

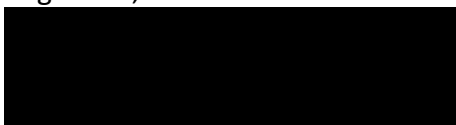
2 September 2025

Tēnā koutou

Open banking – our observations on recent progress

1. Open data is being built here in New Zealand and promises to deliver greater competition in many sectors of the economy, including; banking, payments, energy, and telecommunications. The Commerce Commission wants to ensure this promise is delivered on, and all New Zealanders enjoy the benefits.
2. The Customer and Product Data Act 2025 (**CPD Act**) passed earlier this year delivering the legislative framework for open data. Banking is the first sector to be designated under the CPD Act and from 1 December 2025 the emerging domestic open banking ecosystem will be regulated. This will deliver an ecosystem consumers can trust and provide industry confidence on the future direction.
3. Our interest shifts to widespread adoption of open banking payments ahead of the regulations start date. We will continue to monitor progress and may set expectations for industry where we see competition not working as well as it could.
4. This letter continues our series of open letters on open banking progress. The first section may be of interest to a wider audience. In this letter we:
 - 4.1 comment on recent developments, and our role in open banking;
 - 4.2 respond to industry’s call for a more structured view of the current issue of the day – the transition to bank APIs; and
 - 4.3 provide our updated expectations for participants.
5. We would like to hear from interested parties on our updated expectations. Specifically, from the smaller banks on our proposed timeline for them to join the open banking ecosystem.
6. We’re excited to see local fintechs bringing innovative products and services to market. We want all New Zealanders to enjoy better banking and payment services.

Ngā mihi,



Bryan Chapple

Recent developments

New Zealand remains on the cusp of realising the benefits of open banking

7. Earlier this year we estimated at least 15% of eligible customers at each of the four largest banks had made an open banking payment using APIs and the number continues to increase.¹ This is encouraging and is comparable to levels in the UK.²
8. The CPD Act passed earlier this year. The Ministry of Business, Innovation and Employment's (MBIE) consultation on the supporting regulations closed last week. On 1 December 2025, the major banks will join the Consumer Data Right (CDR) regime with Kiwibank to follow by 1 June 2026. Kiwibank joining the open banking ecosystem will mark a significant milestone for open banking. The five largest banks, including Kiwibank, account for approximately 90% of New Zealand bank accounts.
9. The banks have rolled out Confirmation of Payee services, which are a valuable use case of open banking as a tool to protect consumers against mistaken payments, fraud, and scams. These services are a win for consumers and businesses and will help New Zealand's banking system retain high levels of trust and confidence.
10. Government is well placed to be an early adopter of open banking.³ This will help build confidence in open banking and assist in developing a market for open banking services as Government is one of the biggest users of banking and payment services.
 - 10.1 Auckland Council already accepts rates payments via an open banking service.
 - 10.2 Inland Revenue recently put out a Request for Proposal for open banking services. This is encouraging and follows the UK where the tax authority, HM Revenue & Customs, was an early adopter of open banking services providing consumers and businesses an opportunity to use an open banking service with a highly trusted merchant.
 - 10.3 Several other local and central government entities accept payments via a service that will soon offer open banking payment services.
11. We look forward to seeing more government entities adopting innovative open banking services. We will continue to work with MBIE and government entities to facilitate government being an early adopter of open banking.
12. We want to see progress on open banking accelerate and domestic open banking payment providers compete with the international scheme networks. It is essential

¹ We currently don't have sufficient information to provide an updated estimate.

² Open Banking Limited 'Impact Report #7', Adoption Analysis – 18% of people and small businesses are open banking active. March 2025. Available at: <https://openbanking.foleon.com/live-publications/the-obl-impactreport-7/adoption-analysis>.

³ As we recommended in our Market Study into personal banking services. Available at: <https://comcom.govt.nz/about-us/our-role/competition-studies/market-study-into-personal-banking-services>.

open banking payments are adopted widely and can compete with the international scheme networks given the decline of the low cost domestic Eftpos network.

