

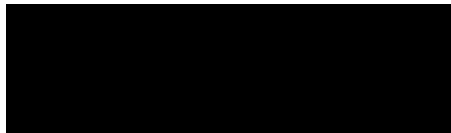
5 March 2026

Tēnā koutou

Open banking update letter

1. Open banking promises to deliver greater competition in banking and payments. As the competition regulator we want to ensure this promise is delivered on, and all New Zealanders enjoy the benefits.
2. Our interest is in seeing widespread adoption of open banking. This would introduce competition with other payment networks from open banking payment providers. This increases innovation, puts downward pressure on the cost of making and accepting payments, and provides more secure payment options for all Kiwis.
3. In our September 2025 open letter we updated our expectations for industry. Since then, on 1 December 2025, banking regulations under the Customer and Product Data Act 2025 came into force. The Ministry for Business, Innovation and Employment (MBIE) is the agency administering the Consumer Data Right regime (CDR), which regulated open banking falls within.
4. This update clarifies:
 - 4.1 our ongoing role and interest in open banking; and
 - 4.2 our position on the transition to bank APIs covered in our September 2025 open letter, after considering feedback that we've received.

Ngā mihi



Bryan Chapple
Commissioner

Our role

5. Our purpose under the Retail Payment System Act 2022 is to promote competition and efficiency in the retail payment system for the long-term benefit of merchants and consumers in New Zealand. Open banking promises to deliver greater competition in banking and payments and we want to ensure this promise is delivered on, and all New Zealanders enjoy the benefits.
6. We support the entry and growth of alternative payments providers to drive greater competition in the payments market, including to card payments. We will monitor adoption of alternative payment methods and pay close attention where we see competition not working as well as it could.
7. We will continue to focus on identifying and addressing barriers to widespread adoption of open banking to support NZ consumers and merchants to have access to convenient, low cost, world class, secure payment methods.
8. We will continue to work with other agencies, including MBIE and RBNZ, to modernise our payment system and ensure it delivers good outcomes for consumers and merchants. We support the work led by RBNZ to consider an open access payment infrastructure that sits alongside today's scheme-based rails.
9. Experience overseas shows modern platforms can lower barriers to entry and allow a wider range of providers—banks, fintechs, and non-banks—to participate, innovate and compete. Modernisation should provide greater innovation and competition and drive better outcomes across the system: more choice, better functionality, and lower costs.
10. In some cases, we will have regulatory tools that complement those of other regulators. This includes tools to help address general competition concerns or specific payment market issues. We will continue to work together with our fellow regulators on how we best use our tools, as appropriate.

Our expectations for industry on the transition to bank APIs

11. In our September 2025 open letter¹ we updated our expectations for industry, including on the transition from suboptimal access to bank APIs. We have decided to **keep our expectations for industry unchanged**.
12. We want to see greater competition in payments, both across payment networks and within the open banking market. We have sought to strike a balance between different competition concerns arising from the shift from sub-optimal access to bank APIs.

¹ Available at: <https://www.comcom.govt.nz/assets/Documents/retail-payment-system/Retail-Payment-System-Update-on-open-banking-progress-2-September-2025.pdf>

13. We consider a transitional period is necessary so consumers, of all banks, do not face a loss of service. A transitional period will allow competitive pressure on bank owned services while the market is in its infancy.
14. The transitional period should be as short as reasonable to minimise the disadvantage 'pure open banking' providers face.
15. Below we address some of the concerns participants shared with us in their feedback and clarify some matters.

Expectations for the larger banks

16. We expect banks to begin turning off suboptimal access for use cases supported by the API standards under the banking designation in the Consumer and Product Data Act from June 2026. Once each bank has delivered API v2.3, and third parties have been able to access and use the API via MBIE's accreditation regime for six months, we expect each bank to begin turning off suboptimal access.
17. We expect the bulk of sub-optimal access to transition to bank APIs by the end of 2026. This will ensure that the majority of use cases in market are being serviced by safer API enabled methods, and a large proportion of consumers are protected by only having access to safe and regulated methods of open banking.

Expectations for the smaller banks

18. Under the Customer and Product Data Act, only the five largest banks are required to deliver APIs. Smaller banks and non-bank deposit takers are able to opt into the regime. We understand several smaller banks expect to become accredited data requestors under the CDR regime but do not have firm plans for when they will deliver APIs or opt-in to the CDR as a data holder. The Government could consider whether and / or when smaller banks may be required to deliver APIs.
19. Until smaller banks deliver standard APIs, there will be some New Zealand bank customers who are unable to enjoy the benefits of open banking. Open banking service providers will also be unable to serve all NZ bank customers and compete with existing ubiquitous payment channels.
20. We recognise each bank must consider a range of factors when deciding if and when it delivers APIs. This includes the cost to deliver APIs, which larger banks are more able to absorb, the types of consumers they serve, and the relevance of use cases to their product offerings. If they don't respond, consumer demand for API enabled products and services may bring some competitive tension for the banks.
21. These matters, amongst others, may be considered by the Government when determining the direction of the CDR regime.

Expectations for entities using suboptimal access

22. To meet our expectations, entities using sub-optimal access need to become accredited under the CDR regime and transition all possible traffic to bank APIs as soon as practicable. We understand the number of uses cases that cannot be transitioned to bank APIs is minimal.
23. Two of the five entities using suboptimal access methods are transitioning to bank APIs in line with our expectations. We want to see the remaining entities currently using suboptimal access do the same as soon as practicable.

Competitive asymmetry

24. We understand some pure open banking fintechs have missed out on the opportunity to compete for business as a result of limited bank coverage for APIs. They can currently only serve customers of the four largest banks, compared to entities using suboptimal access, who can serve customers of all banks. We will monitor market developments closely, but we expect Kiwibank delivering APIs in 2026 will substantially reduce competitive asymmetry as that will bring customer coverage to about 90% of all consumers' bank accounts in NZ.
25. Suboptimal access is not in the long-term interests of NZ consumers and merchants. These methods are less secure and promote unsafe behaviour ie normalising entering banking credentials into a website that is not your banks makes consumers more vulnerable to fraud and scams.
26. We consider the current hybrid approach is necessary to facilitate an orderly and timely transition to bank APIs. It ensures consumers who cannot access open banking payments are still able to utilise lower cost payments that are enabled via suboptimal access. However, the transitional period should be no longer than necessary.