on international card schemes, stronger resilience and strategic optionality, improved security and fraud outcomes, and a domestic debit proposition that better meets evolving customer and merchant needs across physical and digital channels. A modernised capability could also provide a more sustainable basis for ongoing investment and innovation. There may also be an opportunity to modernise the existing EFTPOS proposition in the near term, leveraging existing infrastructure to deliver improved capability more quickly and at potentially lower cost than wholesale replacement, while providing an orderly pathway away from magnetic-stripe dependency. This could address immediate risks while preserving flexibility to determine the longer-term model for New Zealand's domestic debit system. See our more detailed comments at paras 3.3-3.7 in response to Question 1 above.

See Appendix B "NZ Payment System on a page" for further information.

Comments on section 3.3 of the Issues Paper

3.28 We make the following comments in relation to section 3.3 of the Issues Paper – and we note that our comments are intended to refine how some of those benefits should be defined, evidenced and measured, rather than to suggest they are not relevant benefits:

(a) "Bank-centric model" appears to be undefined. It would be helpful to understand which layer of the value chain the RBNZ considers is insufficiently competitive.

(b) “Lower payment and processing costs for businesses” should be assessed against a specified and appropriate baseline. EFTPOS already has zero interchange, and recent Commerce Commission decisions are reducing scheme-card interchange. Additional modernisation savings should also be assessed net of build, migration and operating costs.

(c) ”Higher productivity for SMEs” is unlikely to arise from speed alone. It’s more likely to come from richer data and reconciliation.

(d) “Stronger fraud and scam protection” should be treated as an ecosystem outcome, delivered in conjunction with the Anti-Scam Alliance, not solely through payments infrastructure. Otherwise, other means of achieving improved outcomes for consumers could be missed.

(e) “Economy-wide spillover” depends on savings from lower costs being passed through to lower prices and/or being reinvested. We would suggest testing those behaviours and considering whether regulation is required in this regard.

(f) “Improved resilience” from reduced dependence on card schemes is a credible benefit, but also one that requires a viable and sufficiently adopted alternative to provide meaningful resilience. See our more detailed comments in domestic debit above.

Additional benefits RBNZ should consider

3.29 The RBNZ should also consider the following further benefits:

(a) Stronger domestic financial crime prevention through richer data, transaction visibility and use of digital identity.

(b) Greater payment sovereignty through reduced dependence on offshore infrastructure.

(c) Reduced cost and complexity through rationalisation of legacy payment capabilities and infrastructure, supporting greater capacity for ongoing investment.

Question 4: Which parts of the current payment system are functioning well, and what factors do you see as contributing to this performance?

3.30 Many parts of New Zealand's current payments ecosystem perform well and continue to meet the needs of consumers, businesses and government. There are existing capabilities and infrastructure that perform well and should be retained and enhanced, alongside areas where more significant change is required.

3.31 For example, at an overall system level, strengths include:

(a) high levels of consumer and business trust in electronic payments;

(b) reliable clearing and settlement with strong operational performance;

(c) established industry rules, standards and governance arrangements;

(d) widely adopted card payment options; and

(e) proven industry coordination and delivery capability, for example recent successful initiatives such as ISO 20022, SBI 365 and open banking.

3.32 Looking across the clearing systems, different elements of the current infrastructure are also performing well:

(a) **HVCS:** provides reliable high-value clearing and settlement and has recently benefited from significant industry investment in ISO 20022. This has provided a strong technology foundation and richer payment data on which further improvements can be built.

(b) **BECS:** provides a reliable and widely used means of processing everyday account-to-account payments, including direct credits and direct debits. Its established reach, operating arrangements and integration into bank and business processes continue to support significant existing payment needs, notwithstanding the capability constraints discussed earlier in this submission.

(c) **CECS:** supports a mature and widely accepted card and terminal ecosystem. Whilst Proprietary EFTPOS remains a simple, familiar and domestically governed point-of-sale payment option, it continues to decline against the international schemes' broader functionality, enhanced security, and acceptance across physical, online and international environment. However, the established network of merchants, issuers, acquirers and switches contributes to its reach and reliability.