Momentum has stalled ahead of regulated open banking

13. Industry is well positioned to transition to the regulated regime. However, we consider the major banks have delayed aspects of open banking during this crucial period, hindering fintechs and locking-in banks' existing market power as the major banks begin to roll out their own open banking products. We are concerned that while providing an uptick in innovation this trend will not deliver any material enhancement of competition because the major banks would remain in control.
14. There are a handful of payment and banking services already in market that use less secure access methods than open banking. These services deliver competition, however we want to see them use the more secure methods as soon as possible.
15. In April, Commissioners met with each of the major bank CEOs to seek better conduct on progressing open banking, including transitioning these services to the secure methods. Since then, we've continued to engage with industry at all levels. While we have seen improved conduct from most of the major banks, we are concerned that BNZ has not met our expectations on this issue. Unlike the other major banks, BNZ have not yet partnered with entities who would continue to use the less secure methods for instances the secure methods don't yet support. This is disappointing, we consider BNZ have been the leading bank on progressing open banking as a whole.
16. The banks have cemented control of GetVerified, New Zealand's provider of Confirmation of Payee Services. We consider Confirmation of Payee a utility service that should be available to all users in a timely manner. We want to see fair access to Confirmation of Payee and for the services to be implemented by more organisations over time as seen in other jurisdictions.

We want open banking to be widely adopted and will monitor progress to ensure this happens

17. The Retail Payment System Act 2022 (**RPS Act**) established us as the monitoring agency of the payment system, including open banking payments. In the lead up to the regulated regime, we have been focussed on short-term progress and the challenges facing fintechs and the sector (such as pricing and the rate of partnering between banks and third parties).
18. The CDR is a major step forward. We will be working closely with MBIE to identify any issues which arise that hinder progress or frustrate competition and innovation in the market.⁴

⁴ Such as access to digital wallets (e.g. Apple Pay), or the terms for merchants to accept new payment methods.

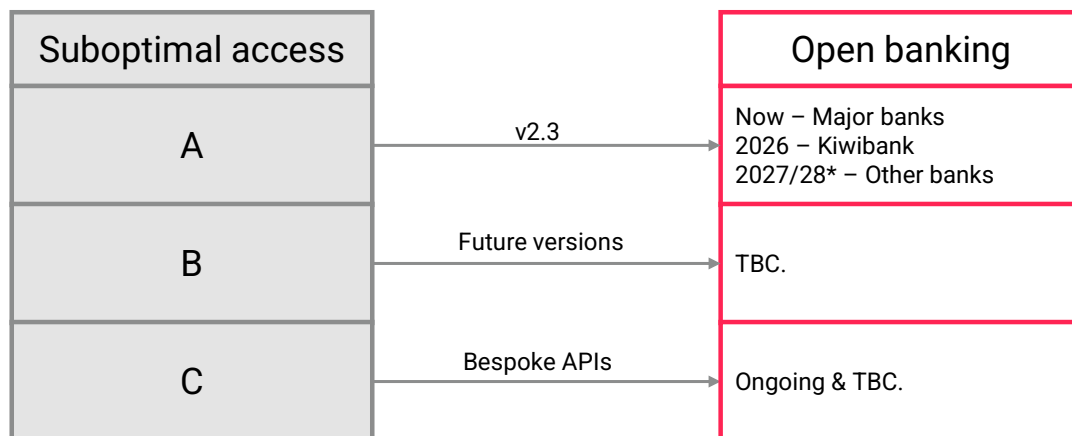
Responding to industry – we want to see a transition of suboptimal access to bank APIs as quickly as possible

19. Suboptimal access on the interbank payment network is not in the long-term interests of consumers as it requires consumers to share their bank login credentials.
20. There are a handful of payment and banking service providers already in market that use suboptimal access methods. These services provide competition, however we want to see them use the more secure methods as soon as possible.
21. Only the four major banks have delivered the APIs, and the standardised APIs do not support all key use cases currently supported by suboptimal access.⁵
22. Without a hybrid model there will be a disruption in the availability of comparable services to consumers. A hybrid model transition phase would also enable some competitive pressure on bank owned products as open banking gains momentum.

Planning for the transition

23. Wherever bank APIs are available, third parties should use the banks APIs. Suboptimal access will decrease over time as more banks join the open banking ecosystem, and as more functionality is provided by bank APIs.
24. We understand the majority of use cases in market can be transitioned to v2.3 of the standardised APIs.⁶ However, there are edge cases which will require bespoke solutions.⁷

Reducing suboptimal access over time via a hybrid model



⁵ We understand examples include some payroll or bill payment services.

⁶ There are several assumptions for this to be the case including that banks deliver voluntary elements of the standards. In our discussions with participants we are confident these assumptions will be met.

⁷ Such as 'automated payouts' or 'personal-apps'.

