



COVERSHEET

Minister	Hon Scott Simpson	Portfolio	Commerce and Consumer Affairs
Title of Cabinet paper	Addressing expiry of open banking transitional provisions	Date to be published	1 April 2026

List of documents that have been proactively released

Date	Title	Author
March 2026	Addressing expiry of open banking transitional provisions	Office of the Minister of Commerce and Consumer Affairs
11 March 2026	Addressing expiry of open banking transitional provisions ECO-26-MIN-0024 Minute	Cabinet Office

Information redacted

YES

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under the *Official Information Act 1982*. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of commercial information.

In Confidence

Office of the Minister of Commerce and Consumer Affairs

Chair, Cabinet Economic Policy Committee

Addressing expiry of open banking transitional provisions

Proposal

1. This paper seeks agreement to instruct the Parliamentary Counsel Office to draft amendments to the *Customer and Product Data (Designations for Banking and Other Deposit Taking) Regulations 2025* (the regulations) to require banks to provide regulated open banking to all customers except large corporations and institutions by 1 June 2027.

Relation to government priorities

2. The Government is committed to promoting competition, because it benefits New Zealanders through greater choice, lower costs, higher quality, and more innovation. The development of open banking regulations featured in the Government's quarterly action plans in 2025. The development of a regulated open banking system is also part of the Competitive Business Settings pillar of *Going for Growth*, and part of the Government's response to the Finance and Expenditure Select Committee's inquiry into banking competition.

Executive Summary

3. Open banking is critical to enabling innovation, driving competition and promoting productivity. Since 1 December 2025 ANZ, ASB, BNZ and Westpac (the four banks) have been required to provide open banking for bank accounts that customers access through their main online or mobile banking digital channels. These channels are mostly used by individuals, households and some small and medium-sized enterprises (SMEs). Kiwibank is required to provide open banking in phases from 1 June 2026.
4. The four banks also have separate digital channels designed specifically for businesses and institutions. These channels support more complex functions, such as payments requiring multiple approvals. Most of the customers on these channels are SMEs, although some banks have channels that are specifically for large corporations and institutions. Cabinet agreed banks would be required to provide open banking to all customers [ECO-25-MIN-0039 refers]; but gave an extension until 1 June 2026 to develop policy settings for open banking requirements for these additional channels. This extension was needed due to differing understandings between banks and officials of what banks had agreed to implement prior to the introduction of the regime.
5. Currently, a significant portion of some banks' SME customers and nearly all large corporations and institutions cannot access regulated open banking because their bank accounts can only be accessed via the channels not covered by the

regulations. While most of the benefit with open banking is in personal and retail use, there is benefit in enabling SME customers to access open banking, so that they have greater access to productivity-boosting tools such as digital accounting services.

6. As I signalled previously [ECO-25-SUB-0154 refers], my officials have engaged with the four banks Commercial Information
7. I have weighed the benefits of enabling open banking for all business customers against factors such as the greater near-term value for households and SMEs, the high costs for banks (and therefore customers) to serve a small number of large-firm users, the need for a clear, focused development pathway, and the time required for banks to build technical infrastructure to comply. Based on this, I consider it more beneficial to concentrate open banking efforts on households and SMEs in the medium term, with the option to revisit inclusion of large firms later.
8. Therefore, I propose that the regulations be amended to:
- 8.1. Give the four banks an additional year (until 1 June 2027, instead of 1 June 2026) to build open banking on the remaining channels,
 - 8.2. Allow banks to not provide open banking for customers that are large corporations and institutions, and
 - 8.3. Allow banks to not provide open banking on digital channels that will imminently be decommissioned.
9. This proposal would not prevent banks from providing open banking for large corporations and institutions voluntarily. Government could revisit the requirement if demand from large corporations and institutions emerges in the future.

Background

Major banks are now required to provide data and payments by open banking

10. The regulations require the four banks to provide customer data and payments in a standardised way (via application programming interfaces - APIs) to accredited requestors, if customers authorise them to do so. Kiwibank is also required to provide open banking from 1 June 2026 for payments, and 1 December 2026 for customer information.

Until June, banks only need to provide open banking for their main digital channels

11. For the first six months from 1 December 2025 to 1 June 2026, transitional provisions in the regulations allow the four banks to only provide open banking to accounts that customers access via each of the banks' main digital channels. These channels are provided primarily to personal and SME customers.