See Appendix B "NZ Payment System on a page" for further information.

3.33 Modernisation should aim to build on what is already working well and address genuine capability gaps where there is evidence demonstrating customer, industry or public benefit and demand. Existing capabilities should be enhanced where they can efficiently meet future requirements, with replacement considered only where the current architecture cannot deliver the desired outcomes.

3.34 Equally, modernisation should not simply add new infrastructure or payment rails. As new capabilities are introduced, consideration should be given to what infrastructure, processes and operating costs can be simplified, consolidated or retired to create a more efficient and sustainable payments ecosystem.

Question 5: Given emerging technologies, what are the key considerations for a modern payment system in New Zealand to ensure it can remain adaptable into the future?

3.35 Future readiness should be assessed by the capabilities the ecosystem can support, rather than any particular technology, platform or payment rail. Future-proofing does not require anticipating every future use case. Rather, it requires a payments ecosystem that can evolve over time without requiring wholesale replacement. This means first defining the outcomes and capabilities New Zealand needs, then establishing the governance, funding, infrastructure and technology arrangements needed to deliver them.

3.36 To support this objective, a modern payments ecosystem should be characterised by:

(a) The components and capabilities set out in Appendix C.

(b) support for innovation, including customer channels, merchant solutions, wallets and business platforms;

(c) resilience, security and post-quantum readiness;

(d) sustainable governance and funding, so the ecosystem can enjoy ongoing investment and continue to evolve; and

(e) a clear migration roadmap, identifying which existing capabilities should coexist, evolve or ultimately be retired.

3.37 International experience demonstrates the importance of planning for a coordinated transition from the outset. Australia's implementation of its New Payments Platform (NPP) did not include a clear migration strategy from BECS or a clearly differentiated future role for the two systems. This has resulted in an extended coexistence period, additional complexity and a subsequent reassessment of migration pathways. New Zealand should seek to define the long-term role of existing systems and migration arrangements at an early stage of the modernisation programme.

Design of a modern payments platform for New Zealand

3.38 In our view, New Zealand can learn from jurisdictions that implemented real-time payments many years ago. Their experience demonstrates that faster payments infrastructure alone does not deliver widespread adoption or the full benefits of modernisation. Modernisation should start with the customer, business and public-policy outcomes sought, supported by the governance, standards, fraud controls, commercial model, migration pathways and customer propositions necessary to realise those outcomes. Technology and architecture should follow from those outcomes rather than define them.

3.39 Based on that approach, New Zealand should:

(a) determine the customer, business and public-policy outcomes sought (see our suggestions on those outcomes in response to Question 2 above);

(b) identify the foundational capabilities required collectively to achieve those outcomes;

(c) determine which capabilities require common infrastructure, standards or rules and which should remain open to competitive delivery;

(d) design those foundational capabilities for scalability, interoperability, resilience and future adaptability;

(e) enable banks, PSPs and fintechs to build, differentiate and commercialise customer propositions and ancillary services on top; and

(f) introduce additional common capabilities progressively where there is demonstrated customer demand, system-level value or a clear public-policy rationale.

3.40 This approach would focus collective investment on foundational capabilities that need to be common across the ecosystem, while preserving competition and commercial incentives for participants to develop services that meet different customer needs. It would also reduce the risk that common infrastructure becomes over-specified, costly or commercially unsustainable.

3.41 Common infrastructure should generally be limited to capabilities where collective delivery is necessary to achieve outcomes such as interoperability, reach, safety, resilience or efficient competition. Capabilities that can be competitively developed should, wherever practical, remain open to banks, PSPs and fintechs to develop and commercialise, allowing customer needs and market demand to drive investment and innovation.

3.42 We have set out at Appendix C the capabilities that WNZL considers should be assessed as part of the foundational layer, as well as capabilities that should be designed for, but not necessarily built now.

Question 6: Do you agree with our principles for strategic leadership and reform? Are there any additional principles we should consider?