25. We expect to see standards that deliver increasing functionality and support more use cases over time. We consider use cases currently served by suboptimal access should be prioritised for development of standards to facilitate the transition to bank APIs as quickly as possible. We also expect API providers to engage with third parties and deliver bespoke APIs for some edge use cases. For the minority of use cases where this is not possible, we expect the use case to cease by the sunset date.
26. We estimate less than 10% of suboptimal access is for customers of the banks not offering APIs.⁸ The smaller banks will need to join the ecosystem for open banking to thrive and for all New Zealand bank customers to enjoy the benefits of open banking. We want to see suboptimal access for customers of the smaller banks transition to bank APIs as each bank delivers the functionality via APIs.

Requirements for a hybrid model

27. We now consider there are several requirements for a hybrid model to successfully support an orderly transition to bank APIs. These are:
 - 27.1 Successful delivery of bank APIs.
 - 27.2 Sunset date for all suboptimal access methods – we propose sometime in 2028.
 - 27.3 Deadlines for entities using suboptimal access to partner with API providers and transition traffic to bank APIs where available.
 - 27.4 Deadlines for other banks to deploy APIs and join MBIE’s regulated regime – we propose sometime in 2027.
 - 27.5 ‘Sinking lid’ on entities using suboptimal access methods and ring-fenced use cases.
 - 27.6 Banks and third-parties develop bespoke solutions to edge cases.
 - 27.7 Ability for customers to differentiate open banking and suboptimal access.
28. **Successful delivery of bank APIs.** Including both the partnering and deployment aspects of our *minimum requirements for open banking to thrive*.⁹ A hybrid model relies on bank APIs being in market and third parties being able to use the APIs.
29. **Sunset date for all suboptimal access methods – we propose sometime in 2028.** From the sunset date all banks may turn off suboptimal access on the interbank

⁸ Based on customer coverage and information provided by industry, including banks and third-parties.

⁹ See below, beginning para 45.

payment network.¹⁰ This includes banks currently without APIs in market and suboptimal access for functionalities not provided for by the standardised APIs.

30. Suboptimal access is not in the long-term interest of consumers or widespread open banking adoption. We have heard from participants that a sunset date would focus efforts and provide a target for industry to work towards.
31. We expect the sunset date to be at least six months after all banks deliver the APIs.
32. **Deadlines for entities using suboptimal access to partner with API providers and transition traffic to bank APIs.** We consider it may be appropriate for API providers to allow entities using suboptimal access up-to six months to become accredited and begin transitioning traffic to bank APIs once the CDR accreditation regime is operational.¹¹
33. As API providers deliver functionality via APIs (and entities using suboptimal access methods can use the bank APIs) there should be deadlines for third-parties to transition traffic to each bank's APIs; ie, a functionality timed deadline, 'six-months after each use case is supported by the bank's APIs the third-party will have migrated all relevant traffic to the bank's APIs'.
34. Banks should not unilaterally impose deadlines and should work with entities using suboptimal access methods to agree deadlines.
35. **Sinking lid on entities using suboptimal access methods and ring-fenced use cases.** No new third-parties should be permitted to begin using suboptimal access, and no additional use cases to what is currently in market should be supported via suboptimal access.
36. This includes open banking third parties who do not currently use suboptimal access methods. This acknowledges the certainty provided by the CPD Act as well as the pressure entities using suboptimal access methods have exerted on the banks to deliver the standardised APIs.
37. **Deadline for other banks¹² to deploy APIs – we propose 2027.**¹³ The smaller banks need to join the ecosystem for open banking to thrive and all New Zealand bank customers to enjoy the benefits of open banking. MBIE's CDR regime provides for the smaller banks and other deposit takers to opt into the regulatory regime.
38. The costs for smaller banks to build APIs are proportionately more than the costs faced by the larger banks. The smaller banks delivering standardised APIs by 30 May

¹⁰ We expect to work closely with industry and MBIE in the lead up to the sunset date. We also note NBDTs and others, such as fintechs, will likely need to become API providers in time.

¹¹ Similar deadlines may be appropriate as each of the smaller banks deliver APIs to market and/or join MBIE's regulatory regime.

¹² We expect this to include the banks who have implemented Confirmation of Payee.

¹³ 30 May 2027 for payment initiation APIs and 30 Nov 2027 for account information APIs.

2027 continues the staggered approach to banks implementing APIs¹⁴ and acknowledges several elements of delivering APIs have become easier with the established API standards, an emerging marketplace, and a more certain regulatory environment.

