



## COVERSHEET

<b>Minister</b>	Hon Cameron Brewer	<b>Portfolio</b>	Commerce and Consumer Affairs
<b>Title of Cabinet paper</b>	Payment services regulation: Approval to release discussion document	<b>Date to be published</b>	30 June 2026

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
May 2026	Payment services regulation: Approval to release discussion document	Office of the Minister of Commerce and Consumer Affairs
13 May 2026	Payment Services Regulation: Release of Discussion Document ECO-26-MIN-0075 Minute	Cabinet Office

### Information redacted

**YES / NO** (please select)

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**In Confidence**

Office of the Minister of Commerce and Consumer Affairs

Cabinet Economic Policy Committee

**Payment services regulation: Approval to release discussion document**

**Proposal**

- 1 This paper seeks approval to release a discussion document for public consultation on payment services regulation.

**Relation to government priorities**

- 2 This proposal supports the Government's objective of building a stronger, more productive economy and contributes to the "competitive business settings" pillar of the Going for Growth agenda. Payment services are a core part of the financial system, and consultation will help inform whether future regulatory changes are needed to support consumer outcomes, competition, innovation, and investment.
- 3 This proposal also forms part of the Government's response to the recommendation to "open the door to more overseas banks and fintechs" from the Finance and Expenditure Committee's inquiry into banking competition.

**Executive summary**

- 4 Payment services are the services that help people and businesses pay and get paid, such as payment initiation, merchant acquiring, money transfer services and digital wallets. New Zealand has no dedicated regulatory framework for providers of these services. Instead, payment services offered to businesses and consumers are subject to a range of existing laws and requirements that may apply differently depending on the activity undertaken, how the service is structured, and the type of provider involved. Comparable jurisdictions are increasingly adopting more explicit activity-based approaches.
- 5 This paper seeks Cabinet's approval to release the attached discussion document for public consultation. The discussion document seeks feedback on whether current settings are fit for purpose, and on possible objectives and approaches for any future reform. It focuses on the provider-level rules that apply when payment service providers offer front-end services to businesses and consumers, and it is complementary to the Reserve Bank of New Zealand's broader payments modernisation work.
- 6 I propose to report back to Cabinet by March 2027 with the outcomes of consultation and recommendations on next steps.

## Background

- 7 Payment services help people and businesses pay and get paid. They are provided by banks and non-bank providers, and they include both **payment facilitation services** (such as payment initiation, merchant acquiring, and money transfer services) and **stored value services** (such as digital wallets and e-money accounts).
- 8 These services are an important part of everyday economic activity. When payment services work well, they support reliable day-to-day commerce and can help improve competition, choice and cost outcomes for consumers and businesses. When they do not work well, service interruptions or high fees can have immediate impacts on households and firms.
- 9 I propose to release the attached discussion document to seek public feedback on whether New Zealand's current rules for payment services are clear and fit for purpose, and to inform possible objectives and approaches for any future reform.
- 10 This work is complementary to the payments modernisation work programme being led by the Reserve Bank. The Reserve Bank's programme is a broader review of the retail payments ecosystem, focused on system-level governance, access and infrastructure settings. By contrast, this discussion document focuses on the provider-level rules that apply when payment service providers offer front-end services to businesses and consumers.

## New Zealand has no dedicated regulatory framework for payment service providers

- 11 New Zealand has no dedicated regulatory framework for payment service providers. Instead, the front-end payment services they provide are subject to a range of existing laws and requirements, which may apply differently depending on the activity undertaken, how the service is structured, and the type of provider involved.
- 12 For many non-bank providers, the main requirements include registration on the Financial Service Providers Register, membership of an approved dispute resolution scheme, fair dealing obligations under Part 2 of the Financial Markets Conduct Act 2013, and obligations under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009. Banks that provide payment services are also subject to broader prudential and conduct regulation applying to their wider business.
- 13 The current position may make it difficult for providers and users to understand what obligations apply and what protections exist. Similar services may also face different treatment depending on their legal structure or business model.
- 14 Several comparable jurisdictions, including Australia, Singapore, and the United Kingdom, have adopted (or are moving toward) explicit activity-based licensing or regulatory approaches for payment services. In that context, I

consider it timely to seek views on whether New Zealand's current settings remain fit for purpose.