3.43 Yes, WNZL broadly agrees with the RBNZ's proposed principles for strategic leadership and reform set out at section 4.2 of the Issues Paper. See our detailed comments at paras 3.9-3.17 in response to Question 2 above. We consider that the proposed principles provide a sound foundation for modernisation. In addition, we suggest that the following three principles could be incorporated to strengthen that framework:

(a) **Outcomes-led:** begin with clearly defined customer, business and public policy outcomes rather than a preferred technology or solution.

(b) **Transition and simplification:** include a credible migration pathway, including coexistence arrangements and consideration of which legacy systems and capabilities are expected to be retained, evolved or ultimately retired.

(c) **Long term benefits for New Zealand:** investment should be supported by a robust business case that demonstrates enduring economic, customer and public-policy value, with decisions driven by long-term strategic benefit rather than short-term or tactical solutions.

Question 7: What do you see as the key trade-offs to consider for the future of the payment system?

3.44 WNZL agrees there are important trade-offs to consider, including those set out at section 4.3 of the Issues Paper, although we note that any trade-offs can only be properly assessed once there is greater clarity on the customer, business and national outcomes New Zealand is seeking to achieve.

3.45 In our view, trust, confidence and financial stability should be treated as foundational requirements rather than areas where material compromise is acceptable.

3.46 Other key trade-offs include:

(a) **Speed and convenience vs fraud prevention and consumer protections**: faster, more seamless payments improve customer outcomes, but increase the importance of fraud, scam and error prevention mechanisms.

(b) **Capability and pace vs cost and participation**: additional functionality and faster implementation can deliver benefits sooner, but increase build, operating and transition costs. These impacts will not fall equally across participants, with smaller institutions potentially facing proportionately greater investment and delivery-capacity constraints. Sequencing may therefore need to balance speed with maintaining broad and sustainable participation.

(c) **New capability vs simplification**: modernisation should not simply add new infrastructure and complexity. Equal consideration should be given to which existing systems, processes or capabilities are retained, evolved or retired.

(d) **Ambition vs prioritisation**: New Zealand has finite industry, regulatory and delivery capacity. Not all modernisation initiatives can be progressed simultaneously, requiring clear priorities and sequencing.

(e) **Immediate needs vs future adaptability**: investment needs to address current capability gaps while remaining flexible enough to support evolving technologies, customer expectations and payment methods over time.

(f) **Common capability vs competitive differentiation**: standardisation can improve interoperability, reach, safety and efficiency, but excessive centralisation can reduce competition and innovation.

(g) **Innovation and ease of access vs trust and safety**: innovation and broader access need to be supported by proportionate safeguards that maintain trust and consumer safety. An activity-, participant- and technology-neutral regulatory framework, with obligations calibrated to the nature, scale and risk of activities, could support both objectives.

Question 8: Do you agree with our key questions for considering potential options? Are there any additional questions at the system or platform level that you think are important?

3.47 WNZL broadly agrees with the questions proposed at section 4.4 of the Issues Paper, including the focus on governance, regulation, infrastructure control, ownership, participation and capability. In addition, we consider the following questions are important to strengthen the focus on outcomes, sequencing, whole-of-system costs and transition:

(a) At a system level:

(i) What customer, business and public policy outcomes is each option intended to achieve, and how will success be measured?

(ii) Can those outcomes be achieved through targeted enhancements to existing arrangements before new infrastructure is considered?

(iii) How should initiatives be prioritised and sequenced through a national payments strategy and roadmap, given New Zealand's finite investment and delivery capacity?

(iv) How should costs, benefits and risks be allocated across participants, users and the wider economy, and how will this influence long-term investment incentives and sustainability?

(b) At a platform level:

(i) Which capabilities need to be common, which should remain open to competitive delivery, and which can be introduced progressively over time?

(ii) What evidence of customer demand, adoption and willingness to pay should be required before new capabilities are mandated or funded?

(iii) What is the transition pathway from the current state to the target state, including coexistence arrangements, migration sequencing and the future treatment of legacy infrastructure and capabilities?

(iv) Under what conditions would a new platform remain preferable to targeted enhancement of existing systems and infrastructure?

Question 9: Do you have any feedback on criteria that we should use to assess future options to modernise the payment system?

3.48 WNZL supports the criteria for evaluating options identified in section 4.4.1 of the Issues Paper. However, we would suggest that options be assessed on an end-to-end, whole-of-system basis, rather than on the performance or cost of an underlying platform alone.

