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**SUBMISSION FROM ADYEN NEW ZEALAND LIMITED ON THE MINISTRY OF BUSINESS, INNOVATION AND EMPLOYMENT ISSUES PAPER ON REGULATING TO REDUCE MERCHANT SERVICE FEES**

Adyen New Zealand Limited (**Adyen**) is pleased to make a submission in relation to the Ministry of Business, Innovation and Enterprise's recent Issues Paper on Regulating to reduce Merchant Service Fees (**Issues Paper**).

Adyen operates as a payment service provider for NZ merchants offering a variety of payment methods to accept payments from consumers. The payment methods offered include debit and credit card acquiring under Adyen New Zealand's own card acquiring license for the major Schemes such as Visa, MasterCard and Amex, as well as payment processing for local payment methods such as Alipay, Afterpay and PayPal. The level of service Adyen offers under the different payment methods ranges from full acquiring and settlement (including: KYC, onboarding, merchant risk, etc.) to a more limited connection such as technical gateway for payment processing only.

Adyen is of the view that there are a number of important factors that assist to drive competition in the payments industry to the benefit of merchants, and ultimately consumers. This submission includes information on certain of these factors, including:

- the importance of merchants' being informed in relation to both their consumers' behaviour when it comes to different payment methods, as well as to have transparent pricing in relation to those payment methods; and
- the importance for innovation with the industry, including the role of new payment methods as well as removing barriers to entry for newer non-bank payment service providers to integrate to established payment methods that still hold a place in the New Zealand payments landscape.

**Competition with the payment industry is encouraged when merchants are informed in relation to both their consumers behaviour towards payment methods, and the price paid for those payment methods.**

*Unified commerce – data insights*

Adyen assists merchants to truly understand their consumer behaviour with respect to payments as part of its unified commerce strategy. The range of payment methods offered as part of Adyen's unified commerce strategy to support merchants across online, mobile and POS channels are connected to the same Adyen back-end infrastructure for processing and settling payments. The benefits of unified commerce strategy for merchants were highlighted by the COVID-19 pandemic, with merchants being able to make efficient shifts to increase uptake of contactless payment methods and e-commerce traffic in place of the decline in contact based point-of-sale traffic.

In addition to empowering merchants with choice and flexibility, Adyen's single platform approach provides for strong data analysis and machine learning to increase authorization rates for merchants while reducing the risk of fraudulent transactions. These insights are passed to merchants to provide valuable data in order to better understand their consumers' behavior, and ultimately to better serve those consumers and tailor their marketing efforts. This is critical to allow merchants to make meaningful comparisons, both in relation to their own consumer base, as well to allow smaller New Zealand outlets operating as part of global businesses to make meaningful comparison on conversion rates and consumer behaviour relative to their overseas counterparts.

Ultimately, the insights and data advantages described above can be used to merchants' advantage to further understand their consumer's behaviour and preferences with respect to payment methods. With this information, merchants with information to inform the value they attribute to, and uptake of, various payment methods. This can be as important for smaller merchants who may have less data analysis capabilities in-house by virtue of their size and is therefore submitted in relation to questions 7, 10 and 11.

### *Transparent pricing*

Adyen merchants get their Visa and Mastercard volume charged on an Interchange ++ pricing basis (otherwise referred to as 'unbundled pricing' in the Issues Paper). This means that Adyen will apply and specify the Interchange Fee, the aggregated Scheme Fees and contractually agreed Acquirer Service Fee.<sup>1</sup>

Adyen is firmly of the view that where possible, Interchange ++ delivers transparent pricing for all business sizes and assists with promoting competition in the market.

For other card brands such as American Express or Diners, the pricing structure from the card scheme does not always allow for Interchange ++. In such cases, as with local payment methods, Adyen commits to provide as transparent pricing as possible. This commitment to transparency is upheld both when entering into agreements with merchants, as well as on an ongoing basis through regular analyses provided to merchants. Merchants receive the following detailed reporting to specify their transactional costs: Merchant Invoice, Settlement Detail Report, Interchange and Scheme Fee Report. Merchants are also informed when changes are happening and provide them with an overview of the changes and provide them with an impact analysis based on their recent volume.

Based on Adyen's global experience, transparency of pricing as part of both entry into payment service provider agreements, and ongoing invoicing/reporting, is crucial for the promotion of competition in the market, including to ensure that any cap on fees that regulators may choose to impose can be fully realised by merchants, and ultimately by end-consumers. The above information forms part of Adyen NZ's commitment to [Transparent Pricing for all Business Sizes](#), and is submitted with reference to question 19 of the Issues Paper.

***Innovation to drive competition requires both the fostering of new technologies and payment methods, as well as reducing barriers for newer service providers to integrate and offer established payment methods.***

Alongside innovation in payment methods offered such as open banking, encouraging newer technology focused payment service providers who can offer the full range of such methods to merchants in an agnostic manner is key. Unlike traditional banks offering both acquiring and issuing, Adyen NZ has gateway and acquiring as its core business unencumbered by any strategic or

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<sup>1</sup> Further information on this pricing model is available at [adyen.com/pricing](https://www.adyen.com/pricing) or [adyen.com/what-is-interchange](https://www.adyen.com/what-is-interchange).

commercial ties. As such, Adyen NZ has no reason to favor a particular payment method or issuing bank. This agnostic approach to payment methods selection in terms of Adyen's own interest is reflected by the fact that Adyen does not control the checkout page of merchants for eCommerce, and does not decide on the priority of payment methods offered to the consumer. Rather, the merchants are in control of both payment method selection and payment method order presentation towards consumers, and are informed in this regard by the information they hold as outlined above. This free and informed choice of merchants is important to promote competition within the market.

The benefits to competition that can arise from the entry of new non-bank service providers reinforces the need to keep barriers to entry low, including barriers for these newer providers to integrate and offer more established payment methods. The New Zealand payments market is unique, marked for a long period by its strong affinity for mag-stripe and in particular – EFTPOS. However, and irrespective of any fee caps or pricing transparency regulation that regulators may choose to impose, the potential of 'fee free' EFTPOS on competition in the market remains difficult to realize.

While payment service providers are strongly incentivized to offer EFTPOS given its role in a full-coverage-payments solution, the barrier to entry remains high. Such barriers were explicitly noted in the in the Commerce Commission New Zealand Determination regarding the sale of Paymark to Ingenico.<sup>2</sup> In the Determination, the complex and resource heavy task of building sufficient issuer links to establish sufficient coverage for a viable EFTPOS solution were acknowledged, in-particular it was explicitly noted by the Commission that such challenges were further impeded by the banks' willingness to engage with parties seeking to build the necessary links.

The New Zealand payments landscape will benefit from a variety of payment methods being made available to merchants towards their consumers. However, ensuring that the barriers to entry for new innovation in payment methods, as well as the integration of new players to more established payments methods, is crucial for such benefits to be realised.

The above information is submitted with reference to questions 13 and 14 of the Issues Paper.

Thank you for the opportunity to provide comments on the Issues Paper. Should you have any questions in relation to our submission, please do not hesitate to contact our Head of Partnerships, Hayley Fisher on [REDACTED] or our APAC Regulatory Counsel, Trinh So on [REDACTED]

Yours sincerely

Michel van Aalten  
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Adyen

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<sup>2</sup> Commerce Commission New Zealand Determination (ISSN 1178- 2560, Decision Series Project no. 11.04/PRJ0040582)