### **Current settings may constrain competition and innovation**

- 15 Payment service providers can support more choice, new and innovative products, and better user experiences for consumers and businesses. Unclear or poorly aligned settings may reduce the willingness of providers, investors, counterparties, and users to offer or support new services.
- 16 The Commerce Commission's market study of the banking sector found that the sector was uncompetitive, and New Zealanders were not well-served by highly profitable offshore banks. The Finance and Expenditure Committee reinforced this finding in its inquiry into banking competition and recommended the Government address regulatory barriers to competition and innovation in the banking sector.
- 17 I propose to consult on whether current settings are creating avoidable barriers to entry, expansion, and innovation. Some providers rely on commercial access arrangements with banks or other counterparties to operate, and uncertainty about how current requirements apply to newer business models may create additional friction.
- 18 I have heard from industry stakeholders that some payment service providers see value in a clearer and more formal framework. Some firms consider that a tailored licence or authorisation could provide greater legitimacy and reduce uncertainty in a sector where regulatory status can affect investor confidence, commercial relationships, and consumer trust.
- 19 A clearer New Zealand framework could also support trans-Tasman business and investment. Some payment service providers operate across both New Zealand and Australia, or rely on Australian partners, investors, or group structures. Where appropriate, greater alignment with Australia's developing approach could reduce unnecessary compliance costs, support cross-border services, and make it easier for firms to scale across both markets.
- 20 Taken together, these considerations support consulting on whether clearer and more proportionate settings would improve market confidence, support innovation and reduce unnecessary barriers for trans-Tasman firms.

### **Consumer and business protections may be inadequate or inconsistent**

- 21 I also propose to seek views on whether protections for consumers and businesses using payment services are adequate and consistent. Possible gaps include the disclosure of fees and charges to consumers, safeguarding of customer money or stored balances, disclosure of key features and risks, and conduct expectations applying across payment services generally.
- 22 Consultation will help test whether users find it difficult to understand what protections apply, who is responsible when something goes wrong, and what remedies may be available.

### **The sector may begin to present risks to financial stability as it grows**

- 23 While prudential regulation is not the focus of this consultation, it would be useful to ask whether the payment services sector could create financial stability risks over time, and whether a prudential response might be needed. The Reserve Bank's view is that these risks are not immediate but could become more important in many future scenarios. Asking about this now would help stakeholders consider the full regulatory picture, including how any future New Zealand approach might align with Australia, and provide greater clarity about the long-term regulatory framework for the sector. The Minister of Finance supports this approach as lead minister for prudential regulation.

### **Public consultation is the appropriate next step**

- 24 Consultation will help test the problem definition, scope, objectives, and possible approaches before more detailed policy design is undertaken. It will also ensure that any future advice to Cabinet is informed by a wider evidence base, including the views of consumers, businesses, banks, non-bank providers, industry bodies, and community organisations.
- 25 I propose to report back to Cabinet by March 2027 with the results of consultation and recommendations on next steps. This may include advice on whether further policy work or consultation on specific options is warranted.

### **The work will be coordinated with related reforms, including the Reserve Bank's payments modernisation work**

- 26 Any future approach to payment services regulation would need to fit alongside other related reforms, including regulated open banking, changes to Exchange Settlement Account System access, and the Reserve Bank's payments modernisation programme. Those initiatives affect how payment services operate and how providers connect with the wider payments system.

### **Cost-of-living and Financial Implications**

- 27 There are no cost-of-living or financial implications.

### **Legislative Implications**

- 28 This paper does not seek legislative decisions. It seeks approval to release a discussion document only. Depending on the outcome of consultation and future Cabinet decisions, legislative change may be considered in future.

### **Impact Analysis**

- 29 There are no regulatory proposals in this paper. Cabinet's impact analysis requirements do not apply, and there are no climate implications.

### **Population and Human Rights Implications**

- 30 There are no population or human rights implications.

### Use of external resources

31 No external contractors or consultants have been engaged.

### Consultation

32 The Treasury, the Ministry for Regulation, the Reserve Bank, the Financial Markets Authority and the Commerce Commission were consulted on the proposal in this paper and the draft discussion document. The Department of the Prime Minister and Cabinet has been informed.

### Communications

33 I intend to issue a press release to confirm release of the discussion document once Cabinet decisions have been made. The consultation period is intended to be six weeks.

### Proactive Release

34 I intend to proactively release this paper within 30 days of decisions being confirmed by Cabinet, subject to relevant redactions.

### Recommendations

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

- 1 **note** that the attached discussion document seeks public feedback on whether current settings for payment services are fit for purpose and on possible objectives and approaches for any future reform;
- 2 **note** that the discussion document focuses on the provider-level rules applying to front-end services offered to businesses and consumers, and is complementary to the Reserve Bank of New Zealand's payments modernisation work on system-level governance, access and infrastructure;
- 3 **approve** the release of the attached discussion document for public consultation;
- 4 **authorise** the Minister of Commerce and Consumer Affairs to make minor and technical changes to the discussion document before its release;
- 5 **invite** the Minister of Commerce and Consumer Affairs to report back to Cabinet by March 2027 with the outcomes of consultation and proposed next steps.

Authorised for lodgement

Hon Cameron Brewer

Minister of Commerce and Consumer Affairs