3.49 In addition to the considerations identified in the Issues Paper, we suggest options should be assessed against the following criteria:

(a) **Customer, business and public value:** the extent to which an option delivers measurable benefits and addresses clearly identified needs.

(b) **Adoption and demand:** evidence of customer demand, willingness to adopt and willingness to fund or support the capability.

(c) **Future adaptability:** the ability to evolve over time, support new capabilities and technologies, and avoid unnecessary dependence on a particular provider, technology or platform.

(d) **Commercial sustainability**: the ability of the funding and commercial model to support ongoing investment in security, resilience, maintenance and future capability.

(e) **Transition and system simplification**: the practicality and cost of migration, including coexistence requirements and the extent to which an option enables legacy infrastructure, processes or costs to be retired.

Costs and benefits analysis of an RTPP for New Zealand

3.50 When assessing the costs and benefits of an RTPP for New Zealand, discussion and analysis should take into account:

(a) the core payment value propositions, i.e. the specific problems that we expect an RTPP would solve, or additional benefits an RTPP could realise, accounting for the current and emerging characteristics of the New Zealand market and regulatory environment;

(b) the level of demand for proposed capabilities of an RTPP;

(c) the optimal sequence of initiatives, with reference to likely constraints and dependencies;

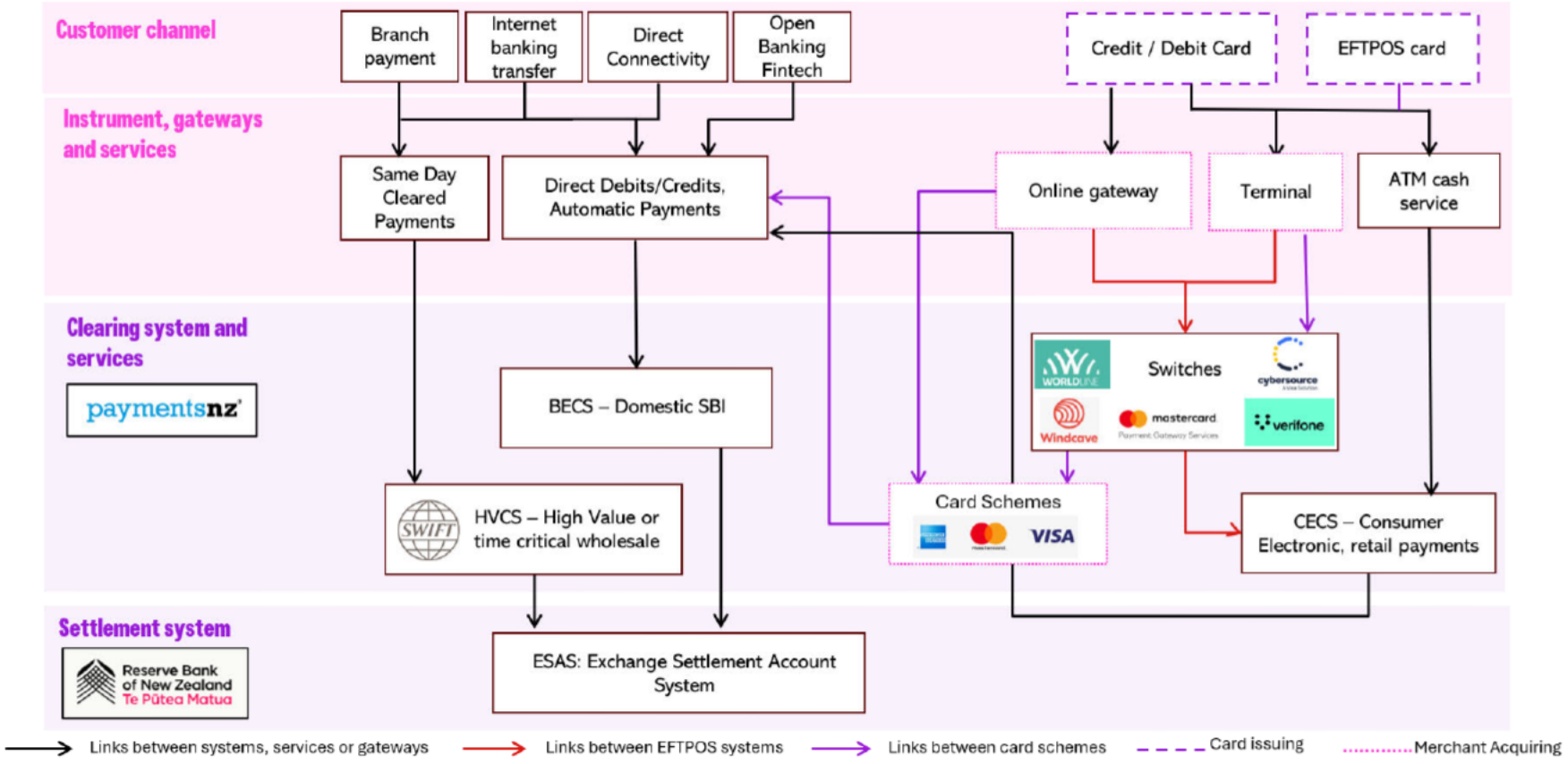
(d) the high-level costs and benefits of building an RTPP, including the potential opportunity costs (i.e. the alternative investments that the industry could otherwise make), particularly how best to quantify the potential benefits;

