

Steve Wiggins
Chief Executive Officer
Payments New Zealand
s9(2)(a)

Dear Steve

Retail payments in New Zealand

Thank you for your input into the Government's study into retail payment systems over the past year, and your submission on the issues paper. Your involvement and thoughtful contributions to this work have been much appreciated.

I have now considered stakeholders' views and advice from officials at the Ministry of Business, Innovation and Employment (MBIE), and would like to share with you my expectations regarding the future direction of the payments system.

I am writing to you because of your central role in coordinating New Zealand's payments system, particularly your company's objective to "promote interoperable, innovative, safe, open and efficient payment systems".

Firstly, I would like to encourage Payments New Zealand to advance its *Payments Direction* initiative, and in particular initiatives that can enable payments innovation to develop and offer a platform for viable alternatives to existing payment options in the New Zealand market. As I understand it, the initiative is intended to result in technical and informational enhancements supporting new payment options, but will need to be accompanied by willingness by the banking sector to provide reasonable access to their systems and customer account data.

Secondly, I am aware that Payments New Zealand intends to engage on this work with third parties (such as fintech start-ups) and merchants. From my perspective, this engagement is a vital first step. For New Zealand's future payments platform to meet the needs of New Zealand as a whole, not just the interests of incumbent payment providers, its development will need broad buy-in from across stakeholder groups.

Thirdly, I expect to see improvements to the transparency and usefulness of information provided to merchants by both banks and schemes, to enable them to assess their options for negotiating better merchant service fees. In particular, the New Zealand Bankers' Association has suggested the provision of separate debit and credit fees to merchants and notification of fee changes. I consider that the banks could go further to improve merchants' decision making (and possibly collective bargaining power) by publishing weighted average annual debit and credit interchange fees, broken down by

card-present and card-not-present transactions. I expect this information will contribute to the Government's assessment of whether further regulation is warranted.

I would like Payments New Zealand to report back to me by April 2018 on how the industry is collectively progressing these three areas of work.

I will also be seeking officials' advice on the progress being made, any alternative views expressed by relevant stakeholders, and whether further work on regulatory options is required, giving consideration to overseas developments. I expect this advice to take account of any work the industry is doing to progress the three items I have outlined above.

I would appreciate your feedback, and I invite you to meet with me to discuss the contents of this letter. My office will be in touch to arrange a suitable time.

I have copied in the group of stakeholders that the previous Minister of Commerce and Consumer Affairs wrote to when he commissioned the study of the retail payments system in 2016. I have also asked MBIE to inform others with an interest in this work about my intentions.

Sincerely,

Hon Jacqui Dean
Minister of Commerce and Consumer Affairs

Copied to:

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David McLean
Chief Executive Officer
Westpac New Zealand
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Anthony Healy
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Liam O'Reilly
Chief Executive Officer
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Barbara Chapman
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Dave Chambers
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