Open banking is likely to be more beneficial for SMEs than large corporations

16. Overseas evidence shows that businesses – particularly SMEs - benefit from open banking. The UK bank NatWest found that on average, businesses save 150 hours every year on operational tasks by using open banking, which increases their productivity. All the fintechs and banks my officials spoke to agreed that businesses, particularly SMEs, will benefit from open banking; with the fintechs identifying this customer base as very important. High uptake of open banking by businesses could result in increased economic productivity and efficiency.
17. The four banks and most fintechs my officials spoke to did not think that large corporations and institutions will be substantially affected if they do not have access to regulated open banking for their accounts. There has not been large uptake of these services by large corporates and institutions overseas; few fintechs provide open banking services to these customers; and large corporations and institutions have access to other bespoke services from their banks that are more suitable to their requirements. These services enable, for example, multi-sign payments, which are not currently possible through regulated open banking. On the other hand, the Commerce Commission and the FMA support open banking being accessible to the widest possible range of customers, including large corporations and institutions.

Banks are wary of inefficient investment in channels that will not be used by customers or will be decommissioned

18.

Commercial Information

My officials expect the cost to banks to build open banking for the additional channels will vary depending on their internal architecture (for example, it will likely be more expensive for banks with older systems). The four banks have said that they need longer than the additional six months to build open banking for their remaining channels.
19. The four banks have also said that some of their digital channels will be decommissioned over the next few years, with all customers being migrated to another channel; and that it would be inefficient to build open banking for these channels.

Proposal

I propose giving banks an additional year, allowing them not to provide open banking to large corporations and institutions, or on channels that will be imminently decommissioned

20. I have weighed the likely benefit of enabling open banking for all business banking channels including large firms now, against a range of competing factors including:

- 20.1. The likelihood that the overwhelming benefits from open banking in the medium term will accrue to households and SMEs
 - 20.2. The potential for banks (and therefore their customers) to incur high costs for a small number of users who may not demand open banking services
 - 20.3. The desirability of setting out a clear development pathway for open banking that provides focus, clarity and certainty for participants
 - 20.4. The time required to develop the technical infrastructure required to comply.
21. I have decided that there are benefits in focusing open banking efforts in the medium term to where there are clearest benefits: households and SMEs, and to reconsider the inclusion of large firms in the future.
 22. I propose that the regulations be amended to incorporate the following three changes:
 - 22.1. Give the four banks an additional year (until 1 June 2027) to build open banking on the remaining channels. This will allow banks to continue the rollout of open banking for additional digital channels and to ensure all eligible customers have access to their accounts via a channel for which open banking is available. There will be no further extensions, and if banks do not comply by June 2027 then enforcement and compliance provisions in the Act may apply.
 - 22.2. Allow banks to not provide open banking for customers that are large corporations and institutions. 'Large corporations' would be broadly equivalent to 'large entities' under the *Financial Reporting Act 2013*; and 'large institutions' would be state sector entities of a significant size, such as public service departments and Crown entities. In addition to large organisations, I am aware there may need to be a minor carve out for a small number of additional customers who have complex banking needs. Officials will work with banks to ensure this carve out is appropriate.
 - 22.3. Allow banks to not provide open banking on digital channels that will be decommissioned within two years.
 23. My officials will monitor whether indications of demand for open banking-enabled services emerge for large corporations and institutional customers, either in New Zealand or overseas. The Government could revisit these regulatory settings and extend banks' obligations to include these customers if demand emerges. Ensuring broad access to open banking for all customers groups where demand is evident will encourage competition and innovation in financial services now and in the future.

I considered alternative options before reaching this proposal

24. I considered other options to address the problem including:
 - 24.1. No changes to the regulations. From 1 June 2026 banks would be required to provide open banking to all customers on all digital channels.

- 24.2. Amending the regulations to allow banks to not provide regulated open banking technology for digital channels that are primarily used by large corporations and institutions, or that will be decommissioned within a specified period of time.
- 24.3. Amending the regulations to exempt the four banks from providing regulated open banking on all the additional digital channels.
25. My officials developed and assessed these options through targeted consultation with banks and fintechs. The approach I propose was the 'common ground' option by both banks and fintechs. It ensures that all individuals, households and a significant majority of businesses, including all SMEs, have access to regulated open banking.