(e) opportunities to simplify and reduce costs within current clearing, settlement and other payment systems and, in turn, enable participant institutions to rationalise their own infrastructure, and improve efficiency and resiliency;

(f) what a viable business model looks like, particularly how an RTPP would be funded and operated, and how ongoing costs would be allocated across participants; and

(g) how costs should be met/allocated across participants, in light of how benefits are expected to accrue and how risk/liability/accountability is to be allocated.

APPENDIX A – NEW ZEALAND'S PAYMENTS SYSTEM FROM FRONT END TO BACK END



APPENDIX B – NEW ZEALAND PAYMENT SYSTEM ON A PAGE

Lens	HVCS – High Value Clearing System	BECS – Bulk Electronic Clearing System	CECS – Consumer Electronic Clearing System
Description	The high-value rail: large, urgent and irrevocable interbank payments.	The everyday account-to-account rail: batches of credits and debits between banks.	The consumer card and terminal rail: EFTPOS, cards, ATMs and related mobile payments.
Systems / instruments	Same-day cleared payments (SCP) SWIFT messaging ESAS settlement NZClear securities settlement, where relevant Domestic leg of cross border (NZD)	Direct credits Direct debits Automatic payments Bill payments SBI / SBI365 BACHO payment records SWIFT FileAct ESAS settlement	Proprietary EFTPOS ATMs POS terminals Issuer/acquirer switching infrastructure providers Mobile payments BECS settlement via SBI
Participants	Banks Agency banks and FIs ASX and NZX SWIFT RBNZ (via ESAS) Customers - primarily business, financial and legal (property settlements)	Banks Agency banks and FIs Open Banking accredited requesters and data providers Customers - effectively all consumers, businesses and public sector entities	EFTPOS card issuers and acquirers ATM operators. Cardholders Merchants Switches, terminal and gateway providers.
Regulators / governors	Payments NZ RBNZ – HVCS regulatory oversight under FMI Act; operator of ESAS and NZClear Relevant conduct and AML/CFT authorities.	Payments NZ RBNZ Commerce Commission Relevant open-banking, competition, AML/CFT and privacy authorities	Payments NZ Commerce Commission RBNZ Relevant consumer, privacy and policy agencies.
Messages / data	Payments NZ HVCS ISO 20022 MX MUGs aligned closely with CBPR+ Residual MT messages from overseas converted to MX by SWIFT Individual payment settlement	BACHO customer records in SBI files SWIFT FileAct and FileAct Copy Y-mode for RBNZ authorization Batch intrabank settlement (30min windows)	CECS EFTPOS and ATM payment instructions and responses exchanged through participating switching networks.
Economics	Participant-funded wholesale infrastructure and services No retail interchange model.	Bank processing, file, compliance, exception, settlement and legacy costs Generally recovered through account or payment pricing. No charges for approved Open Banking APIs	Cards, terminals, acquiring, switches, schemes, fraud, disputes, wallets and resilience Proprietary EFTPOS low / zero transaction pricing versus international scheme cards that are supported by merchant service fees and interchange
Challenges	Designation and evolving regulatory, governance, access and resilience obligations Liquidity, operational impacts from extended hours (incl weekends/ holidays) Further value to be realised from richer data and improve end-to-end visibility	BACHO format limitations including content and character set SBI batch timing No national real-time A2A capability Direct Debit weaknesses Legacy settlement complexity Limited adaptability for emerging payment types	Legacy magstripe removal No native contactless, wallet or e-commerce capability Limited modern fraud capability No designed offline mode Fragmented landscape based on bilateral agreements Weak renewal economics Growing dependency on international schemes as domestic capability declines
Opportunities	**Track-and-trace / payment tracking** **Investigation and exception management** **Confirmation of Payee** **Improved fraud/AML outcomes** **Wider access to SCPs via consumer digital channels (straight through processing)** **Better utilisation of ISO 20022 data**	**ISO 20022-native architecture redesign** **24 / 7 real-time A2A** **Request-to-pay** **E-mandates / direct debit reform** **Richer structured information** **Stronger financial crime controls** **APIs / interoperability** **Future payment types and forms of money**	**EMV / chip based domestic debit** **Contactless and wallet readiness** **Domestic e-commerce** **Offline capability** **Modern fraud controls** **Sustainable commercial model for ongoing investment** **Domestic routing**
POSTURE	**OPTIMISE** **Strong foundation – no need to rebuild**	**TRANSFORM** **Major modernisation required**	**DECIDE NOW** **Renew domestic debit before unmanaged decline**

