SUBMISSION ON THE COMMERCIAL CREDIT CARD INTERCHANGE FEE REGULATION FOR MASTERCARD AND VISA NETWORKS - DRAFT DECISION AND REASONS PAPER

ANZ BANK NEW ZEALAND LIMITED

16 July 2026

1. Introduction

ANZ Bank New Zealand (**ANZ**) appreciates the opportunity to submit on the Commerce Commission's (**Commission**) 'Commercial Credit Card Interchange Fee Regulation for Mastercard and Visa Networks – Draft Decision and Reasons Paper dated 4 June 2026' (**Draft Decision**) and the '[Draft] Mastercard and Visa Interchange Fee Amendment Network Standard 2026' (**Draft Network Standard**). We also refer to ANZ's previous submissions and responses to the Commission in relation to interchange regulation.

2. Contact details

Please contact [redacted], General Manager Business Products, at [redacted] if you would like to discuss the contents of this response.

3. Confidentiality

ANZ consents to the publication of this submission, with certain aspects withheld to protect the privacy of natural persons and on the grounds of commercial sensitivity. If the Commission receives a request to release any confidential part of our submission under the Official Information Act, we ask that the Commission consult with us.

4. Submission

ANZ supports the Commission's intention to reduce costs to consumers and merchants and to promote efficiency, competition and innovation within the retail payment system. However, ANZ considers that the implementation timeframe is too short, and that the proposed Limiting Mechanism (**Limiting Mechanism**) entrenches historic advantages, while introducing unnecessary complexity, distortion and compliance risk. ANZ is also concerned that surcharging practices and uneven regulation across payment providers may undermine the Commission's intended outcomes.

4.1 Implementation Timing

The 2- to 3-month implementation period from the date of the Commission's final decision is not long enough to safely and accurately implement the changes. This period is shorter than the 4-month implementation period for the changes to consumer rates which, as noted in ANZ's submission in relation to those changes, was also too short. Implementing changes to core payment infrastructure requires detailed discovery work, investment, tech development and build, training, robust testing, and customer communication. Significant parts of the implementation need to be completed before customer notice, reducing the implementation period by an additional 30 days. A short implementation period creates risk and requires ANZ to divert resource from other initiatives including card scheme initiatives required as part of the regular Business Enhancement Release (**BER**) cycle.

The Commission notes that parties have had extensive notice that changes were possible, however that notice does not enable implementation work to be started any earlier or be completed any quicker. The bulk of the technical work to implement changes cannot start without confirmation of the caps from the Commission by way of a final decision, and confirmation of the adjusted rates from the schemes.

ANZ suggests that all changes be tied to the structured update schedule used by the schemes, namely the BER cycle, specifically the April 2027 release. Failing that we consider that the implementation period should be a minimum of 6 months.

4.2 The Proposed Limiting Mechanism

ANZ acknowledges the importance of preventing the dilution of regulatory outcomes. However, we believe the Limiting Mechanism proposed by the Commission, similar to the mechanism in place previously, is inconsistent with the cap-setting framework, entrenches historical advantages, reduces incentives for simplification, and introduces unnecessary complexity.

The Commission has identified caps intended to reflect an efficient interchange rate for each category. If the proposed caps are at the appropriate level, then commercial adjustments within those caps should not be prohibited and constraints based on historical pricing should not be necessary. By preventing movement within a capped category, the Limiting Mechanism effectively creates a floor based on historical pricing. This is inconsistent with a true cap-based regime and undermines the rationale for establishing category-specific caps in the first place.

The Limiting Mechanism will entrench advantages that existed at an arbitrary date, creating an uneven regulatory playing field. Noting that the Limiting Mechanism applies at a category-specific level, in most cases the advantages would still benefit larger businesses and larger scale entities such as government departments while leaving smaller businesses on higher rates. Merchants in the same industry segment could still find themselves with different interchange costs based purely on their historical pricing category.