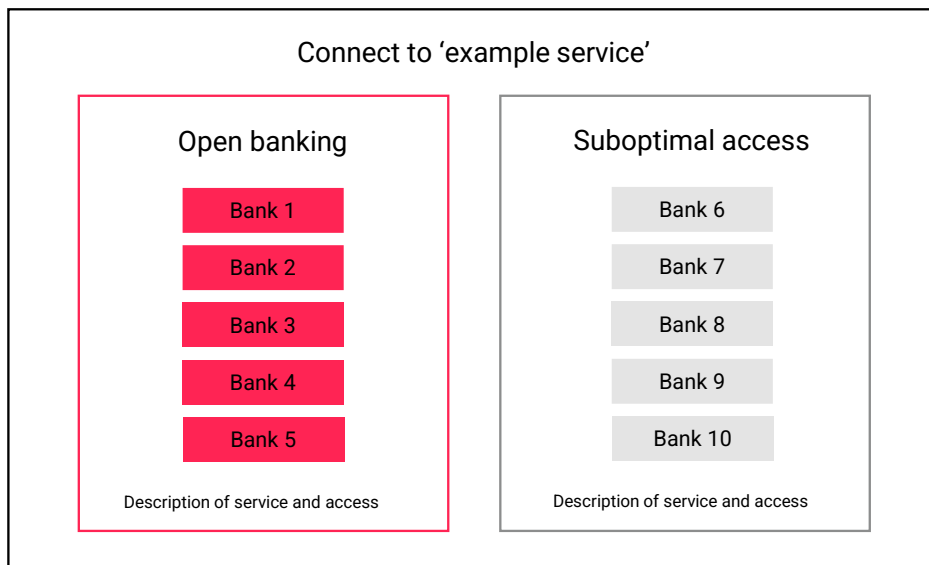
39. We expect some, or all, smaller banks could work collaboratively to deliver the standardised APIs.¹⁵ Similar collaboration has been done in the past and would need careful management, we can work with the smaller banks and MBIE to address any competition issues that may arise.¹⁶
40. **Banks and third-parties develop bespoke solutions to edge cases.** Industry works to facilitate difficult aspects of the transition, including key use cases not currently supported by the standardised APIs and challenges relating to optional elements of the standardised APIs.
41. We expect this will require:
 - 41.1 bespoke APIs;
 - 41.2 additional functionality in future versions of the standardised APIs; and
 - 41.3 non-API solutions.¹⁷
42. Banks and third-parties should regularly update the API Centre on progress. Other API Centre members should be able to access the same solutions.
43. **Differentiated access between open banking and suboptimal access.** Industry should establish a standardised way for third-parties using suboptimal access during the transition phase to differentiate open banking and suboptimal access for consumers. This must be clear for consumers and avoid being overly arduous for entities using suboptimal access methods.
 - 43.1 We expect this can be addressed in the API Centre's customer experience guidelines.
44. Suboptimal access requires consumers to provide their login credentials to third-parties which introduces risk and violates banks' terms and conditions. These risks should be clearly articulated to consumers.

¹⁴ Kiwibank's delayed deadline to meet the API Centre's minimum implementation plan.

¹⁵ See para 71 for more detail.

¹⁶ Industry should get in touch with us prior to any collaboration that may raise competition concerns.

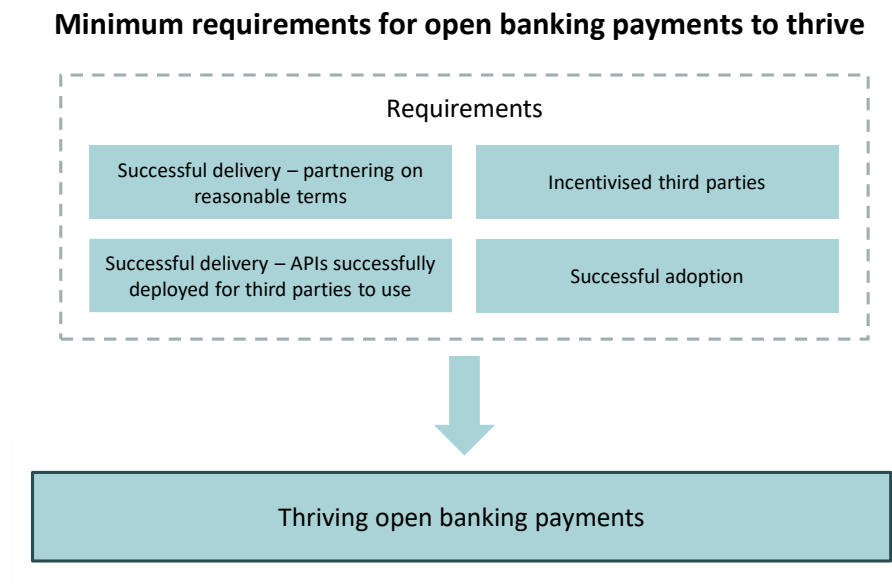
¹⁷ For clarity, this does not include continued suboptimal access beyond the transition period.