APPENDIX C – DESIGN OF A MODERN PAYMENTS PLATFORM FOR NEW ZEALAND

WNZL considers critical components for a core platform at launch to be:

(a) Modular, standards-based architecture that allows capabilities to be added, upgraded or replaced without wholesale system replacement.

(b) 24/7/365 processing and final settlement – with defined maintenance, rollover and degraded-mode arrangements.

(c) Verification of payee before authorisation – including personal and legal-entity matching.

(d) Fraud and scam prevention that responds 24/7/365 – include shared mule intelligence, transaction-risk messages, standardised recall, refund, mistaken payment and fraud freeze workflows.

(e) Universal account reachability and proxy addressing – using mobile number, email, NZBN and other approved identifiers.

(f) Rich ISO 20022 data retained end-to-end – with structured remittance and purpose information.

(g) International interoperability – align with ISO profiles, identifiers, foreign exchange messages and operating rules to likely interlinking models.

(h) Interoperability with digital identity, open banking, and domestic payment systems.

(i) Real-time credit push, request-to-pay, QR initiation, returns, recalls and investigation messages.

(j) Dynamic transaction limits, participant-level circuit breakers and scheme-wide emergency controls.

(k) Open, secure, versioned APIs and a production-like developer sandbox.

(l) Tiered direct and indirect participation, with equivalent consumer and operational obligations.

(m) End-to-end tracking, customer status transparency and service-level telemetry.

(n) A clear framework for protecting consumers and allocating liability for losses between participants.

The following capabilities should be designed for at the outset, but phased in after launch of the core platform, in an iterative manner:

(o) Bulk and multi-credit payments to support payroll, government and business migration from batch rails.

(p) Recurring and delegated payments with customer-visible mandate lifecycle management.

(q) Cross-border interlinking, including FX quote, sanctions, legal and exception-handling messages.

(r) Settlement or orchestration of tokenised commercial-bank deposits, subject to legal and prudential decisions.

(s) Interfaces to regulated stablecoin and wholesale tokenised-settlement arrangements, without embedding a specific instrument in the core.

(t) Machine and agent-initiated payments using bounded mandates, machine credentials, policy constraints and revocation.

(u) Conditional payments and escrow-like workflows implemented above the settlement core, not as unrestricted programmability of money.

(v) Privacy-enhancing credentials and selective disclosure for identity and authority attributes.