The Limiting Mechanism reduces incentives for simplification and price reductions in category for fear that any benefit given will be entrenched. It also disincentivises schemes from rationalising or consolidating rate structures and from responding to market developments such as changes in risk profile, transaction economics, fraud trends or industry characteristics. For example, schemes may use lower interchange rates to promote emerging payment technologies. As those technologies mature or become outdated, schemes should be able to adjust rates (within the cap) to encourage adoption of newer alternatives. The Limiting Mechanism would prevent this, locking in outdated incentives. In addition, any newly introduced interchange category would retain price flexibility within the caps, while existing categories would be arbitrarily locked in place. A mechanism that effectively permits movement in only one direction is unlikely to support efficient market outcomes over the longer term.

Finally, the Limiting Mechanism introduces unnecessary operational complexity and risk. In practice, participants will have to apply and track multiple different caps at a category-specific level. This creates administrative complexity in identifying, recording and controlling for the caps that apply to a given merchant or entity. Interchange fee categories are not limited to entity types but also apply to transaction types like recurring payments and strategic programs. This means that administrative errors by participants in coding, transaction identification, and loading can result in pricing errors which, while below the caps, nonetheless result in compliance breaches.

ANZ recommends removing the Limiting Mechanism. Alternatively, if the Commission remains concerned about conduct that may undermine the regulatory intent, the Limiting Mechanism could be retained as a targeted deterrent to encourage good market behaviour should the Commission see conduct that it deemed clearly undermined the regulatory intent, rather than being applied at the outset.

4.3 General Comments

4.3.1 Surcharging

Regulation of surcharging, including its prohibition, is essential to achieve an efficient, innovative and fairer retail payment system. ANZ does not set, require or support surcharging. There is no evidence that reductions in interchange and merchant service fees resulted in a reduction in surcharging or prices. Addressing surcharging directly is essential to ensure that reductions in interchange fees flow through to benefit both businesses and consumers rather than being retained through opaque or non-cost-reflective surcharges. We note that Australia is intending to empower schemes to reintroduce rules preventing card surcharging from October 2026.

Interchange fee reductions are only one component of payment acceptance costs, and any reductions are not always realised by merchants. Acceptance costs are increasingly recovered through broader commercial arrangements, including bundled platform fees, software subscriptions and other integrated business solutions, while the costs of alternative payment methods are often dispersed across multiple business functions. As a result, channel-specific surcharges can provide a distorted signal of the true costs of accepting payments.

The prevalence of surcharging continues to increase and there has been no material decrease in the level of surcharge being applied. Based on a subset of ANZ merchants using [redacted] terminals on the [redacted] network, surcharging has increased from 8% in 2022 to 26% in 2026.

[redacted]

Based on [redacted] network data, the average merchant service fee has reduced by 44 basis points from 1.35% (disclosed in previous submission) to 0.91%. The average surcharge has reduced by 22 basis points from 2.24% to 2.02% but is still more than double the average merchant service fee. The number of terminals that surcharge at a level above the merchant service fee has increased from 91% of terminals to approximately 94% of terminals. These outcomes suggest that reductions in payment acceptance costs are not consistently being passed through to consumers.

Regulatory settings should therefore focus on overall payment system outcomes, transparency of payment costs, and ensuring that any reductions in payment acceptance costs are effectively passed through to merchants and consumers, rather than assuming that interchange regulation alone will deliver lower prices or a more efficient payments ecosystem.

4.3.2 Regulation across all participants

As noted in previous submissions, any regulatory intervention should be applied fairly across the retail payment system. It should be applied to all payment providers who charge interchange, or similar fees, in excess of the proposed caps in the Draft Decision or the current network standard. Failing to apply regulation across the sector, for example by excluding Buy Now Pay Later (**BNPL**), American Express (**Amex**) or any future market entrants, will likely distort outcomes and may undermine the Commission's aims. Over time, this selective regulation is likely to shift activity to unregulated payment methods.

ANZ notes the recent Reserve Bank of Australia Issues Paper dated 25 June 2026 on the *Review of Payment System Regulation* in particular the concerns raised therein relating to mobile wallets, Amex and BNPL. Surcharging reduces incentives for higher-cost providers to manage acceptance costs, reinforcing the case for consistent treatment across participants and direct action to remove reliance on surcharging.

4.3.3 The Draft Network Standard

If the Commission decides to maintain the Limiting Mechanism, the drafting in the Draft Network Standard should be clear that the applicable interchange fee is the interchange fee set by the schemes in New Zealand and not any further reduction provided by a given participant.