Example differentiated (hybrid) access¹⁸

¹⁸ We expect differentiated access can be presented to consumers relatively easily.

Minimum requirements for open banking payments to thrive

45. We've previously published our views on the *minimum requirements for open banking to thrive* and have heard this has been helpful to set a direction for the sector.¹⁹ We've updated our views with one key change adding a requirement for participants to deliver all elements of a successful hybrid model (para 57) and streamlined other requirements.
46. We expect these minimum requirements to be met through a mixture of industry work and the CDR regime. We have largely kept sections of our requirements that will be addressed by the CDR regime as some open banking is likely to occur outside of the CDR regime i.e. via bespoke APIs or non-regulated standardised APIs. For clarity, requirements under the CDR regime should supersede our expectations if there is any conflict (which we expect to be minimal).



Incentivised third party providers

47. Third party providers are incentivised to develop products and services for consumers and merchants using APIs.

APIs successfully deployed for third parties to use

48. **API functional design:** The functionality of the API standards, and therefore the APIs built by the banks, should allow for use cases that are currently serviced by suboptimal access methods (for example, screen scraping or reverse engineered mobile APIs) to encourage providers to switch to using APIs. This functionality should be available for a wide range of bank account types.
49. **API non-functional design:** The non-functional aspects of APIs are as important as the functionality of the API standards, however not all of them are mandatory, or of

¹⁹ In February, August, and December last year we published our view on the minimum requirements. Our Market Study into personal banking also discussed the minimum requirements.

sufficient quality to allow commercially viable API enabled payment products. These aspects that should be standardised, mandatory, and of sufficient quality include:

- 49.1 API performance, testing, monitoring and transparent reporting;
 - 49.2 customer experience; and
 - 49.3 payment limits.
50. **Standardisation:** There should be mandatory standardisation of APIs across the banks in terms of functionality and the non-functional aspects.
51. **API deployment:** The APIs should be deployed by the banks in a timely manner, including by the smaller banks and the non-bank deposit takers (**NBDTs**) to follow.
52. **API current state:** Transparent reporting on banks' delivery of APIs and the level of API use.
53. **API future state:** There should be transparent current and future plans that evolve in-line with innovations to support third party payment providers investment decisions for developing new use cases. These plans should cover:
- 53.1 where the API functionality design is heading;
 - 53.2 where the API non-functional design is heading; and
 - 53.3 when the banks will deploy these designs.

Third parties are able to use the APIs on reasonable commercial terms

54. **Onboarding criteria:** The minimum onboarding criteria is standardised across banks and is reasonable and not unduly onerous on third party payment providers.
55. **Partnering process:** There is a transparent and standardised accreditation process recognised by all API providers. There are standard terms and conditions of partnering, and API providers can onboard new partners within a short time. Bilateral partnering processes and negotiations between banks and third party payment providers continue in the interim.
56. **Transition to bank APIs:** API providers facilitate a hybrid model for the transition period. Participants deliver all elements of the requirements for a successful hybrid model.²⁰
57. **Pricing characteristics:** Access pricing for the use of APIs, including API call fees:

²⁰ As outlined above on pages 5-8.

- 57.1 **Price level:** Open banking API fees are set low/discounted during the development phase of the market to foster uptake. In the long-term, fees are cost-reflective and decreasing over time as economies of scale are realised.
- 57.2 **Price structure:** API fees support different third-party business models across a range of transaction values.
- 57.3 **Price standardisation:** Price models and structures should be standardised across banks to support standardised access terms for third parties.
- 57.4 **Price transparency:** Standard pricing is transparent, including where different pricing structures are applied. In bilateral discussions, price terms are disclosed as a key aspect of commercial negotiations and not withheld until other terms are agreed.

