

Regulating to reduce Merchant Service Fees

Your name and organisation

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Responses to discussion document questions and other comments. My submission

Rather than answer the individual questions, my submission is largely a series of articles published on the retail payments sector and merchant service fees during 2020.

The most recent article was published in December after the release of MBIE's issues paper. It argues the Government should be bolder in its proposed action, notably by banning interchange rather than regulating it.

A link to this article is provided below.

<https://www.interest.co.nz/opinion/108353/merchant-service-fees-not-bold-enough>

The additional articles are a five part series published in March and April 2020. Among other things these explore the role of Visa and Mastercard, interchange, Australian retail payments regulation,

merchant service fees, bank dominance and EFTPOS. The series culminates in a finale featuring a series of recommendations.

These include:

Banning interchange;

Mandating that banks' merchant service fees are only allowed to recover their costs for the activity for which the fee is charged;

Taking a close look at dual-network debit cards and the least-cost routing system in use in Australia;

Looking at whether the extremely slow development of open banking and real time payments in New Zealand could be sped up by the Government taking control of these initiatives off Payments NZ, which is an entity owned by banks;

Formally designating Visa and Mastercard's credit and debit card schemes as systemically important under the Financial Markets Infrastructures Bill. And;

Step up efforts to tax Visa and Mastercard on the actual economic activity they carry out in New Zealand, including by looking at the possibility of enforcing onshore processing of their local transactions as several other countries have done. This could also enable regulatory supervision for the resiliency of their payment systems.

Small businesses and consumers should be at the forefront of the Government's collective mind.

The five articles in full can be found via the links below.

<https://www.interest.co.nz/news/103634/first-part-series-nzs-retail-payments-system-gareth-vaughan-details-scale-key-players>

<https://www.interest.co.nz/news/104131/second-part-series-nzs-retail-payment-systems-gareth-vaughan-looks-how-new-zealands>

<https://www.interest.co.nz/business/104149/third-part-series-nzs-retail-payment-systems-gareth-vaughan-looks-complications>

<https://www.interest.co.nz/business/104343/fourth-part-series-nzs-retail-payment-systems-gareth-vaughan-looks-eftpos-and-covid>

<https://www.interest.co.nz/opinion/104467/fifth-and-final-part-series-new-zealands-retail-payment-systems-gareth-vaughan-lays>