Impact Analysis

Regulatory Impact Statement

26. The Ministry for Regulation has determined that this proposal is exempt from the requirement to provide a Regulatory Impact Statement on the grounds that it has no or only minor economic, social, or environmental impacts.

Climate Implications of Policy Assessment

27. The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this policy proposal, as the threshold for significance is not met.

Cost-of-living, financial, legislative and population implications

28. There are no financial implications from this proposal, and no or only minor impacts on the cost of living or specific population groups such as Māori, women, or people with disabilities. This proposal requires an amendment to the *Customer and Product Data (Designations for Banking and Other Deposit Taking) Regulations 2025*.

Human Rights

29. The proposals in this paper are consistent with the *New Zealand Bill of Rights Act 1990* and the *Human Rights Act 1993*.

Use of external resources

30. No external resources contributed to the preparation of the policy advice in this paper. No external resources will be required to amend the regulations.

Consultation

31. The Ministry of Business, Innovation and Employment consulted the following agencies on this paper: Commerce Commission, Department of Internal Affairs, Department of the Prime Minister and Cabinet, Financial Markets Authority, Inland Revenue, Ministry of Justice, Ministry for Regulation, Office of the Privacy Commissioner, Reserve Bank of New Zealand, the Serious Fraud Office, Statistics New Zealand, and the Treasury.
32. When developing this policy proposal, my officials conducted targeted consultation with the four banks, Kiwibank, seven fintechs, Payments New Zealand, the Chair of

the Small Business Advisory Group, several large institutions, the Commerce Commission and the Financial Markets Authority.

33. I seek Cabinet's approval to publicly consult on the draft amended regulations, and Cabinet's authorisation to make additional policy changes in response to that consultation, before I submit the regulations to Cabinet. This will ensure the amended regulations are fit for purpose and that I meet the consultation requirements in the Act. I intend to seek a waiver of the 28-day period in order to give sufficient time for public consultation.

Communications

34. My officials will contact interested parties to inform them of Cabinet's decision.
35. While I expect banks and fintechs to welcome the clarity provided by the proposal, fintechs may consider that the timeframes (one year) are too long. I consider the timeframe is reasonable given the need for banks to make significant changes to IT systems.

Proactive Release

36. This paper will be proactively published on MBIE's website, subject to withholdings as appropriate under the *Official Information Act 1982*.

Recommendations

The Minister of Commerce and Consumer Affairs recommends that the Committee:

1. **note** that the *Customer and Product Data (Designations for Banking and Other Deposit Taking) Regulations 2025* (the regulations) include transitional provisions that allow designated banks to temporarily only provide regulated open banking on their main digital channels;
2. **note** that unless amended, from 1 June 2026 the transitional provisions would expire, and designated banks would be required to provide regulated banking on all their digital channels;
3. **note** that these additional channels are primarily used by businesses and that
Commercial Information
4. **note** that I consider there are significant benefits of regulated open banking access for businesses, particularly SMEs, and that there are fewer benefits for large corporations and institutions as they have access to bespoke solutions for making payments and sharing data that are more suitable for organisations of their size;
5. Commercial Information
6. **agree** to extend the transitional provisions of the regulations that allow banks to only provide open banking to customers using specified customer channels for a further 12 months until 1 June 2027, and that there will be no further extensions;

7. **agree** that the scope of 'relevant accounts' in the regulations will exclude accounts held by large corporations and large institutions;
8. **agree** that banks will not be required to provide regulated open banking via digital channels that will be decommissioned before 1 June 2028;
9. **authorise** the Minister of Commerce and Consumer Affairs to make additional exceptions for the accounts of small groups of customers with complex banking needs, if required;
10. **authorise** the Minister of Commerce and Consumer Affairs to release an exposure draft of the regulations for consultation purposes;
11. **authorise** the Minister of Commerce and Consumer Affairs to make additional policy decisions and minor or technical changes to the policy decisions in this paper, consistent with the general policy intent, on issues that arise in drafting and consultation;
12. **invite** the Minister of Commerce and Consumer Affairs to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above recommendations;

Authorised for lodgement

Hon Scott Simpson

Minister of Commerce and Consumer Affairs