Successful adoption of open banking payments

- 58. **Confidence and adoption:** Consumers and merchants demand and adopt these API enabled products and services and have the confidence and trust to switch to them from existing payment products.
- 59. **Digital wallet access:** Consumers and merchants have the possibility to make and receive payments contactlessly through devices such as Apple and Android devices.
- 60. **Gateway/e-commerce platform access:** Gateway providers enable at least one open banking provider to support businesses to offer a range of payment solutions. Merchants must be able to offer open banking solutions for consumers to have the possibility of using them.
- 61. **Government is an early adopter:** Government is an early adopter of open banking and takes an all-of-government approach to adopting payments enabled by open banking functionality. For example, by supporting new payment methods for taxes, welfare and Government services such as vehicle licensing.
- 62. **Availability of low cost in-person payments options as alternatives to Eftpos:** The development and adoption of new, safe, low cost and accessible open banking payment solutions, includes the adoption of viable alternatives for traditional Eftpos to compete with Mastercard and Visa.

Our reasons for the requirements and industry perspectives on the transition

Industry led transition is underway but is disorderly

- 63. All four major banks have now partnered with at least one entity using suboptimal access methods. However, BNZ has not partnered with any entities who would continue to use suboptimal access for use cases not yet supported by bank APIs.
- 64. The bilateral agreements between these entities and banks are shaping the transition. The agreements include terms that address various issues such as; bespoke solutions to provide functionality that is either not mandatory in the standards or not supported by the current standards, as well as deadlines for third-parties to transition traffic to bank APIs.

Our position largely has not changed

- 65. Following targeted engagement with industry we are updating our expectations.

Bank owned services have a competitive advantage compared to fintech services

- 66. The banks have begun to roll out their own open banking services which will provide support to the emerging payment network. However, bank owned products will have ready access to other payment channels placing fintechs at a competitive disadvantage, as fintechs don't have the same access to other payment channels.
 - 66.1 Eg, Payap (a bank owned open banking product) is set to be rolled out and has access to scheme networks as well as open banking. This means Payap has near-ubiquitous coverage of New Zealand consumers which purely open banking fintechs will not have in the short to medium term.
- 67. A hybrid model does not solve this competitive imbalance but will enable some competitive pressure on bank owned products as open banking begins.

*We understand there are five known entities using suboptimal access methods at scale*²¹

- 68. One entity has partnered with all four major banks to use the banks APIs, another has partnered with three of the four major banks.
- 69. Some of the major banks are already not permitting new entities to begin screen scraping. We support this prohibition as the major banks have delivered APIs and are partnering with third parties to use the APIs.

²¹ Given the nature of suboptimal access methods it is possible there are other entities, however, it is unlikely another entity is using suboptimal access at scale.

There is currently no timeline for the smaller banks and other deposit takers to deliver APIs

70. We are concerned without deadlines and a coordinated approach, some smaller banks may further delay joining the open banking ecosystem. This would risk:
- 70.1 smaller bank customers missing out on the benefits of open banking; and
 - 70.2 further entrenching the two-tiered retail banking marketplace.
71. There may be more efficient ways for the smaller banks to join the open banking ecosystem, such as joint contracting, sharing resource, and/or leveraging the APIs delivered by the largest banks.²²

There are a range of positions across industry

72. Most of the four largest banks are progressing the transition to bank APIs in line with our December 2024 'Update on open banking progress'. One of these banks noted,
- We support the concept of a hybrid model to enable [an] orderly transition. We have proactively approached each of our known third parties utilising suboptimal access methods and are constructively working with each of them to understand their use cases and agree a timely transition plan. It is important to note however, that there are a material number of suboptimal use cases that are unable to be fully met by the currently published API Centre standards and will require custom solutions to enable migration.
73. Some fintechs who do not use suboptimal access methods have opposed a hybrid or elements of a hybrid model. They consider a hybrid model would legitimise, confuse consumers, lead to more suboptimal access, and disadvantage purely open banking products compared to entities using suboptimal access.
74. Some fintechs, including entities using suboptimal access, support a hybrid model to progress the transition to bank APIs.

Our response to industry perspectives

75. We consider a hybrid model is needed in the short term, despite suboptimal access not being in the long-term interests of consumers. We acknowledge industry's concerns about legitimising and incentivising greater suboptimal access. We consider these concerns can be addressed by a well-defined hybrid model and transition plan.
76. We acknowledge the concerns from some purely open banking fintechs that they will be at a disadvantage. We consider any competitive disadvantage to likely be relatively minor as well as being somewhat offset by greater consumer and industry trust due to exclusively using bank APIs. Once Kiwibank joins the open banking ecosystem next year, approximately 90% of eligible New Zealand bank accounts can use open banking. The likely disadvantage is also limited by the transition period being for a defined time period.

²² Industry should get in touch with us prior to any collaboration that may raise competition concerns.